

REVIEWED

By SLGFD at 4:36 pm, Feb 24, 2022

Town of Grantsboro

FINANCIAL STATEMENTS

June 30, 2021





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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Town Council
Town of Grantsboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Grantsboro, North Carolina (the "Town"), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Grantsboro, North Carolina. The individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, other schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund statements, budgetary schedules, other schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022 on our consideration of Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, P.L.L.C.

New Bern, North Carolina
February 18, 2022

Town of Grantsboro Management's Discussion and Analysis

As management of the Town of Grantsboro (the "Town"), we offer readers of the Town's financial statements this narrative overview of the financial activities of the Town for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$1,488,141 (*net position*).
- The government's total net position increased by \$782,664, primarily due to an increase in capital project funding.
- As of the close of the current fiscal year, the Town of Grantsboro's governmental funds reported combined ending fund balances of \$248,234, with a net increase of \$22,812 in fund balance. Approximately 3.20% of this total amount, or \$7,940 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$240,294, or 477.15% of total general fund expenditures for the fiscal year.

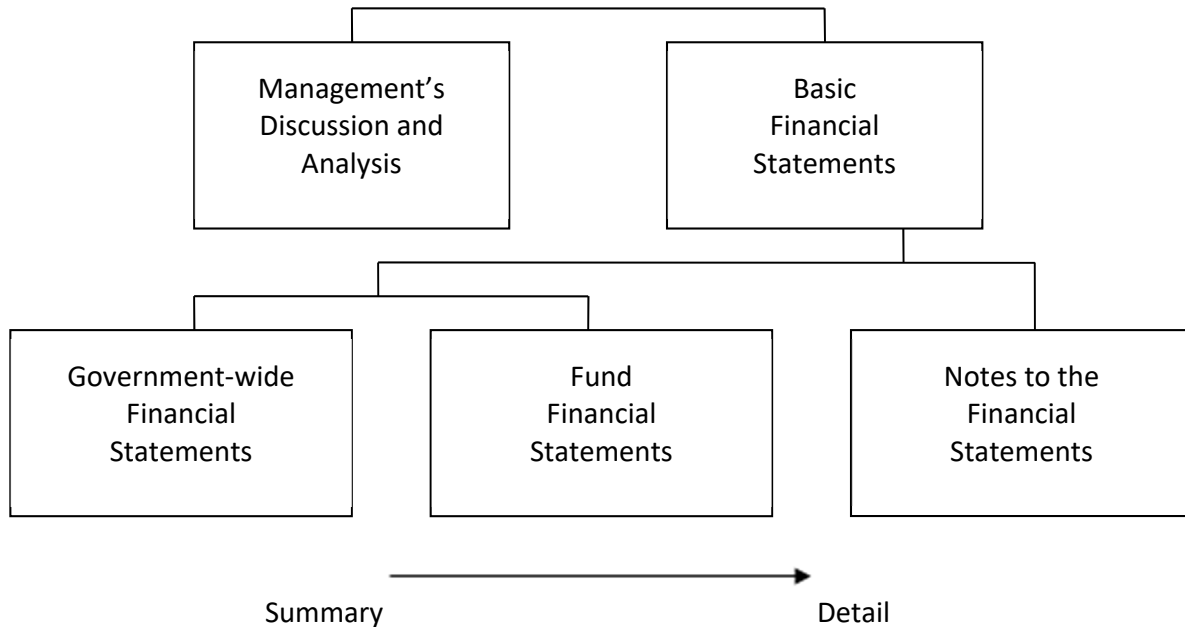
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Grantsboro's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Grantsboro.

Town of Grantsboro Management's Discussion and Analysis

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (*Exhibits 1 and 2*) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (*Exhibits 3 through 5*) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statement; and 2) the budgetary comparison statement.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, the **Supplemental Information** is provided to show details about the Town's individual funds budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Analysis

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

Town of Grantsboro Management's Discussion and Analysis

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements consist of the governmental activities. The governmental activities include most of the Town's basic services such as general administration and economic and physical development. Property taxes and state and federal grant funds finance most of these activities.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (*see Figure 1*) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (*or non-compliance*) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. The Town's sole fund is considered a governmental fund.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in the governmental fund. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Town of Grantsboro Management's Discussion and Analysis

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 17 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-wide Financial Analysis

Town of Grantsboro's Net Position

	Governmental Activities	
	2021	2020
Current and other assets	\$ 371,049	\$ 229,718
Capital assets	1,236,240	476,667
Total assets	1,607,289	706,385
Current liabilities	119,148	908
Total liabilities	119,148	908
Net investment in capital assets	1,236,240	476,667
Restricted net position	7,940	7,465
Unrestricted net position	243,961	221,345
Total net position	\$ 1,488,141	\$ 705,477

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$1,488,141 as of June 30, 2021. The Town's net position increased by \$782,664 for the fiscal year ended June 30, 2021. However, a large portion (83.07%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$7,940 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$243,961 is unrestricted.

Town of Grantsboro Management's Discussion and Analysis

Town of Grantsboro's Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 250	\$ -
Capital grants and contributions	771,153	92,508
General revenues:		
Property taxes	34,492	30,344
Other taxes	37,327	37,223
Investment earnings	1,382	1,086
Other revenues	-	1,726
Total revenues	844,604	162,887
Expenses:		
General government	61,940	60,495
Total expenses	61,940	60,495
Increase in net position	782,664	102,392
Net position, beginning	705,477	603,085
Net position, ending	\$ 1,488,141	\$ 705,477

Several particular aspects of the Town's financial operations influenced the total unrestricted governmental net position:

- Increase in property tax revenues and other taxes
- Increase in capital grants and contributions

Governmental activities: Governmental activities increased the Town's net position by \$782,664.

Financial Analysis of the Town of Grantsboro

As notes earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Town of Grantsboro Management's Discussion and Analysis

Governmental Fund. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$240,294, while total governmental fund balance reached \$247,544. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The Town currently has an available fund balance of 477.15% of total General Fund expenditures, and total fund balance represents 491.55% of the same amount.

General Fund Budgetary Highlights: Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Capital Assets. As of June 30, 2021, the Town's investment in capital assets for its governmental activities totals \$1,236,240 (net of accumulated depreciation). These assets include land, buildings and improvements, machinery, and equipment.

Town of Grantsboro's Capital Assets (net of depreciation)

	Governmental Activities	
	2021	2020
Land	\$ 90,000	\$ 90,000
Construction in progress	950,837	179,684
Buildings	101,156	105,844
Equipment	1,946	3,244
Sidewalks	92,301	97,895
Total assets	\$ 1,236,240	\$ 476,667

Major capital asset transactions during the year include the following:

- Continued construction on sanitary sewer project

Additional information on the Town's capital assets can be found in Note 3 of the basic financial statements.

Town of Grantsboro Management's Discussion and Analysis

Sanitary Sewer Project

The Town has received \$2,000,000 in 2017 CDBG-I funds to extend sewer lines and install low pressure sewer tanks/pumps for residents along NC 306 N to the Town limits to eliminate failing private septic systems. After completion the lines will be transferred to the Bay River Metropolitan Sewerage District (District) who currently provides public sewer to other areas of the Town.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town. The Town has high unemployment, an aged population, no industrial development, and very little retail business. These factors help to create a situation where the Town's customer base is eroded. The resulting ratio of expenses versus revenues creates a difficult situation in keeping rates and fees low while maintaining an adequate level of service. In addition, most residents are on a fixed income.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Tax revenues along with other general fund revenues are expected to remain constant and no property tax rate increase is being considered at this time.

Request for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Grantsboro, PO Box 174, Grantsboro, NC 28529.

Town of Grantsboro
Statement of Net Position
June 30, 2021
Exhibit 1

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 241,989
Taxes receivable (net)	3,667
Accounts receivable (net)	118,143
Due from other governments	7,250
Capital assets:	
Land and construction in progress	1,040,837
Capital assets, net of depreciation	195,403
Total assets	1,607,289
LIABILITIES	
Accounts payable and accrued liabilities	119,148
Total liabilities	119,148
NET POSITION	
Net investment in capital assets	1,236,240
Restricted for:	
Stabilization by State Statute	7,250
Economic and physical development	690
Unrestricted	243,961
Total net position	\$ 1,488,141

The accompanying notes are an integral part of these financial statements.

Town of Grantsboro
Statement of Activities
For the Year Ended June 30, 2021
Exhibit 2

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activiites	
Primary government:						
Governmental activities:						
General government	\$ 61,940	\$ 250	\$ -	\$ -	\$	(61,690)
Economic and physical development	-	-	-	771,153		771,153
Total governmental activities	\$ 61,940	\$ 250	\$ -	\$ 771,153		709,463

General revenues:

Taxes:	
Property taxes, levied for general purposes	34,492
Other taxes	37,327
Investment earnings	1,382
Total general revenues	73,201
Change in net position	782,664
Net position - beginning	705,477
Net position - ending	\$ 1,488,141

The accompanying notes are an integral part of these financial statements.

Town of Grantsboro
Balance Sheet – Governmental Funds
June 30, 2021
Exhibit 3

	General	Sanitary Sewer Project Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 241,299	\$ 690	\$ 241,989
Accounts receivable	-	118,143	118,143
Ad valorem taxes receivable	3,667	-	3,667
Due from other governments	7,250	-	7,250
Total assets	\$ 252,216	\$ 118,833	\$ 371,049
Liabilities			
Accounts payable and accrued liabilities	\$ 1,005	118,143	\$ 119,148
Total liabilities	1,005	118,143	119,148
Deferred Inflows of Resources			
Property tax receivable	3,667	-	3,667
Fund Balances			
Restricted			
Stabilization of State Statute	7,250	-	7,250
Economic and Physical Development	-	690	690
Unassigned	240,294	-	240,294
Total fund balances	247,544	690	248,234
Total liabilities, deferred inflows of resources and fund balances	\$ 252,216	\$ 118,833	\$ 371,049
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position			
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Total fund balances - governmental funds			\$ 248,234
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Governmental capital assets		\$ 1,341,628	
Less accumulated depreciation and amortization		<u>(105,388)</u>	1,236,240
Earned revenues considered deferred inflows of resources in the fund statements			3,667
Net position of governmental activities			\$ 1,488,141

The accompanying notes are an integral part of these financial statements.

Town of Grantsboro
Statement of Revenues, Expenditures, and Changes
In Fund Balances – Governmental Funds
For the Year Ended June 30, 2021
Exhibit 4

	General	Sanitary Sewer Project Fund	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 34,213	\$ -	\$ 34,213
Unrestricted intergovernmental	37,327	-	37,327
Restricted intergovernmental	-	771,153	771,153
Sales and service	250	-	250
Investment earnings	1,382	-	1,382
Total revenues	73,172	771,153	844,325
Expenditures			
Current:			
General government	50,360	-	50,360
Economic and physical development	-	771,153	771,153
Total expenditures	50,360	771,153	821,513
Net change in fund balances	22,812	-	22,812
Fund balances - beginning	224,732	690	225,422
Fund balances - ending	\$ 247,544	\$ 690	\$ 248,234

The accompanying notes are an integral part of these financial statements.

Town of Grantsboro
Statement of Revenues, Expenditures, and Changes
In Fund Balances – Governmental Funds
For the Year Ended June 30, 2021
Exhibit 4

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	22,812
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay expenditures that were reported as construction in progress		771,153
Depreciation expense for governmental assets		(11,580)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund

Change in unavailable revenue for tax revenues		279
Total changes in net position of governmental activities	\$	782,664

The accompanying notes are an integral part of these financial statements.

Town of Grantsboro
Statement of Revenues, Expenditures, and Changes
In Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2021
Exhibit 5

	General Fund				
	Original Budget	Final Budget	Actual Amounts		Variance with Final Budget - Positive
Revenues					
Ad valorem taxes	\$ 31,000	\$ 31,000	\$ 34,213	\$	3,213
Unrestricted intergovernmental	36,500	36,500	37,327		827
Sales and service	100	100	250		150
Investment earnings	1,300	1,300	1,382		82
Total revenues	68,900	68,900	73,172		4,272
Expenditures					
Category					
General government	68,900	68,900	50,360		18,540
Total expenditures	68,900	68,900	50,360		18,540
Net change in fund balance	\$ -	\$ -	\$ 22,812	\$	22,812
Fund balances - beginning			224,732		
Fund balances - ending			\$ 247,544		

The accompanying notes are an integral part of these financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Grantsboro (the “Town”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation governed by an elected mayor and a five-member council.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for the each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town’s fund.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, local option sales taxes, Federal and state grants and various other taxes and licenses. The primary expenditures are for general government.

Sanitary Sewer Project Fund. This fund is used to account for the construction of the Town’s sewer expansion and development system.

C. Measurement Focus, Basis of Accounting and Financial Presentations

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicle are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Pamlico County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Information

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Sanitary Sewer Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Assets, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)], authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted maturity of less than 90 days, it is presented as an investment with a maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Cash and Cash Equivalents

All cash is essentially demand deposits and are considered cash and cash equivalents.

3. Ad Valorem Taxes Receivables

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	20-40
Improvements	10-20
Furniture and equipment	5-10
Vehicles	4-5

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future periods and so will not be recognized as an expense or expenditure until then. The Town did not have any items meeting this criteria. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until that time. The Town has one item that meets the criteria for this category - property taxes receivable.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources and principal payments as debt service expenditures.

7. Net Position/Fund Balance

Net Position

Net position in government-wide financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are externally imposed either by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statutes.

Fund Balance

In the governmental fund financial statements, fund balance is composed of two classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining which portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is which is known as "Restricted by State Statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted fund balance on the face of the balance sheet.

Restricted for Economic and Physical Development – portion of fund balance that is restricted for economic and physical development.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bonds proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

8. Recently Issued Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements;

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

The Town is evaluating the requirements of the above statements and the impact on reporting.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Noncompliance with North Carolina General Statutes

The Town is in violation of N.C.G.S. 159-34(a) and 159-33.1 which states that each local government shall have its accounts audited as soon as possible after the close of each fiscal year. The Town's annual audit was submitted late due to change of auditor from prior year and single audit requirement that was later added. The Town will continue to review their procedures and policies to ensure the annual audit is submitted in a timely manner in the future.

Note 3: DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly insured.

At June 30, 2021, the Town's deposits had a carrying amount of \$241,989 and a bank balance of \$241,963. Of the bank balance, the entire amount was covered by federal depository insurance.

Town of Grantsboro
Notes to Financial Statements

Note 3: DETAIL NOTES ON ALL FUNDS (Continued)

2. Capital Assets

The following is a summary of changes in capital assets during the year ended June 30, 2021:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 90,000	\$ -	\$ -	\$ 90,000
Construction in progress	179,684	771,153	-	950,837
Total capital assets not being depreciated	269,684	771,153	-	1,040,837
Capital assets being depreciated:				
Buildings	174,156	-	-	174,156
Sidewalks	111,880	-	-	111,880
Equipment	14,755	-	-	14,755
Total capital assets being depreciated	300,791	-	-	300,791
Less accumulated depreciation for:				
Buildings	68,312	4,688	-	73,000
Sidewalks	13,985	5,594	-	19,579
Equipment	11,511	1,298	-	12,809
Total accumulated depreciation	93,808	\$ 11,580	\$ -	105,388
Total capital assets being depreciated, net	<u>206,983</u>			<u>195,403</u>
Governmental activities capital assets net	<u>\$ 476,667</u>			<u>\$ 1,236,240</u>

Depreciation expense was allocated to the functions/programs in the statement of activities as follows:

General government	\$ 11,580
Total depreciation expense	<u>\$ 11,580</u>

Town of Grantsboro
Notes to Financial Statements

Note 3: DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Deferred Inflows of Resources

Deferred inflows of resources at year-end is comprised of the following:

Taxes receivable, less penalties	\$	3,667
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C. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total Fund Balance - General Fund	\$ 247,544
Less:	
Stabilization by State Statute	7,250
Remaining Fund Balance	\$ 240,294

Note 4: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for risks of loss. Settled claims have not exceeded coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000 each.

Note 5: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Note 6: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 18, 2022, the date which the financial statements were available to be issued.

Town of Grantsboro
Schedule of Revenue, Expenditures, and Changes
In Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes			
Taxes		\$ 34,213	
Total	\$ 31,000	34,213	\$ 3,213
Unrestricted intergovernmental			
Local option sales tax		13,175	
Utility franchise tax		21,253	
Beer and wine tax		2,899	
Total	36,500	37,327	827
Sales and services			
Zoning permits		250	
Total	100	250	150
Investment earnings	1,300	1,382	82
Total revenues	68,900	73,172	4,272

Town of Grantsboro
Schedule of Revenue, Expenditures, and Changes
In Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government			
Administration			
Salaries and benefits		8,049	
Utilities		12,003	
Professional services		6,662	
Repairs & maintenance		7,362	
Dues & subscriptions		4,487	
Other expenditures		4,146	
Insurance & bonds		3,339	
Telephone		1,830	
Advertising		1,779	
Supplies		703	
Total general government	68,900	50,360	18,540
Total expenditures	68,900	50,360	18,540
Net change in fund balances	\$ -	22,812	\$ 22,812
Fund balances, beginning		224,732	
Fund balances, ending		\$ 247,544	

Town of Grantsboro
Schedule of Revenue, Expenditures, and Changes
In Fund Balances – Budget and Actual
Sanitary Sewer Project
For the Year Ended June 30, 2021

		Actual			Variance
	Project				Favorable
	Authorization	Prior Years	Current Year	Total To Date	(Unfavorable)
REVENUES					
CDBG-I Grant	\$ 2,000,000	\$ 179,684	\$ 771,153	\$ 950,837	\$ (1,049,163)
Total revenues	2,000,000	179,684	771,153	950,837	(1,049,163)
EXPENDITURES					
Economic and physical development					
Construction	1,743,000	-	676,806	676,806	1,066,194
Rehabilitation	57,000	-	-	-	57,000
Administration	200,000	179,684	94,347	274,031	(74,031)
Total expenditures	2,000,000	179,684	771,153	950,837	1,049,163
OTHER FINANCING SOURCES					
Transfers from General Fund	-	690	-	690	690
Total other financing sources	-	690	-	690	690
Revenues and other financing sources over (under) expenditures	\$ -	\$ 690	\$ -	\$ 690	\$ 690

Town of Grantsboro
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 34,906	\$ 33,805	\$ 1,101
2019-2020	1,142	11	532	621
2018-2019	651	11	221	441
2017-2018	419	-	127	292
2016-2017	316	-	42	274
2015-2016	292	-	81	211
2014-2015	190	-	47	143
2013-2014	242	-	29	213
2012-2013	198	-	8	190
2011-2012	189	-	7	182
2010-2011	163	-	163	-
	<u>\$ 3,802</u>	<u>\$ 34,928</u>	<u>\$ 35,062</u>	<u>3,668</u>
Less: allowance for uncollectible amounts				<u>-</u>
Ad valorem taxes receivable - net				<u><u>\$ 3,668</u></u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 34,213
Releases and adjustments				<u>849</u>
Total collections and credits				<u><u>\$ 35,062</u></u>

Town of Grantsboro
Analysis of Current Tax Levy
For the Year Ended June 30, 2021

				<u>Total Levy</u>		
	Property	Rate per		Property	Registered	Registered
	Valuation	\$100	Total Levy	excluding	Motor Vehicles	Motor Vehicles
				Registered		
				Motor Vehicles		
Original Levy:						
Property taxed at current						
year's tax rate	\$ 69,811,095	\$ 0.05	\$ 34,906	\$ 31,480	\$ 3,426	
Total property valuation	<u>\$ 69,811,095</u>					
Net levy			34,906	31,480	3,426	
Uncollected taxes at June 30, 2021			1,101	1,101	-	
Current year's tax collected			<u>\$ 33,805</u>	<u>\$ 30,379</u>	<u>\$ 3,426</u>	
Current levy collection percentage			<u>96.85%</u>	<u>96.50%</u>	<u>100.00%</u>	

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Town Council
Town of Grantsboro, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Grantsboro, North Carolina (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated February 18, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items (2021-1) that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Grantsboro's Response to Findings

The Town's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Rigg & Ingram, P.L.L.C.

New Bern, North Carolina
February 18, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE
AUDIT IMPLEMENTATION ACT**

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Town Council
Town of Grantsboro, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Grantsboro, North Carolina's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2021. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and State statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (uniform Guidance); and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Grantsboro, North Carolina, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Town of Grantsboro, North Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carr, Rigg & Ingram, P.L.L.C.

New Bern, North Carolina
February 18, 2022

Town of Grantsboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified? Yes
 - c. Noncompliance material to the financial statements noted? No

Federal Awards:

1. Type of auditors' report issued on compliance for major federal programs Unmodified
2. Internal control over major programs:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified? None reported
3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? None reported
4. Identification of major federal programs:

CFDA # / Assistance
Listing Number

Name of Federal Program

14.228

Community Development Block Grants/State's
 Program and Non-Entitlement Grants in Hawaii

5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
6. Auditee qualified as low-risk auditee? No

Town of Grantsboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding: 2021-1 Noncompliance with North Carolina General State Statute

Criteria: North Carolina G.S. 159-34(a) and G.S. 159-33.1 states that the unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year.

Condition: The Town had a change in auditor this year. In addition, a federal single audit was required. As such, additional time was required to prepare and gather supporting documentation.

Effect: The Town's annual audit was not completed in a timely manner.

Cause: A change in auditor and the addition of a federal single audit caused delays in the audit process.

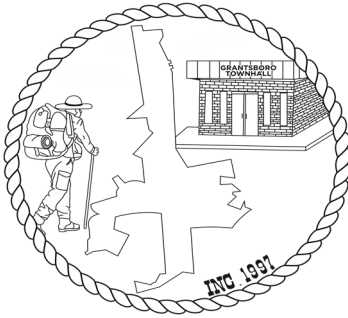
Recommendation: The Town should continue to review their procedures and policies to ensure documentation is readily available to allow the audit to be completed timely.

Management Response: The Town agrees with this finding and has set forth a corrective action plan.

SECTION III – FEDERAL AWARD FINDINGS

None reported

**Town of Grantsboro
Corrective Action Plan
For the Year Ended June 30, 2021**



TOWN OF GRANTSBORO

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SECTION II – FINANCIAL STATEMENT FINDINGS

Finding: 2021-1 Noncompliance with North Carolina General State Statute

Name of contact person: Ray Lewis, Town Clerk

Corrective action: The Town will review its policies and procedures to ensure documentation is readily available. In addition, the Town will closely monitor their reporting requirements.

Proposed completion date: The Town has implemented the procedures.

SECTION III – FEDERAL AWARD FINDINGS

None reported

Town of Grantsboro
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS

None reported

Town of Grantsboro
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Agency Pass-through Grantor Program Title	Federal CFDA Number	Contract/ Grant Number	Federal (Direct and Pass-through) PaExpenditures	Provided to Subrecipients
Federal Awards				
Department of Housing and Urban Development				
Passed through NC Department of Environmental Quality				
Division of Water Infrastructure				
Community Development Block Grant/State's Program				
and Non-Entitlement Grants in Hawaii	14.228	17-I-2964	\$ 771,153	\$ -
Total Expenditures of Federal Awards			\$ 771,153	\$ -

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the Town of Grantsboro under the programs of the federal government for the year ended June 30, 2021. The information in this SEFA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*. Because the schedule presents only a selected portion of the operations of the Town of Grantsboro, it is not intended to and does not present the financial position or changes in net position of the Town of Grantsboro.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 4: Indirect Cost Rate

The Town of Grantsboro has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Note 3: Noncash assistance

The Town did not receive any noncash assistance, federally funded insurance, free rent, etc.