



***REVIEWED***

*By SLGFD at 2:34 pm, Jun 16, 2022*

## **Town of Grimesland**

### **FINANCIAL STATEMENTS**

**June 30, 2021**



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## **INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Grimesland, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Grimesland, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof 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.

## **Emphasis of Matter**

As discussed in Note VII to the financial statements, the Town recorded restatements within the government activities, the business-type activities, the general fund, and the proprietary fund opinion units. Our opinions are not modified with respect to this matter.

## **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 – 12 and the Local Government Employees' Retirement System's Schedules of Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 55 and 56 be presented to supplement the basic financial statements. Such information, although not a 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 Town's basic financial statements. The individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate 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 financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2022, on our consideration of the 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 the effectiveness of the Town's 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 the Town's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, P.L.L.C.

Goldsboro, North Carolina  
June 9, 2022

## Town of Grimesland, North Carolina Management's Discussion and Analysis

As management of the Town of Grimesland (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 and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at June 30, 2021 by \$2,913,949 (*net position*)
- The government's total net position decreased by \$91,012, primarily due to operating losses in the business-type activities.
- As of the close of the current fiscal year, the Town's governmental funds reported an ending fund balance of \$308,324, an increase of \$77,767 in comparison with the prior year. Approximately 46% of this amount, or \$141,311, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$141,311, or 41% of total general fund expenditures for the fiscal year.
- At the end of the year, the Town had restricted reserves of \$134,375.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components (see figure 1). They are as follows:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

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.

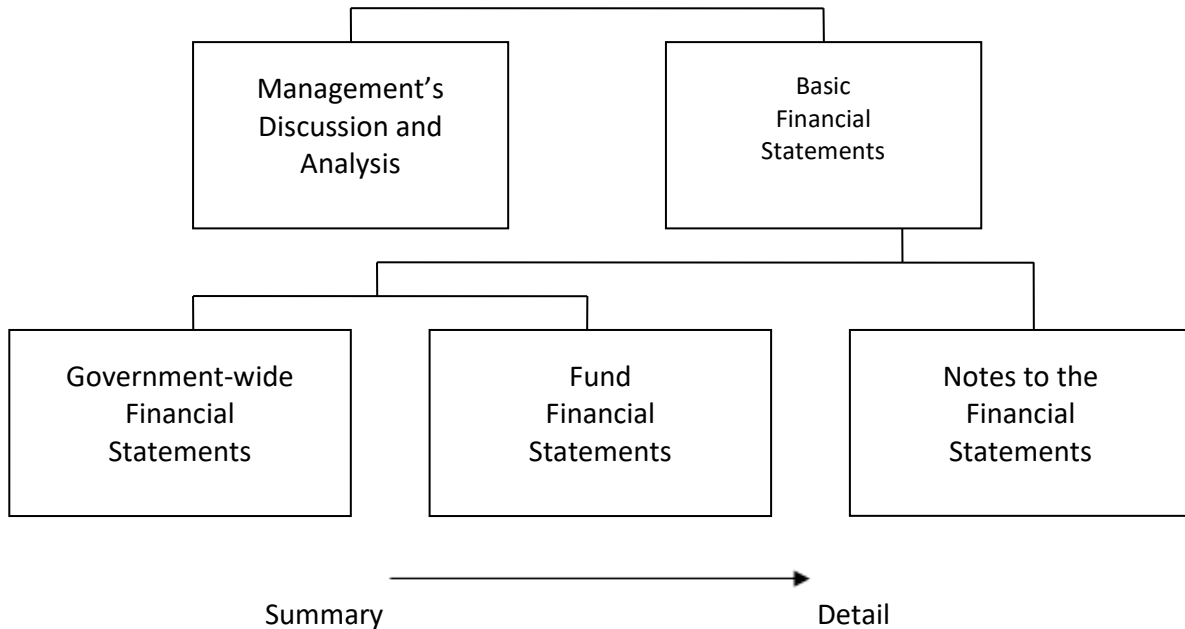
### Basic Financial Statements

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.

## Town of Grimesland, North Carolina Management's Discussion and Analysis

### Required Components of Annual Financial Report

Figure 1



The next statements (Exhibits 3 through 10) 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 three parts to the fund financial statements: 1) the governmental fund statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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 required supplemental information provides information about the Town's participation in the state retirement plan and supplemental information is provided to show details about the Town's individual funds and tax related information. Budgetary information required by the General Statutes can also be found in this part of the statements.

#### Government-wide Financial Statements

The government-wide financial statements consist of two statements. They are the Statement of Net Position and the Statement of Activities. They are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.



## Town of Grimesland, North Carolina Management's Discussion and Analysis

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are primarily supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, transportation, environmental protection, and cultural and recreation. The business-type activities of the Town include water and sewer operations.

The government-wide financial statements can be found on pages 14 and 15 of this report.

### **Fund financial statements**

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 other local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**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 governmental funds. 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*, which 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

## Town of Grimesland, North Carolina Management's Discussion and Analysis

between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds.** The Town's proprietary type funds provide the same type of information found in the government-wide financial statements, but in more detail. The Town uses enterprise funds to account for its water and sewer activity. To account for the difference between the budgetary basis of accounting and the accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary schedule.

The fund financial statements can be found on pages 16 - 24 of this report.

**Notes to the financial statements.** The notes to the financial statements 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 can be found on pages 25 - 53 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 55 - 56 relating to the Town's participation in the Local Government Employees' Retirement System (LGERS). Also accompanying the basic financial statements, notes, and required supplementary information is supplementary information concerning the Town's operations and property taxes. The supplementary information can be found on pages 57 - 64 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.

### Town of Grimesland's Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020 Restated	2021	2020 Restated	2021	2020 Restated
Current and other assets	\$ 319,759	\$ 238,001	\$ 141,432	\$ 173,039	\$ 461,191	\$ 411,040
Capital assets	430,971	388,519	2,483,020	2,638,791	2,913,991	3,027,310
Deferred outflows of resources	27,387	23,942	22,407	19,589	49,794	43,531
Total assets and deferred outflows of resources	778,117	650,462	2,646,859	2,831,419	3,424,976	3,481,881
Current liabilities	9,005	3,053	51,404	43,870	60,409	46,923
Noncurrent liabilities	53,717	24,633	396,901	405,364	450,618	429,997
Total liabilities	62,722	27,686	448,305	449,234	511,027	476,920
Net investment in capital assets	430,971	388,520	2,097,810	2,240,163	2,528,781	2,628,683
Restricted net position	106,105	25,153	28,270	27,540	134,375	52,693
Unrestricted net position	178,319	209,103	72,474	114,482	250,793	323,585
Total net position	\$ 715,395	\$ 622,776	\$ 2,198,554	\$ 2,382,185	\$ 2,913,949	\$ 3,004,961

## Town of Grimesland, North Carolina Management's Discussion and Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$2,913,949 as of June 30, 2021. The Town's net position decreased by \$91,012 for the fiscal year ended June 30, 2021. However, the largest portion of net position (86.8%) reflects the Town's investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt still outstanding that was issued to acquire or construct those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's 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, \$134,375 or 4.6% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$250,793 or 8.6% is unrestricted.

Several aspects of the Town's financial operations influenced its government-wide net position components:

- Grants from Perkins Charitable Foundation and Mildred Sheffield Trust of \$50,000 and \$25,000, respectively for parks and recreation improvements.
- Increase in assessed property value of \$7,853,125 (48%) due to construction of homes in new Summer Place subdivision.

**Governmental activities:** Governmental activities increased the Town's net position by \$92,619. Key elements of this increase are as follows:

- Increase in sales tax revenue of \$18,819 (18.6%).
- Gross receipts tax on rental of heavy equipment in the amount of \$21,634.

**Business-type activities:** Business-type activities decreased the Town's net position by \$183,631. Key elements of this increase are as follows:

- Increase in operating revenues due to increases in the number of water and sewer customers.
- Increases in operating expenditures for water and sewer from 2020 to 2021.

## Town of Grimesland, North Carolina Management's Discussion and Analysis

### Town of Grimesland's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020		2020		2020	
	2021	Restated	2021	Restated	2021	Restated
Revenues:						
Program revenues:						
Charges for services	\$ 48,615	\$ 39,125	\$ 310,338	\$ 294,067	\$ 358,953	\$ 333,192
Operating grants	20,477	12,954	-	-	20,477	12,954
Capital grants	75,000	-	-	-	75,000	-
General revenues:						
Property taxes	114,113	78,850	-	-	114,113	78,850
Other taxes	21,634	-	-	-	21,634	-
Grants and contributions not restricted to specific programs	155,071	134,472	-	-	155,071	134,472
Investment earnings	1,465	3,100	1,000	1,090	2,465	4,190
Other revenues	2,212	19,731	4,100	186	6,312	19,917
Total revenues	438,587	288,232	315,438	295,343	754,025	583,575
Expenses:						
General government	255,970	241,161	-	-	255,970	241,161
Public safety	17,504	-	-	-	17,504	-
Transportation	40,869	23,985	-	-	40,869	23,985
Environmental protection	20,867	17,760	-	-	20,867	17,760
Cultural and recreation	10,758	14,461	-	-	10,758	14,461
Water and sewer	-	-	499,069	446,411	499,069	446,411
Total expenses	345,968	297,367	499,069	446,411	845,037	743,778
Increase (decrease) in net position	92,619	(9,135)	(183,631)	(151,068)	(91,012)	(160,203)
Net position, beginning	622,776	631,911	2,382,185	2,533,253	3,004,961	3,165,164
Net position, ending	\$ 715,395	\$ 622,776	\$ 2,198,554	\$ 2,382,185	\$ 2,913,949	\$ 3,004,961

### *Financial Analysis of the Town's Funds*

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

**Governmental funds.** 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 \$141,311, while total fund balance reached \$287,166. 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. Unassigned fund balance represents

## Town of Grimesland, North Carolina Management's Discussion and Analysis

approximately 41% percent of total General Fund expenditures, while total fund balance represents 83% percent of the same amount.

### **General Fund Budgetary Highlights**

During the fiscal year, the Town revised the budget on several occasions. 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; and 3) increases in appropriations that become necessary to maintain services.

During the fiscal year, the Town amended its original budget on several occasions. Several of the largest amendments related to salary costs within general government, transportation, and cultural and recreation.

Actual overall revenues for the General Fund were higher than the budgeted amounts. Actual ad valorem taxes and intergovernmental revenues were higher than budgeted amounts. Other general fund actual revenues approximated budgeted amounts. In addition, the Town's expenditures within the General Fund were lower than budgeted amounts.

**Proprietary funds.** The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the water and sewer fund at the end of the fiscal year amounted to \$72,474 at the government-wide level, whereas net position comprised of net investment in capital assets amounted to \$2,097,810. Restricted net position reserved for debt service expenditures was \$28,270 at fiscal year-end. The total decrease in net position was \$183,631 from the previous fiscal year, primarily due to increases in water and sewer operating expenses and depreciation expense.

### *Capital Asset and Debt Administration*

**Capital assets.** The Town's capital assets for its governmental and business-type activities as of June 30, 2021, totals \$2,913,991 (net of accumulated depreciation). These assets include land, buildings, infrastructure, machinery, and equipment.

The significant capital asset additions during the year were:

- Purchase of 2021 Chevrolet Silverado at a cost of \$31,000
- Construction of improvements to parks of \$42,550 paid from Perkins Charitable Foundation Grant

## Town of Grimesland, North Carolina Management's Discussion and Analysis

### Town of Grimesland's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 94,951	\$ 94,951	\$ 11,826	\$ 11,826	\$ 106,777	\$ 106,777
Buildings	101,650	106,012	2,438,840	2,595,275	2,540,490	2,701,287
Equipment	9,554	14,759	19,017	22,704	28,571	37,463
Vehicles	24,700	-	4,750	-	29,450	-
Improvements	176,824	144,929	8,587	8,986	185,411	153,915
Infrastructure	23,292	27,869	-	-	23,292	27,869
<b>Total assets</b>	<b>\$ 430,971</b>	<b>\$ 388,520</b>	<b>\$ 2,483,020</b>	<b>\$ 2,638,791</b>	<b>\$ 2,913,991</b>	<b>\$ 3,027,311</b>

Additional information on the Town's capital assets can be found on pages 42 - 43 of this report.

### Town of Grimesland's Outstanding Debt

	Government Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Compensated absences	\$ 21,681	\$ -	\$ -	\$ -	\$ 21,681	\$ -
Net pension liability	32,036	24,633	26,211	20,154	58,247	44,787
Installment purchases	-	-	179,210	186,628	179,210	186,628
General obligation bonds	-	-	206,000	212,000	206,000	212,000
<b>Total</b>	<b>\$ 53,717</b>	<b>\$ 24,633</b>	<b>\$ 411,421</b>	<b>\$ 418,782</b>	<b>\$ 465,138</b>	<b>\$ 443,415</b>

**Long-Term Debt.** As of June 30, 2021, the Town had a total bond debt outstanding of \$206,000 and an installment obligation of \$179,210 backed by full faith and credit of the Town. The Town's total debt did not increase during the current fiscal year since the Town did not issue any debt during the fiscal year. Additional information on the Town's outstanding debt can be found on pages 50 - 51 of this report.

### Economic Factors and Next Year's Budget and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- The Town's ad valorem rate will remain at \$0.48 per \$100.
- The Town appropriated \$39,750 from General Fund balance for the fiscal year 2022 budget.
- The local unemployment rate for Pitt County is 5.1% compared to the North Carolina state average of 4.9%. The unemployment rate decreased by 2.2% from the previous year's unemployment rate of 7.3% which reflects improvement in both the local and state economy.

## Town of Grimesland, North Carolina Management's Discussion and Analysis

### Budget Highlights for the Fiscal Year Ending June 30, 2022

**Governmental Activities:** Property taxes (benefiting from the increased economic growth) and revenues from state reimbursements are expected to lead the increase in budgeted revenues.

Estimated General Fund expenditures for fiscal year 2022 are \$443,722, compared to \$388,650 for fiscal year 2021.

**Business – type Activities:** Water and sewer revenues are expected to increase with additional customers, while the residential water and sewer rates will remain the same, and expenses are expected to remain stable during the upcoming year. Estimated expenditures in the Water and Sewer Fund for fiscal year 2022 are \$364,500, compared to \$363,951 for fiscal year 2021.

To assist with the funding of future improvements and related capital expenditures, the Town is seeking assistance from various federal and state agencies. In addition, the Town is continually monitoring and evaluating its rate structure for taxes and utilities.

### Requests 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 Grimesland, P.O. Box 147, Grimesland, NC 27837.

**Town of Grimesland, North Carolina**  
**Town Council and Key Staff**  
**June 30, 2021**

Town Officials

Eleanor Farr, Mayor

Ronnie J. Bowling, Mayor Pro Tem

Kyle Hodges

Theodore Bowles

Gerald Whitley

Administrative and Financial Staff

Jaime Moles, Town Clerk / Office Manager

Suellen Weaver, Finance Clerk



**Town of Grimesland, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**  
**Exhibit 1**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 211,224	\$ 73,386	\$ 284,610
Restricted cash	49,090	61,472	110,562
Investments	-	5,472	5,472
Ad valorem taxes receivable (net)	2,430	-	2,430
Accounts receivable	-	30,263	30,263
Due from other governments	27,854	-	27,854
Internal balances	29,161	(29,161)	-
Total current assets	319,759	141,432	461,191
Noncurrent assets:			
Capital assets:			
Land and other nondepreciable assets	94,951	11,826	106,777
Capital assets, net of depreciation	336,020	2,471,194	2,807,214
Total capital assets	430,971	2,483,020	2,913,991
Total assets	750,730	2,624,452	3,375,182
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	27,387	22,407	49,794
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	9,005	3,682	12,687
Customer deposits	-	33,202	33,202
Current portion of long-term debt	-	14,520	14,520
Total current liabilities	9,005	51,404	60,409
Noncurrent liabilities:			
Compensated absences	21,681	-	21,681
Net pension liability	32,036	26,211	58,247
Due in more than one year	-	370,690	370,690
Total noncurrent liabilities	53,717	396,901	450,618
Total liabilities	62,722	448,305	511,027
<b>NET POSITION</b>			
Net investment in capital assets	430,971	2,097,810	2,528,781
Restricted for:			
Stabilization by State Statute	57,015	-	57,015
Powell Bill - Streets	3,105	-	3,105
Cultural and recreational	45,985	-	45,985
Debt service	-	28,270	28,270
Unrestricted	178,319	72,474	250,793
Total net position	\$ 715,395	\$ 2,198,554	\$ 2,913,949

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

**Town of Grimesland, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2021**  
**Exhibit 2**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/ Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 255,970	\$ 535	\$ -	\$ -	\$ (255,435)	\$ -	\$ (255,435)
Public Safety	17,504	-	6,517	-	(10,987)	-	(10,987)
Transportation	40,869	2,450	13,124	-	(25,295)	-	(25,295)
Environmental protection	20,867	29,145	336	-	8,614	-	8,614
Cultural and recreational	10,758	16,485	500	75,000	81,227	-	81,227
Total governmental activities	345,968	48,615	20,477	75,000	(201,876)	-	(201,876)
Business-type activities:							
Water and sewer	499,069	310,338	-	-	-	(188,731)	(188,731)
Total business-type activities	499,069	310,338	-	-	-	(188,731)	(188,731)
Total primary government	\$ 845,037	\$ 358,953	\$ 20,477	\$ 75,000	(201,876)	(188,731)	(390,607)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					114,113	-	114,113
Other taxes					21,634	-	21,634
Grants and contributions not restricted to specific programs					155,071	-	155,071
Investment earnings					1,465	1,000	2,465
Miscellaneous					2,212	4,100	6,312
Total general revenues					294,495	5,100	299,595
Change in net position					92,619	(183,631)	(91,012)
Net position, beginning as previously reported					623,646	2,365,229	2,988,875
Prior period adjustment					(870)	16,956	16,086
Net position, beginning as restated					622,776	2,382,185	3,004,961
Net position - ending					\$ 715,395	\$ 2,198,554	\$ 2,913,949

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

**Town of Grimesland, North Carolina**  
**Balance Sheet – Governmental Funds**  
**June 30, 2021**  
**Exhibit 3**

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Resource Center</u>	<u>Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 190,066	\$ 21,158	\$ 211,224
Restricted cash	49,090	-	49,090
Ad valorem taxes receivable (net)	2,430	-	2,430
Due from other governments	27,854	-	27,854
Due from other funds	29,161	-	29,161
Total assets	\$ 298,601	\$ 21,158	\$ 319,759
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 9,005	\$ -	\$ 9,005
Total liabilities	9,005	-	9,005
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax receivable	2,430	-	2,430
<b>FUND BALANCES</b>			
Restricted			
Stabilization of State Statute	57,015	-	57,015
Powell Bill - Streets	3,105	-	3,105
Cultural and recreational	45,985	-	45,985
Assigned			
Subsequent year's expenditures	39,750	-	39,750
Cultural and recreational	-	21,158	21,158
Unassigned	141,311	-	141,311
Total fund balance	287,166	21,158	308,324
Total liabilities, deferred inflows of resources and fund balance	\$ 298,601	\$ 21,158	\$ 319,759

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

**Town of Grimesland, North Carolina**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2021**  
**Exhibit 4**

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

Total fund balances - governmental fund		\$ 308,324
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.		
Gross capital assets at historical cost	\$ 814,687	
Accumulated depreciation	<u>(383,716)</u>	430,971
Deferred outflows of resources related to pensions are not reported in the fund		27,387
Earned revenues considered deferred inflows of resources in the fund statements		2,430
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and therefore are not reported in the fund statements		
Compensated absences		(21,681)
Net pension liability		(32,036)
Net position of governmental activities		<u>\$ 715,395</u>

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

**Town of Grimesland, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Fiscal Year Ended June 30, 2021**  
**Exhibit 5**

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
	General	Resource Center	Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 116,073	\$ -	\$ 116,073
Other taxes and licenses	21,634	-	21,634
Unrestricted intergovernmental	155,054	17	155,071
Restricted intergovernmental	19,977	-	19,977
Permits and fees	535	-	535
Sales and services	35,375	12,705	48,080
Investment earnings	1,391	74	1,465
Miscellaneous	77,712	-	77,712
Total revenues	427,751	12,796	440,547
<b>EXPENDITURES</b>			
Current:			
General government	227,824	-	227,824
Public safety	17,504	-	17,504
Transportation	32,419	-	32,419
Environmental protection	20,867	-	20,867
Cultural and recreation	46,649	17,517	64,166
Total expenditures	345,263	17,517	362,780
Revenues over (under) expenditures	82,488	(4,721)	77,767
Other financing sources (uses)			
Transfer from other funds	3,000	-	3,000
Transfer to other funds	-	(3,000)	(3,000)
Total other financing sources (uses)	3,000	(3,000)	-
Net change in fund balances	85,488	(7,721)	77,767
<b>Fund balances, beginning as previously reported</b>	202,556	28,879	231,435
Prior period adjustment	(878)	-	(878)
<b>Fund balances, beginning as restated</b>	201,678	28,879	230,557
<b>Fund balances, ending</b>	\$ 287,166	\$ 21,158	\$ 308,324

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

**Town of Grimesland, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2021**  
**Exhibit 6**

Net change in fund balance - governmental fund	\$	77,767
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.		
Capital outlay	\$	68,550
Depreciation expense for governmental assets	<u>(26,099)</u>	42,451
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 ad-valorem taxes		(1,960)
Expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the fund statements		
Compensated absences		(21,681)
Pension expense		<u>(3,958)</u>
Total changes in net position of governmental activities	\$	<u>92,619</u>

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

**Town of Grimesland, North Carolina**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget and Actual - General Fund**  
**For the Fiscal Year Ended June 30, 2021**  
**Exhibit 7**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>REVENUES</b>				
Ad valorem taxes	\$ 103,500	\$ 113,875	\$ 116,073	\$ 2,198
Other taxes and licenses	100	21,600	21,634	34
Unrestricted intergovernmental	127,000	148,452	155,054	6,602
Restricted intergovernmental	13,860	19,891	19,977	86
Permits and fees	450	535	535	-
Sales and services	30,500	38,225	35,375	(2,850)
Investment earnings	2,275	475	1,391	916
Miscellaneous	1,000	75,839	77,712	1,873
Total revenues	278,685	418,892	427,751	8,859
<b>EXPENDITURES</b>				
Current:				
General government	221,475	238,167	227,824	10,343
Public Safety	8,975	17,392	17,504	(112)
Transportation	26,110	33,152	32,419	733
Environmental protection	24,000	21,000	20,867	133
Cultural and recreational	3,125	78,939	46,649	32,290
Total expenditures	283,685	388,650	345,263	43,387
Revenues over (under) expenditures	(5,000)	30,242	82,488	52,246
Other financing sources (uses)				
Transfer from other funds	-	6,000	3,000	(3,000)
Total other financing sources (uses)	-	6,000	3,000	(3,000)
Fund balance appropriated	5,000	36,242	-	(36,242)
Net change in fund balance	\$ -	\$ -	85,488	\$ 13,004
<b>Fund balance, beginning as previously reported</b>			202,556	
Prior period adjustment			(878)	
<b>Fund balance, beginning as restated</b>			201,678	
<b>Fund balance, ending</b>			\$ 287,166	

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

**Town of Grimesland, North Carolina**  
**Statement of Net Position - Proprietary Fund**  
**June 30, 2021**  
**Exhibit 8**

	<b>Business-Type Activities - Enterprise Funds Water &amp; Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 73,386
Restricted cash and cash equivalents	61,472
Investments	5,472
Accounts receivable (net)	30,263
Total current assets	170,593
Noncurrent assets:	
Capital assets:	
Land and other nondepreciable assets	11,826
Capital assets, net of depreciation	2,471,194
Total capital assets	2,483,020
Total assets	2,653,613
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	22,407
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	2,590
Accrued interest payable	1,092
Customer deposits	33,202
Due to other funds	29,161
Current portion of long-term debt	14,520
Total current liabilities	80,565
Noncurrent Liabilities:	
Due in more than one year	370,690
Net pension liability	26,211
Total noncurrent liabilities	396,901
Total liabilities	477,466
<b>NET POSITION</b>	
Net investment in capital assets	2,097,810
Restricted for Debt Service	28,270
Unrestricted	72,474
Total net position	\$ 2,198,554

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



**Town of Grimesland, North Carolina**  
**Statement of Revenues, Expenses and Changes in Fund Net Position –**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2021**  
**Exhibit 9**

	<b>Business-Type Activities Enterprise Funds</b> <hr/> <b>Water &amp; Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for sales and services	\$ 310,338
Total operating revenues	310,338
<b>OPERATING EXPENSES</b>	
Water and sewer operations	323,084
Depreciation	160,771
Total operating expenses	483,855
Operating income (loss)	(173,517)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Miscellaneous revenues	4,100
Investment earnings	1,000
Interest and other charges	(15,214)
Total nonoperating revenues (expenses)	(10,114)
Change in net position	(183,631)
Net position, beginning of year as previously reported	2,365,229
Prior period adjustment	16,956
Net position, beginning of year as restated	2,382,185
Net position, end of year	\$ 2,198,554

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

**Town of Grimesland, North Carolina**  
**Statement of Cash Flows – Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2021**  
**Exhibit 10**

	<b>Business-type Activities - Enterprise Funds Water &amp; Sewer Fund</b>
<b>Operating Activities</b>	
Cash received from customers	\$ 307,012
Cash payments to employees	(147,512)
Cash payments to suppliers for goods and services	(173,647)
Customer deposits received	7,800
Customer deposits returned	(646)
Net cash provided by (used in) operating activities	(6,993)
<b>Noncapital Financing Activities</b>	
Miscellaneous revenues	4,100
Increase (decrease) in due to other funds	29,161
Net cash provided by (used in) noncapital financing activities	33,261
<b>Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets	(5,000)
Principal payments on long-term debt	(13,418)
Interest paid on long-term debt	(14,122)
Net cash provided by (used in) capital and related financing activities	(32,540)
<b>Investing Activities</b>	
Investment income	1,000
Purchase of investments	(133)
Net cash provided by (used in) investing activities	867
Net increase (decrease) in cash and cash equivalents	(5,405)
Cash and cash equivalents, beginning of year	140,263
Cash and cash equivalents, end of year	\$ 134,858
Cash and cash equivalents	\$ 73,386
Restricted cash and cash equivalents	61,472
Total cash and cash equivalents	\$ 134,858

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

**Town of Grimesland, North Carolina**  
**Statement of Cash Flows – Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2021**  
**Exhibit 10**

	<b>Business-type Activities - Enterprise Funds Water &amp; Sewer Fund</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating income (loss)	\$ (173,517)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	160,771
Change in assets, deferred outflows, liabilities and deferred inflows	
(Increase) decrease in accounts receivable (net)	(3,326)
(Increase) decrease in inventory	500
(Increase) decrease in deferred outflows related to pensions	(2,818)
Increase (decrease) in accounts payable	(1,814)
Increase (decrease) in net pension liability	6,057
Increase (decrease) in customer deposits	7,154
Total adjustments	166,524
Net cash provided by (used in) operating activities	\$ (6,993)

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

## Town of Grimesland, North Carolina

### Notes to Financial Statements

#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Grimesland, North Carolina (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 that is governed by an elected mayor and a six-member Council. As required by generally accepted accounting principles, these financial statements present the financial information of the Town.

##### ***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. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for 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 funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

## Town of Grimesland, North Carolina

### Notes to Financial Statements

The Town reports the following major governmental fund:

**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, state grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, transportation, environmental protection, and cultural and recreation.

The Town reports the following major enterprise fund:

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operations.

The Town reports the following non-major fund:

**Resource Center.** This fund is used to account for the Grimesland Resource Center.

#### ***C. Measurement Focus and Basis of Accounting***

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

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund 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.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## Town of Grimesland, North Carolina

### Notes to Financial Statements

*Governmental Fund Financial Statements.* The 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 the governmental fund. Proceeds 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 vehicles 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. Property taxes are due when vehicles are registered. 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 the beer and wine 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 Pitt 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. 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 general revenues.

#### ***D. Budgetary Data***

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Resource Center Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. 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 the multi-year funds. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

## **Town of Grimesland, North Carolina**

### **Notes to Financial Statements**

#### ***E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity***

##### ***1. Deposits and Investments***

All deposits of the Town are made in Council-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 NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

##### ***2. Cash and Cash Equivalents***

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town Council considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Under GASB Codification 150: Investments, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

##### ***3. Restricted Assets***

At June 30, 2021, the Town held unexpended Powell Bill funds. These funds are classified as restricted cash because they can be expended only for the purpose outlined in G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any goods and/or services are given and/or supplied are restricted to the purpose for which the deposit is collected. Pursuant to loan requirements with the USDA, the Town maintains a required amount of funds for repayment of the loan. The Town also holds restricted funds relating to unspent grants funds.

## Town of Grimesland, North Carolina

### Notes to Financial Statements

	<u>Amount</u>
<b>Governmental Activities</b>	
General Fund:	
Streets - Powell Bill	\$ 3,105
Cultural and recreational - Grants	<u>45,985</u>
Total governmental activities	<u>49,090</u>
<b>Business-Type Activities</b>	
Water and Sewer Fund:	
Customer deposits	33,202
Debt service reserve - USDA	<u>28,270</u>
Total business-type activities	<u>61,472</u>
Total restricted cash	<u><u>\$ 110,562</u></u>

#### ***4. Ad Valorem Taxes Receivable***

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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020.

#### ***5. Allowances for Doubtful Accounts***

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. At June 30, 2021, taxes receivable are net of an allowance for doubtful accounts of \$2,352 which represents prior year motor vehicle ad-valorem taxes receivable.

#### ***6. Capital Assets***

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The Town has a capitalization policy of \$5,000. 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. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement 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.



## Town of Grimesland, North Carolina

### Notes to Financial Statements

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Infrastructure	30 years
Improvements	25 years
Furnishings and fixtures	10 years
Automobiles	6 years
Equipment	5 years
Computer	3 years

#### **7. 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 period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2020/2021 fiscal year. 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 then. The Town has two items that meet the criterion for this category - property taxes receivable and pension deferrals.

#### **8. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## Town of Grimesland, North Carolina

### Notes to Financial Statements

#### **9. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is taken, no accrual for sick leave has been made.

#### **10. Net Position/Fund Balances**

##### *Net Position*

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

##### *Fund Balances*

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

The governmental fund types classify fund balance as follows:

*Nonspendable Fund Balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. There are no amounts that meet this classification at June 30, 2021.

*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* – 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 what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what 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

## Town of Grimesland, North Carolina

### Notes to Financial Statements

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 Powell Bill - Streets* – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

*Restricted for Cultural and Recreation* – portion of fund balance that is restricted based on grant requirements.

*Restricted for Debt Service* – portion of fund balance that is restricted based on loan requirements from the USDA.

*Committed Fund Balance* – portion of fund balance that can only be used for specific purposes imposed by a majority vote by quorum of the Town's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. There are no amounts that meet this classification at June 30, 2021.

*Assigned fund balance* – portion of fund balance that the Town intends to use for specific purposes.

*Subsequent year's expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed. The governing body approves the appropriation.

*Cultural and Recreation* – fund balance in the Resource Center Fund designated for recreation.

*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: proceeds from the issuance of debt, 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.

#### **11. Defined Benefit Cost-Sharing Pension Plan**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they

## Town of Grimesland, North Carolina

### Notes to Financial Statements

are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due.

The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

#### **12. Estimates**

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

#### **13. Recently Issued Financial Accounting Standards**

##### ***GASB Statement No. 83, Certain Asset Retirement Obligations***

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

##### ***GASB Statement No. 84, Fiduciary Activities***

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

## Town of Grimesland, North Carolina

### Notes to Financial Statements

#### ***GASB Statement No. 87, Leases***

In June 2017, the GASB issued GASB 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 the 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 liability and an intangible right-to-use lease asset, and a lessor 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 December 15, 2019. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been postponed by 18 months.

#### ***GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period***

In June 2018, the GASB issued GASB 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.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Board is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

#### ***GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61***

In August 2018, the GASB issued GASB 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. 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-

## Town of Grimesland, North Carolina

### Notes to Financial Statements

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.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. 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. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

#### ***GASB Statement No. 91, Conduit Debt Obligations***

In May 2019, the GASB issued GASB 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, 2020. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

## Town of Grimesland, North Carolina

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#### ***GASB Statement No. 92, Omnibus 2020***

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.



## Town of Grimesland, North Carolina

### Notes to Financial Statements

Earlier application is encouraged and is permitted by topic. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

#### ***GASB Statement No. 93, Replacement of Interbank Offered Rates***

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective 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
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting



## Town of Grimesland, North Carolina

### Notes to Financial Statements

periods beginning after June 15, 2020. Earlier application is encouraged. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

#### ***GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements***

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated). The Town is currently reviewing this statement to determine the effect on its financial statements.

#### ***GASB Statement No. 96, Subscription-Based Information Technology Arrangements***

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-

## Town of Grimesland, North Carolina

### Notes to Financial Statements

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. Earlier application is encouraged. 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 currently reviewing this statement to determine the effect on its financial statements.

***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***

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; 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. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Town does not anticipate this Statement affecting its financial reporting or financial operations.

## Town of Grimesland, North Carolina

### Notes to Financial Statements

#### ***GASB Statement No. 98, The Annual Comprehensive Financial Report***

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The Town implemented this statement for the year ended June 30, 2021, which did not have any affect on the Town's financial reporting for June 30, 2021.

#### **NOTE II – 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. 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 III – DETAIL NOTES ON ALL FUNDS**

##### ***A. Assets***

##### ***1. Deposits and Investments***

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 agents in the unit'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 agents in their names. 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 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

## Town of Grimesland, North Carolina

### Notes to Financial Statements

provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$391,573 and a bank balance of \$416,942. Of the bank balances, \$320,138 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the Town had \$3,599 cash on hand.

At June 30, 2020 the Town had \$5,472 invested with the North Carolina Capital Management Trust's Governmental Portfolio which carried a rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

## **2. Accounts Receivable**

Receivables at the government-wide level at June 30, 2021, were as follows:

	Accounts	Taxes	Due from other governments	Total
Governmental activities:				
General	\$ -	\$ 4,782	\$ 27,854	\$ 32,636
Allowance for doubtful accounts	-	(2,352)	-	(2,352)
Total governmental activities	\$ -	\$ 2,430	\$ 27,854	\$ 30,284
Business-type activities:				
Water and sewer	\$ 30,263	\$ -	\$ -	\$ 30,263
Allowance for doubtful accounts	-	-	-	-
Total business-type activities	\$ 30,263	\$ -	\$ -	\$ 30,263

The due from other governments that is owed to the Town consists of the following:

Local option sales tax	\$ 20,069
Pitt County tax collections	1,290
Utility franchise tax	6,412
Solid waste tax	83
Total	\$ 27,854

**Town of Grimesland, North Carolina**  
**Notes to Financial Statements**

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 94,951	\$ -	\$ -	\$ 94,951
Total capital assets not being depreciated	94,951	-	-	94,951
<b>Capital assets being depreciated:</b>				
Buildings	161,180	-	-	161,180
Equipment	123,163	-	-	123,163
Vehicles	50,345	26,000	-	76,345
Other improvements	224,983	42,550	-	267,533
Infrastructure	91,515	-	-	91,515
Total capital assets being depreciated	651,186	68,550	-	719,736
<b>Less accumulated depreciation for:</b>				
Buildings	55,168	4,362	-	59,530
Equipment	108,403	5,206	-	113,609
Vehicles	50,345	1,300	-	51,645
Other improvements	80,053	10,656	-	90,709
Infrastructure	63,648	4,575	-	68,223
Total accumulated depreciation	357,617	\$ 26,099	\$ -	383,716
Total capital assets being depreciated, net	<u>293,569</u>			<u>336,020</u>
Governmental activities capital assets net	<u>\$ 388,520</u>			<u>\$ 430,971</u>

Depreciation expense was charge to functions/programs as follows:

General government	\$ 17,507
Transportation	8,450
Cultural and recreational	142
Total depreciation expense	<u>\$ 26,099</u>

**Town of Grimesland, North Carolina**  
**Notes to Financial Statements**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 11,826	\$ -	\$ -	\$ 11,826
Total capital assets not being depreciated	11,826	-	-	11,826
<b>Capital assets being depreciated:</b>				
Buildings and systems	4,696,455	-	-	4,696,455
Equipment	150,608	-	-	150,608
Vehicles	39,582	5,000	-	44,582
Improvements	9,985	-	-	9,985
Total capital assets being depreciated	4,896,630	5,000	-	4,901,630
<b>Less accumulated depreciation for:</b>				
Buildings and systems	2,101,180	156,435	-	2,257,615
Equipment	127,904	3,687	-	131,591
Vehicles	39,582	250	-	39,832
Improvements	999	399	-	1,398
Total accumulated depreciation	2,269,665	\$ 160,771	\$ -	2,430,436
Total capital assets being depreciated, net	<u>2,626,965</u>			<u>2,471,194</u>
Business-type activities capital assets, net	<u><u>\$ 2,638,791</u></u>			<u><u>\$2,483,020</u></u>

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2021, were as follows :

	General Fund	Resource Center	Total
<b>Governmental Activities:</b>			
Accrued salaries and related items	\$ 9,005	\$ -	\$ 9,005
Total governmental activities	<u>\$ 9,005</u>	<u>\$ -</u>	<u>\$ 9,005</u>
<b>Business-Type Activities:</b>			
Vendors	\$ 2,590	\$ 2,590	
Accrued interest on long-term debt	1,092	1,092	
Total business-type activities	<u>\$ 3,682</u>	<u>\$ 3,682</u>	

## Town of Grimesland, North Carolina Notes to Financial Statements

### **2. Pension Plan Obligations**

#### *a. Local Governmental Employees' Retirement System*

*Plan Description.* The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

## Town of Grimesland, North Carolina

### Notes to Financial Statements

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$18,402 for the year ended June 30, 2021.

**Refunds of Contributions** – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

#### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2021, the Town reported a liability of \$58,247 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00163%, which was a decrease of 0.00001% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$25,497. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 7,356	\$ -
Changes of assumptions	4,335	-
Net difference between projected and actual earnings on pension plan investments	8,196	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,505	-
Employer contributions subsequent to the measurement date	18,402	-
Total	<u>\$ 49,794</u>	<u>\$ -</u>



## Town of Grimesland, North Carolina

### Notes to Financial Statements

\$18,402 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount
2022	\$ 10,551
2023	11,561
2024	6,853
2025	2,427
2026	-
Thereafter	-
<b>Total</b>	<b>\$ 31,392</b>

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage

## Town of Grimesland, North Carolina

### Notes to Financial Statements

and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's Proportionate share of net pension liability (asset)	\$ 118,176	\$ 58,247	\$ 8,441

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the State of North Carolina.

## Town of Grimesland, North Carolina

### Notes to Financial Statements

#### *b. Supplemental Retirement Income Plan for General Employees*

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to general employees (non-law enforcement personnel) employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* The Town voluntarily contributes each month a matching amount not to exceed five percent of each employee's salary. Also, the employees may make voluntary contributions to the plan.

The Town made contributions of \$-0- for the reporting year. No amounts were forfeited during the reporting year.

#### **3. Other Employment Benefit**

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or less than \$25,000. All death benefit payments are from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial. For the fiscal year ended June 30, 2021, the Town paid contributions of \$326 to the Death Benefit Plan.

## Town of Grimesland, North Carolina

### Notes to Financial Statements

#### 4. Deferred Outflows and Inflows of Resources

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

Source	Amount
Differences between expected and actual experience	\$ 7,356
Changes of assumptions	4,335
Net difference between projected and actual earnings on pension plan investments	8,196
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,505
Contributions to pension plan in current fiscal year	18,402
<b>Total</b>	<b>\$ 49,794</b>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable less penalties (General Fund)	\$ -	\$ 2,430
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,430</b>

#### 5. 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 the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$5 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The Town carries commercial coverage for all risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

## Town of Grimesland, North Carolina

### Notes to Financial Statements

Town owned facilities and properties are not located within a designated flood plan. Based upon this designation, the Town has not purchased flood insurance through the National Flood Insurance Plan.

In accordance with G.S. 159-29, Town 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 and Town Clerk are individually bonded for \$50,000, each. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

#### **6. Claims, Judgments and Contingent Liabilities**

At June 30, 2021, the Town was not a defendant to any lawsuits.

#### **7. Long-Term Obligations**

##### *a. Note Payable - Serviced by the Utility Fund*

\$250,000 USDA loan dated October 1, 2009 for the purchase of a generator for the water system in annual installments of \$12,000 including 2.5% interest through the 2039-2040 fiscal year. Estimated maturities of long-term debt for the next five fiscal years through satisfaction and payment of the debt are as follows:

##### Business-type Activities Installment Purchases

Year Ending June 30,	Principal	Interest	Total
2022	\$ 7,520	\$ 4,480	\$ 12,000
2023	7,708	4,292	12,000
2024	7,900	4,100	12,000
2025	8,098	3,902	12,000
2026	8,301	3,699	12,000
2027-2031	44,720	15,280	60,000
2032-2036	50,597	9,403	60,000
2037-2041	44,366	2,776	47,142
<u>Total</u>	<u>\$ 179,210</u>	<u>\$ 47,932</u>	<u>\$ 227,142</u>

##### *b. General Obligation Bond - Serviced by the Utility Fund*

\$287,000 Sanitary Sewer, USDA series 2002 issued April 8, 2002 due in annual installments of principal varying from \$7,000 to \$14,000 plus 4.5% interest through the 2040-2041 fiscal year. Estimated maturities of long-term debt for the next five fiscal years through satisfaction and payment of the debt are as follows:

## Town of Grimesland, North Carolina

### Notes to Financial Statements

#### Business-type Activities General Obligation Bonds

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 7,000	\$ 9,270	\$ 16,270
2023	7,000	8,955	15,955
2024	7,000	8,640	15,640
2025	8,000	8,325	16,325
2026	8,000	7,965	15,965
2027-2031	45,000	34,155	79,155
2032-2036	56,000	23,085	79,085
2037-2041	68,000	9,315	77,315
<u>Total</u>	<u>\$ 206,000</u>	<u>\$ 109,710</u>	<u>\$ 315,710</u>

Changes in long-term debt for the fiscal year ended June 30, 2021 was as follows:

<u>Governmental Activities:</u>	<u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>	<u>Current Maturities</u>
Compensated absences	\$ -	\$ 21,681	\$ -	\$ 21,681	\$ -
Net pension liability	24,633	7,403	-	32,036	-
Governmental activities long-term liabilities	<u>\$ 24,633</u>	<u>\$ 29,084</u>	<u>\$ -</u>	<u>\$ 53,717</u>	<u>\$ -</u>
 <u>Business-type Activities:</u>	 <u>June 30, 2020</u>	 <u>Additions</u>	 <u>Retirements</u>	 <u>June 30, 2021</u>	 <u>Current Maturities</u>
Installment loans	\$ 186,628	\$ -	\$ 7,418	\$ 179,210	\$ 7,520
General obligations	212,000	-	6,000	206,000	7,000
Net pension liability	20,154	6,057	-	26,211	-
Business-type activities long-term liabilities	<u>\$ 418,782</u>	<u>\$ 6,057</u>	<u>\$ 13,418</u>	<u>\$ 411,421</u>	<u>\$ 14,520</u>

At June 30, 2021, the Town had a legal debt margin of \$1,932,233.

#### ***C. Interfund Balances and Activity***

Balances due to/from other funds at June 30, 2021, consist of the following:

- Amounts Due from the Water and Sewer Fund to the General Fund as of June 30, 2021 for general operating expenses to be repaid in the next fiscal year totaling \$29,161.

Transfers to/from other funds at June 30, 2021, consist of the following:

- From the Resource Center Fund to the General Fund for streets repairs and maintenance expenses in the amount of \$3,000.

## Town of Grimesland, North Carolina

### Notes to Financial Statements

#### ***D. Fund Balance***

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

<b>Total Fund Balance - General Fund</b>	<b>\$ 287,166</b>
Less:	
Stabilization by State Statute	57,015
Streets - Powell Bill	3,105
Cultural and Recreation - Grants	45,985
Appropriated Fund Balance in 2022 Budget	39,750
<b>Remaining Fund Balance</b>	<b>\$ 141,311</b>

#### **NOTE IV – RELATED PARTY TRANSACTIONS**

During the 2021 fiscal year, the Town did not have any related party transactions.

#### **NOTE V – SUMMARY OF 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 VI – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 9, 2022, the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, certain operations of the Town have been affected. The ability of some residents to make tax and/or utility payments has and may at times be impacted by the effects of the pandemic, as well as, state shared revenues, local, state and federal grant funding. In response to this event, the Town, through Executive Order of the Governor, suspended its cut-off policies for non-payment of utilities and/or extended due dates and payment options of utilities and property taxes for residents. Continued effects of the pandemic may result in uncertainties and a negative impact on operating activities and results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

## Town of Grimesland, North Carolina

### Notes to Financial Statements

#### *American Rescue Plan Grant*

The Town received \$70,432 from the United States Department of the Treasury from the American Rescue Plan in fiscal year 2022. The Town will receive an equal additional grant in fiscal year 2023. American Rescue Plan grant funds must be obligated by December 31, 2024 and expended by December 31, 2026. Grant funds can be expended for the following purposes:

- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

#### **NOTE VII – RESTATEMENTS**

##### **Prior Period Adjustments**

During the fiscal year ended June 30, 2021, the Town determined that certain unrestricted intergovernmental revenues that were subject to accrual in the General Fund as of June 30, 2020, on a modified accrual basis of accounting, had been accrued incorrectly. Therefore, an adjustment to beginning fund balance has been recorded to adjust for those accruals, the net effect of which decreased beginning fund balance by \$878. These revenues were also adjusted on the government-wide statements; therefore, beginning net position was adjusted \$870.

The ending balance of general obligation bonds and installment loans as of June 30, 2020, was previously overstated by \$13,718. The Town made monthly rather than the required annual installments on loans resulting in early payments which reduced interest expense and increased principal payments resulting in ending loan balances less than the original amortization schedules. The ending cash balance in the Business-type Activities was understated by \$3,238 due to a prior year journal entry incorrectly recorded as an outstanding check. Therefore, an adjustment to beginning net position in the business-type activities has been recorded, the net effect of which increased beginning net position by \$16,956.



## **REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

**Town of Grimesland, North Carolina**  
**Schedule of Proportionate Share of Net Pension Liability (Asset) for**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Eight Fiscal Years \***  
**Schedule 1**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Proportion of the net pension liability (asset) (%)	0.00163%	0.00164%	0.00166%	0.00122%	0.00127%	0.00131%	0.02898%	0.02898%
Proportion of net pension liability (asset) (\$)	\$ 58,247	\$ 44,787	\$ 39,381	\$ 18,638	\$ 26,954	\$ 5,879	\$ (7,844)	\$ (15,670)
Covered-employee payroll	\$ 196,036	\$ 185,379	\$ 187,959	\$ 146,436	\$ 134,778	\$ 94,833	\$ 98,031	\$ 98,031
Proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	29.71%	24.16%	20.95%	12.73%	20.00%	6.20%	8.27%	-15.98%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

Notes to the schedule:

As information becomes available, the Town will present the ten most current fiscal years data.

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**Town of Grimesland, North Carolina**  
**Schedule of Contributions to**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Eight Fiscal Years**  
**Schedule 2**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contributions	\$ 18,402	\$ 16,670	\$ 13,771	\$ 12,565	\$ 10,284	\$ 9,505	\$ 6,970	\$ 6,999
Contributions in relation to the contractually required contributions	18,402	16,670	13,771	12,565	10,284	9,505	6,970	6,999
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 181,298	\$ 196,036	\$ 185,379	\$ 187,959	\$ 146,436	\$ 134,778	\$ 98,031	\$ 98,031
Contributions as a percentage of covered-employee payroll	10.15%	8.50%	7.43%	6.68%	7.02%	7.05%	7.11%	7.14%

Notes to the schedule:

As information becomes available, the Town will present the ten most current fiscal years data.

**Town of Grimesland, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**  
**Schedule 3**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Ad valorem taxes			
Taxes	\$ 113,375	\$ 115,665	\$ 2,290
Penalties and interest	500	408	(92)
Total	113,875	116,073	2,198
Other taxes and licenses			
Gross receipts tax	21,500	21,634	134
Cable TV franchise taxes	100	-	(100)
Total	21,600	21,634	34
Unrestricted intergovernmental			
Local option sales tax	114,000	119,825	5,825
Utility franchise tax	28,500	29,048	548
Sales tax refund	4,102	4,306	204
Beer and wine tax	1,850	1,875	25
Total	148,452	155,054	6,602
Restricted intergovernmental			
CARES Act	6,517	6,517	-
Solid waste disposal tax	250	336	86
Powell Bill allocation	13,124	13,124	-
Total	19,891	19,977	86
Permits and fees			
Business registration fees	535	535	-
Total	535	535	-
Sales and services			
Garbage collection	31,500	28,620	(2,880)
Recycling credit	500	525	25
NCDOT reimbursement	2,450	2,450	-
Rental income	3,600	3,600	-
Parks and recreation	175	180	5
Total	38,225	35,375	(2,850)
Investment earnings	475	1,391	916
Miscellaneous			
Perkins Charitable Foundation Grant	50,000	50,000	-
Mildred Sheffield Trust Grant	25,000	25,000	-
Donations	704	500	(204)
Miscellaneous	135	2,212	2,077
Total	75,839	77,712	1,873
Total revenues	418,892	427,751	8,859

**Town of Grimesland, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**  
**Schedule 3**

	Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES</b>			
General government			
Governing Body			
Governing board fees and benefits	5,536	5,233	303
Total	5,536	5,233	303
Administration			
Salaries and benefits	101,546	98,257	3,289
Payroll taxes	9,000	7,602	1,398
Benefits	50,417	50,372	45
Advertising	1,100	1,025	75
Bank service charges	900	900	-
Contracted services	7,300	7,275	25
Computer support and maintenance	-	-	-
Dues & subscriptions	4,200	4,196	4
Fuel	775	770	5
Insurance and bonds	9,500	7,655	1,845
Other operating expenditures	5,768	2,589	3,179
Travel and training	500	304	196
Repairs and maintenance	6,600	4,386	2,214
Supplies and postage	10,500	10,966	(466)
Tax collection fees	275	2,028	(1,753)
Utilities and telephone	9,250	9,266	(16)
Capital outlay	15,000	15,000	-
Total	232,631	222,591	10,040
Total general government	238,167	227,824	10,343
Public Safety			
Sheriff			
Supplies	2,000	1,812	188
Animal control	400	400	-
Total	2,400	2,212	188
Fire Department			
Fire Department	8,475	8,475	-
Donations	-	300	(300)
CARES act - COVID 19 expenses	6,517	6,517	-
Total	14,992	15,292	(300)
Total public safety	17,392	17,504	(112)

**Town of Grimesland, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**  
**Schedule 3**

	Budget	Actual	Variance Positive (Negative)
Transportation			
Street lights	12,000	11,780	220
Equipment repairs	700	693	7
Legal and professional	1,000	750	250
Other expenditures	52	-	52
Street maintenance	19,000	18,807	193
Supplies	100	89	11
Railroad lease	300	300	-
Total transportation	33,152	32,419	733
Environmental protection			
Contract services - Sanitation	21,000	20,867	133
Total environmental protection	21,000	20,867	133
Cultural and recreation			
Parks and recreation			
Miscellaneous	1,500	1,435	65
Perkins Renovations	50,000	42,550	7,450
Supplies	2,439	2,664	(225)
Wells, Mildred S. Renovations	25,000	-	25,000
Total cultural and recreation	78,939	46,649	32,290
Total expenditures	388,650	345,263	43,387
Revenues over (under) expenditures	30,242	82,488	52,246
Other financing sources (uses)			
Transfer from other funds	6,000	3,000	(3,000)
Total other financing sources (uses)	6,000	3,000	(3,000)
Fund balance appropriated	36,242	-	(36,242)
Net change in fund balance	\$ -	85,488	\$ 13,004
Fund balance, beginning as previously reported		202,556	
Prior period adjustment		(878)	
Fund balance, beginning as restated		201,678	
Fund balance, ending		\$ 287,166	

**Town of Grimesland, North Carolina**  
**Nonmajor Governmental Fund – Resource Center**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**  
**Schedule 4**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Unrestricted intergovernmental			
Sales tax refund	\$ 17	\$ 17	\$ -
Sales and services			
Rental income	13,755	12,705	(1,050)
Investment earnings	-	74	74
<b>Total revenues</b>	<b>13,772</b>	<b>12,796</b>	<b>(976)</b>
<b>EXPENDITURES</b>			
Cultural and Recreation			
Payroll Expenses	-	3,765	(3,765)
Bank Service Charges	-	10	(10)
Miscellaneous	6,000	1,932	4,068
Office Supplies	472	351	121
Repairs Building Repairs	500	459	41
Capital Outlay	11,000	11,000	-
<b>Total expenditures</b>	<b>17,972</b>	<b>17,517</b>	<b>455</b>
Revenues over (under) expenditures	(4,200)	(4,721)	(521)
Other financing sources (uses)			
Transfer to General Fund	(3,000)	(3,000)	-
<b>Total other financing sources (uses)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>-</b>
Fund balance appropriated	7,200	-	(7,200)
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>(7,721)</b>	<b>\$ 7,721</b>
Fund balance - beginning		28,879	
Fund balance- ending		<u>\$ 21,158</u>	

**Town of Grimesland, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2021**  
**Schedule 5**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Water sales	\$ 153,155	\$ 133,716	\$ (19,439)
Sewer charges	156,955	176,622	19,667
Total operating revenues	310,110	310,338	228
Nonoperating revenues			
Miscellaneous revenues	6,137	4,100	(2,037)
Interest earnings	950	1,000	50
Total operating revenues	7,087	5,100	(1,987)
Total revenues	317,197	315,438	(1,759)
<b>EXPENDITURES</b>			
Water and sewer operations			
Salaries and benefits	146,370	147,512	(1,142)
Contracted services	3,250	2,965	285
Dues and subscriptions	3,000	2,656	344
Greenville Utilities	46,000	48,113	(2,113)
Insurance	7,500	6,784	716
Other operating expenditures	3,411	3,643	(232)
Postage	2,200	2,160	40
Professional services	5,250	5,156	94
Repairs and maintenance	52,430	50,625	1,805
Supplies	33,000	32,748	252
Utilities	18,000	17,483	517
Capital outlay	16,000	5,000	11,000
Total water and sewer operations	336,411	324,845	11,566
Debt service			
Interest and other charges	15,540	14,122	1,418
Principal retirement	12,000	13,418	(1,418)
Total debt service	27,540	27,540	-
Total expenditures	363,951	352,385	11,566
Revenues over (under) expenditures	(46,754)	(36,947)	9,807
Fund Balance appropriation	46,754	-	(46,754)
Revenues and appropriated fund balance over (under) expenditures	-	(36,947)	(36,947)



**Town of Grimesland, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2021**  
**Schedule 5**

	<u>Actual</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:	
Revenues over (under) expenditures	\$ (36,947)
Reconciling items:	
Principal retirement	13,418
Capital outlay	5,000
Depreciation	(160,771)
(Increase) decrease in accrued interest	(1,092)
Increase (decrease) in deferred outflows of resources - pensions	2,818
(Increase) decrease in net pension liabilities	(6,057)
Total reconciling items	<u>(146,684)</u>
Changes in Net Position, GAAP basis	<u><u>\$ (183,631)</u></u>

**Town of Grimesland, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2021**  
**Schedule 6**

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
2020-2021	\$ -	\$ 116,159	\$ 115,027	\$ 1,132
2019-2020	1,354	-	638	716
2018-2019	585	-	3	582
2017-2018	780	-	2	778
2016-2017	307	-	3	304
2015-2016	278	-	-	278
2014-2015	247	-	-	247
2013-2014	281	-	4	277
2012-2013	384	-	-	384
2011-2012	104	-	20	84
2010-2011	61	-	61	-
2009-2010	9	-	9	-
	<u>\$ 4,390</u>	<u>\$ 116,159</u>	<u>\$ 115,767</u>	<u>4,782</u>
Less: allowance for uncollectible amounts				<u>(2,352)</u>
Ad valorem taxes receivable - net				<u>\$ 2,430</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 116,073
Penalties and interest				(408)
Taxes written off				<u>102</u>
Total collections and credits				<u>\$ 115,767</u>

**Town of Grimesland, North Carolina**  
**Analysis of Current Tax Levy – Town-Wide Levy**  
**June 30, 2021**  
**Schedule 7**

				<u>Total Levy</u>		
	<b>Property</b>			<b>Property</b>	<b>Registered</b>	
	<b>Valuation</b>	<b>Rate</b>	<b>Total Levy</b>	<b>excluding</b>	<b>Motor</b>	
				<b>Registered</b>	<b>Vehicles</b>	<b>Vehicles</b>
Original Levy						
Property taxed at current year rate	\$ 22,800,625	\$ 0.48	\$ 109,443	\$ 96,477	\$ 12,966	
Property taxed at prior year rate	591,458	0.48	2,839	-	2,839	
Penalties			225	225	-	
Discoveries	826,458	0.48	3,967	3,967	-	
Abatements	<u>(65,625)</u>	<u>0.48</u>	<u>(315)</u>	<u>(312)</u>	<u>(3)</u>	
Total property valuation	<u>\$ 24,152,917</u>					
Net levy			\$ 116,159	\$ 100,357	\$ 15,802	
Uncollected taxes at June 30, 2021			<u>1,132</u>	<u>1,132</u>	<u>-</u>	
Current year's tax collected			<u>\$ 115,027</u>	<u>\$ 99,225</u>	<u>\$ 15,802</u>	
Current levy collection percentage			<u>99.03%</u>	<u>98.87%</u>	<u>100.00%</u>	

**INDEPENDENT AUDITOR’S 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***

To the Town Council  
Town of Grimesland, North Carolina

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Grimesland, 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 and have issued our report thereon dated June 9, 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 have not been 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 responses as items 2021-001, 2021-002 and 2021-003 that we consider to be significant deficiencies.

## **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 determination of financial statements amounts. 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 Grimesland's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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, Riggs & Ingram, P.L.L.C.*

CARR, RIGGS & INGRAM, P.L.L.C.

Goldsboro, North Carolina

June 9, 2022

**Town of Grimesland, North Carolina**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2021**

**Significant Deficiency**

**2021-001 Noncompliance with North Carolina General State Statute**

**Criteria:** North Carolina G.S. 159-34(a) states that each 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 from the previous year, which created a delay in completing the audit.

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

**Cause:** A change in auditor from the previous year caused delays in completing the audit.

**Recommendation:** The Town should continue to review their procedures and policies to ensure that the annual audit is completed in a timely manner.

**Views of responsible officials:** The Town agrees with this finding and has set forth a corrective action plan.

**Corrective action:** The Town is reviewing their procedures and policies to ensure the annual audit is completed timely in future years. In addition, the Town will closely monitor their reporting requirements.

**2021-002 Account Reconciliations**

**Criteria:** Management should have a system of internal controls over account reconciliations to help reduce or mitigate potential misstatements in financial reporting.

**Condition:** During our audit procedures, we proposed certain adjustments which were part of the prior year audit report from the predecessor auditor that were not posted into the Town's general ledger. In addition, we noted certain accounts, such as accounts receivable – taxes, state shared revenues, utilities and payables – trade were not reconciled at year-end.

**Effect:** The Town's management and other users of the financial statements do not have accurate and timely information for decision-making and monitoring of the Town's financial position and adherence to laws, regulations, and other requirements. Errors in financial reporting could occur and not be detected.

**Cause:** The Town did not maintain a system of internal controls over account reconciliations. As a result, several year-end financial reporting tasks and processes were not performed.

**Recommendation:** The Town should develop a system of internal controls over financial reporting, including identifying key individuals, to ensure year-end balances are accurate for financial reporting.

**Town of Grimesland, North Carolina**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2021**

**Views of responsible officials:** The Town agrees with this finding and has set forth a corrective action plan.

**Corrective action:** The Town has begun identifying areas where reconciliations are necessary and key individuals for these processes. Management is reviewing existing policies and procedures for updating to assist in timely and accurate account reconciliations. Implementation of new controls are being addressed and should be completed no later than June 30, 2022.

**2021-003 Restatements**

**Criteria:** Management should have a system of internal controls over account reconciliations to help reduce or mitigate potential misstatements in financial reporting.

**Condition:** During our audit procedures, we proposed prior period adjustments relating to unrestricted intergovernmental revenues which were not properly accrued during the prior reporting period. In addition, an adjustment was proposed relating to a long-term debt of the Town that was not reconciled properly to the correct balance as the Town made payments in advance of the scheduled payments. This incorrect balance also affected the accrued interest on the outstanding debt balance. The Town also did not properly record a prior auditor adjustment relating to the cash balance.

**Effect:** The Town's management and other users of the financial statements do not have accurate and timely information for decision-making and monitoring of the Town's financial position and adherence to laws, regulations, and other requirements. Errors in financial reporting could occur and not be detected.

**Cause:** The Town did not maintain a system of internal controls over account reconciliations. As a result, several account balances were not reconciled.

**Recommendation:** The Town should develop a system of internal controls over financial reporting, including identifying key individuals, to ensure year-end balances are accurate for financial reporting.

**Views of responsible officials:** The Town agrees with this finding and has set forth a corrective action plan.

**Corrective action:** The Town has begun identifying areas where reconciliations are necessary and key individuals for these processes. Management is reviewing existing policies and procedures for updating to assist in timely and accurate account reconciliations. Implementation of new controls are being addressed and should be completed no later than June 30, 2022.