

REVIEWED

By SLGFD at 7:01 am, Jan 25, 2022

**TOWN OF HALIFAX
HALIFAX, NORTH CAROLINA
JUNE 30, 2021**

**TOWN OF HALIFAX
NORTH CAROLINA**

**FINANCIAL STATEMENTS
JUNE 30, 2021**

**Mayor
John White**

**Town Clerk
Holly Borcelo**

Commissioners

William Johnson

Lisa Turner

Christina Wells

Jane P. Bass

Patterson Wilson

**TOWN OF HALIFAX, NORTH CAROLINA
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JUNE 30, 2021**

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Financial Section

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Independent Auditor's Report

To the Honorable Mayor
And Members of the Town of Halifax
Halifax, North Carolina

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 Halifax, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Halifax'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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 auditor considers 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 Town of Halifax, North Carolina as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, and 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 to 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 of Halifax's basic financial statements. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with audit standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor 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.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.



Johnson, McLean & Company, CPA's
Murfreesboro, North Carolina

December 16, 2021

Management's Discussion and Analysis

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

Financial Highlights

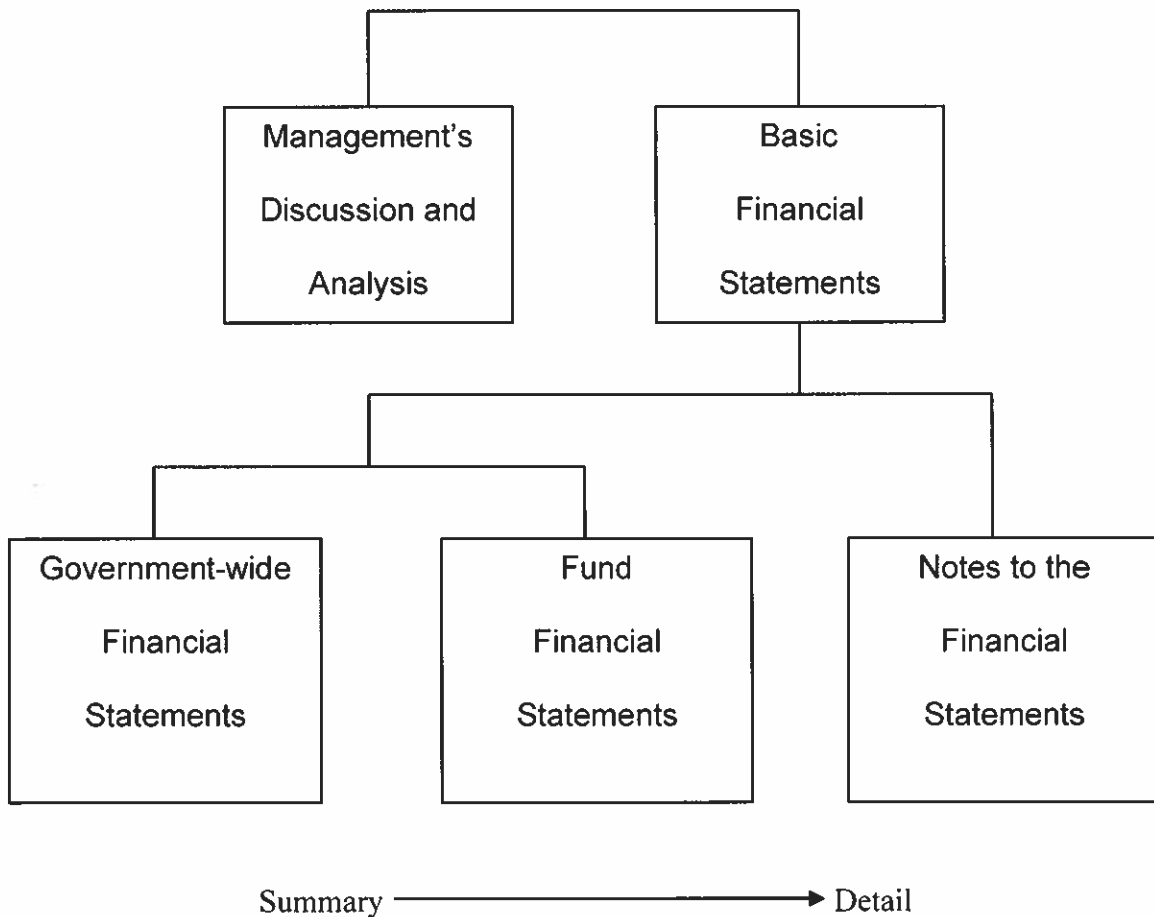
- The assets of the Town of Halifax exceeded its liabilities at the close of the fiscal year by \$3,374,038 (*net position*).
- The government's total net position decreased by \$132,061, due to a decrease in the business-type activities net position of \$166,916 and an increase of the governmental activities of \$34,855.
- As of the close of the current fiscal year, the Town of Halifax's governmental funds reported combined ending fund balances of \$231,055 an increase of \$35,062 in comparison with the prior year. Approximately 61 percent of this total amount, or \$142,028, 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 \$142,028 or 82 percent of total general fund expenditures for the fiscal year.
- The Town of Halifax's long- debt decreased by \$4,150 during the current fiscal year. The key factor in the decrease was reduction in notes payable for payments made.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through H) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government.

Management Discussion and Analysis

Town of Halifax

These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds 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, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town's charges customers to provide. These include the water and sewer services offered by the Town of Halifax.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Halifax, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Halifax 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

Management Discussion and Analysis

Town of Halifax

left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Halifax 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's, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. 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 – Town of Halifax has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Halifax uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are included in this report.

Management Discussion and Analysis
Town of Halifax

Government-Wide Financial Analysis

The Town of Halifax's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 237,144	\$ 200,669	\$ 40,416	\$ 25,944	\$ 277,560	\$ 226,613
Capital assets	83,327	87,954	3,164,266	3,253,179	3,247,593	3,341,133
Total assets	320,471	288,623	3,204,682	3,279,123	3,525,153	3,567,746
Long-term liabilities outstanding	10,375	14,525	-	-	10,375	14,525
Other liabilities	4,093	2,951	136,647	44,169	140,740	47,120
Total liabilities	14,468	17,476	136,647	44,169	151,115	61,645
Net Position:						
Invested in capital assets, net of related debt	83,327	73,429	3,164,266	3,253,178	3,247,593	3,326,607
Restricted	104,059	10,657	-	-	104,059	10,657
Unrestricted	118,617	94,061	(96,231)	(18,225)	22,386	75,836
Total net assets	\$ 306,003	\$ 178,147	\$ 3,068,035	\$ 3,234,953	\$ 3,374,038	\$ 3,413,100

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Halifax exceeded liabilities by \$3,374,038 as of June 30, 2021. The Town's net position decreased by \$132,061 for the fiscal year ended June 30, 2021. However, the largest portion 96.3 percent reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Halifax uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Halifax'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 of Halifax net position (3.1%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of the Town of Halifax's net position \$22,386 (0.6%) is unrestricted.

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

- Continued low amounts of debt for the Town.

Management Discussion and Analysis
Town of Halifax

Town of Halifax Changes in Net Position
Figure 3

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 32,858	\$ 37,287	\$ 175,431	\$ 145,388	\$ 208,289	\$ 182,675
Operating grants and contributions	10,683	10,790	-	-	10,683	10,790
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	96,822	80,738	-	-	96,822	80,738
Other taxes	60,134	57,932	-	-	60,134	57,932
Capital Grants	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	7,830	396	422	-	8,252	396
Total revenues	208,327	187,143	175,853	145,388	384,180	332,531
Expenses:						
General government	76,025	66,839	-	-	76,025	66,839
Public safety	11,253	11,253	-	-	11,253	11,253
Transportation	81,681	97,107	-	-	81,681	97,107
Culture and recreation	3,513	7,450	-	-	3,513	7,450
Economic development	1,000	1,000	-	-	1,000	1,000
Water and sewer	-	-	342,769	276,763	342,769	276,763
Total expenses	173,472	183,649	342,769	276,763	516,241	460,412
Increase in net assets before transfers	34,855	3,494	(166,916)	(131,375)	(132,061)	(127,881)
Transfers	-	-	-	-	-	-
Increase in net assets	34,855	3,494	(166,916)	(131,375)	(132,061)	(127,881)
Net Position, July 1	271,148	267,654	3,234,951	3,366,326	3,506,099	3,633,980
Net Position, June 30	\$ 306,003	\$ 271,148	\$ 3,068,035	\$ 3,234,951	\$ 3,374,038	\$ 3,506,099

Governmental activities. Governmental activities increased the Town's net position by \$34,855. Revenues were \$21,184 more than last year. Expenditures were \$10,177 less than last year.

Business-type activities. Business-type activities decreased the Town of Halifax's net position by \$166,916 mainly due to utility rates not covering depreciation along with an increase in the cost of treating sewage. Revenues were \$30,465 more than last year as the Town implemented a rate increase for water and sewer the last two months of the year. Expenditures were \$66,006 more than last year mainly because of the higher cost of sewer treatment.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Halifax'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 of Halifax's financing requirements. Specifically, unreserved 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 of Halifax. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$142,028, while total fund balance was \$231,055. 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 82 percent of total General Fund expenditures while total fund balance is 134 percent.

At June 30, 2021, the governmental funds of Town of Halifax reported a combined fund balance of \$231,055, an 18 percent increase over last year. The increase is completely from the General Fund.

General Fund Budgetary Highlights: During the fiscal year, the Town did not revise the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were \$12,871 more than budgeted. Expenditures were \$22,191 less than budgeted. The town was over budget in General Government, Economic Development, Cultural and recreational, and Debt Service.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to a deficit of \$96,231. The decrease in net position was \$166,916 for the current year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Management Discussion and Analysis
Town of Halifax

Capital Asset and Debt Administration

Capital assets. The Town of Halifax's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$3,247,593 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, and construction in progress.

The Town had additions in the Business-type activities in the amount of \$12,549 related to the water and sewer fund collection system.

Town of Halifax's Capital Assets
Figure 4

	(net of depreciation)					
	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Total 2021	Total 2020
Land	\$ 32,801	\$ 32,801	\$ 11,712	\$ 11,712	\$ 44,513	\$ 44,513
Construction in progress	\$ -	\$ -	-	-	-	-
Buildings and systems	37,521	39,258	3,099,228	3,177,451	3,136,749	3,216,709
Machinery and equipment	4,408	6,419	53,327	64,016	57,735	70,435
Infrastructure	8,598	9,478	-	-	8,598	9,478
Vehicles and motorized equipment	(2)	(2)	-	-	(2)	(2)
Total	\$ 83,326	\$ 87,954	\$ 3,164,267	\$ 3,253,179	\$ 3,247,593	\$ 3,341,133

Additional information on the Town's capital assets can be found in notes of the Basic Financial Statements.

Management Discussion and Analysis
Town of Halifax

Long-term Debt. As of June 30, 2021, the Town of Halifax had a notes payable outstanding of \$10,375. All of which is debt backed by the full faith and credit of the Town.

**Town of Halifax's Outstanding Debt -
General Obligation and Revenue Bonds**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 10,375	\$ 14,525	\$ -	\$ -	\$ 10,375	\$ 14,525
Revenue bonds	-	-	-	-	-	-
Total	\$ 10,375	\$ 14,525	\$ -	\$ -	\$ 10,375	\$ 14,525

The Town of Halifax's total debt decreased by the amount of the principal payments made during the year. The 2021-22 payment of \$2,075 was made at the end of June 2021.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Halifax is \$1,160,150. The Town has \$ 0 in bonds authorized and un-issued at June 30, 2021.

Economic Factors and Next Year's Budgets and Rates

The following indicators reflect Halifax and the surrounding area economic condition.

- The Town is optimistic that a new Town wide internet Wi-Fi system funded by a grant will be operational in the coming year. This system should benefit businesses and homes in the Town.
- The Town continues to recover from the effects of Covid. The Town is scheduled to receive grant money during the next year to help offset the cost of the pandemic.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property taxes remained the same as last year, 66 cents per \$100 valuation. Budgeted expenditures in the General Fund (including Powell Bill) for the 2022 budget was set at \$238,588 compared to \$172,994 for the final 2021 actual expenditures.

Business – type Activities: An operating expense budget for 2022 was set at \$206,910 as compared to last year's actual expenses of \$241,308. Water and sewer rates were increased in May, 2021 to cover expenses for the 2022 year.

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, P.O. Box 222, Halifax, NC 27839, and phone (252) 583-6571.

Basic Financial Statements

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 127,143	\$ -	\$ 127,143
Restricted cash and cash equivalents	89,027	-	89,027
Taxes receivables (net)	1,547	-	1,547
Accrued interest receivable on taxes	449	-	449
Accounts receivable (net)	15,032	44,362	59,394
Due from water & sewer fund	3,946	(3,946)	-
Total current assets	237,144	40,416	277,560
Capital assets			
Land, non-depreciable improvements	32,801	11,713	44,514
Other capital assets, net of depreciation	50,526	3,152,553	3,203,079
Total capital assets	83,327	3,164,266	3,247,593
Total assets	320,471	3,204,682	3,525,153
LIABILITIES			
Current liabilities:			
Check written in excess of bank balance	-	94,046	94,046
Accounts payable	4,093	29,277	33,370
Customer deposits	-	13,324	13,324
Long-term liabilities:			
Due within one year	2,075	-	2,075
Due in more than one year	8,300	-	8,300
Total liabilities	14,468	136,647	151,115
NET POSITION			
Net Investment in Capital Assets	83,327	3,164,266	3,247,593
Restricted for:			
Stabilization by State statute	15,032	-	15,032
Streets	38,827	-	38,827
Mural fund	100	-	100
Wifi	50,100	-	50,100
Unrestricted	118,617	(96,231)	22,386
Total net position	\$ 306,003	\$ 3,068,035	\$ 3,374,038

The notes to the financial statements are an integral part of this statement.

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities		Total
Primary government:								
Governmental Activities:								
General government	\$ 76,025	\$ -	\$ -	\$ -	(76,025)	\$ -	\$	(76,025)
Public safety	11,253	-	-	-	(11,253)	-	-	(11,253)
Transportation	81,681	32,858	8,383	-	(40,440)	-	-	(40,440)
Economic development	1,000	-	-	-	(1,000)	-	-	-
Cultural and recreation	3,513	-	2,300	-	(1,213)	-	-	(1,213)
Total governmental activities (See Note 1)	173,472	32,858	10,683	-	(129,931)	-	-	(129,931)
Business-type activities:								
Water and sewer	342,769	175,431	-	-	-	(167,338)	-	(167,338)
Total business-type activities	342,769	175,431	-	-	-	(167,338)	-	(167,338)
Total primary government	\$ 516,241	\$ 208,289	\$ 10,683	\$ -	\$ (129,931)	\$ (167,338)	\$	\$ (297,269)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					96,822	-	-	96,822
Other taxes					60,134	-	-	60,134
Miscellaneous					7,780	-	-	7,780
Unrestricted investment earnings					50	422	-	472
Total general revenues, special items, and transfers					164,786	422	-	165,208
Change in net position					34,855	(166,916)	-	(132,061)
Net position-beginning					271,148	3,234,951	-	3,506,099
Net position-ending					\$ 306,003	\$ 3,068,035	\$	\$ 3,374,038

The notes to the financial statement are an integral part of this statement.

Fund Financial Statements

TOWN OF HALIFAX, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	<u>Major Funds</u>		
	<u>General</u>	<u>Non-Major Funds</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and temporary cash equivalents	\$ 127,143	\$ -	\$ 127,143
Restricted cash	89,027	-	89,027
Taxes receivable	1,547	-	1,547
Accounts receivable	15,032	-	3,946
Due from Water and Sewer Fund	3,946	-	3,946
Total Assets	<u>236,695</u>	<u>-</u>	<u>225,609</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and accrued liabilities	<u>4,093</u>	<u>-</u>	<u>4,093</u>
Total liabilities	<u>4,093</u>	<u>-</u>	<u>4,093</u>
Deferred Inflows of Resources			
Property Taxes Uncollected	1,547	-	1,547
Fund balances:			
Restricted			
Stabilization by State statute	15,032	-	15,032
Streets	38,827	-	38,827
Mural Fund	100	-	100
Wifi grant	50,100	-	50,100
Unassigned	<u>126,996</u>	<u>-</u>	<u>126,996</u>
Total fund balances	<u>231,055</u>	<u>-</u>	<u>231,055</u>
Total liabilities and fund balances	<u>\$ 236,695</u>	<u>\$ -</u>	<u>\$ 236,695</u>

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

83,327

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.

449

Liabilities for earned but unavailable revenues in fund statements.

1,547

Some liabilities are not due and payable in the current period and therefore are not reported in the funds

(10,375)

Net position of governmental activities

\$ 306,003

The notes to the financial statement are an integral part of this statement.

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	<u>Major Funds</u>	<u>Total</u>	<u>Total</u>
	<u>General Fund</u>	<u>Non-Major</u>	<u>Governmental Funds</u>
REVENUES:			
Ad Valorem Taxes	\$ 96,551	\$ -	\$ 96,551
Other Taxes and Licenses	38,254	-	38,254
Unrestricted Intergovernmental Revenues	21,880	-	21,880
Restricted Intergovernmental Revenues	8,383	-	8,383
Sales and Service	32,858	-	32,858
Investment Earnings	50	-	50
Other	10,080	-	10,080
Total Revenues	<u>208,056</u>	<u>-</u>	<u>208,056</u>
EXPENDITURES			
General Government	74,307	-	74,307
Public Safety	11,000	-	11,000
Transportation	15,065	-	15,065
Public Works	65,122	-	65,122
Recreation	2,350	-	2,350
Economic Development	1,000	-	1,000
Debt Service:			
Principal	4,150	-	4,150
Total Expenditures	<u>172,994</u>	<u>-</u>	<u>172,994</u>
Revenues Over (Under) Expenditures	<u>35,062</u>	<u>-</u>	<u>35,062</u>
OTHER FINANCING SOURCES (USES):			
Transfer to Water and Sewer	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and Other Sources Over (Under) Expenditures	35,062	-	35,062
FUND BALANCE - BEGINNING	<u>195,993</u>	<u>-</u>	<u>195,993</u>
FUND BALANCE - ENDING	<u>\$ 231,055</u>	<u>\$ -</u>	<u>\$ 231,055</u>

The notes to the financial statement are an integral part of this statement.

TOWN OF HALIFAX
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$	35,062
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(4,628)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		257
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Accrued interest on tax receivable		14
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt relation items.

Principal payments on long-term debt		4,150
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Total changes in net position of governmental activities	\$	<u>34,855</u>
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TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ANNUAL BUDGET AND ACTUAL
FOR THE YEAR ENDED June 30, 2021

	General Fund			Variance With Final Budget Positive Negative
	Budget		Actual Amount	
	Original	Final		
REVENUES:				
Ad Valorem Taxes	\$ 94,905	\$ 94,905	\$ 96,551	\$ 1,646
Other Taxes and Licenses	25,000	25,000	38,254	13,254
Unrestricted Intergovernmental Revenues	23,000	23,000	21,880	(1,120)
Restricted Intergovernmental Revenues	9,025	9,025	8,383	(642)
Sales and Service	32,285	32,285	32,858	573
Investment Earnings	-	-	50	50
Miscellaneous	10,970	10,970	10,080	(890)
Total Revenues	195,185	195,185	208,056	12,871
EXPENDITURES				
General Government	72,510	72,510	74,307	(1,797)
Public Safety	11,000	11,000	11,000	-
Transportation	20,225	20,225	15,065	5,160
Economic Development	-	-	1,000	(1,000)
Public Works	91,450	91,450	65,122	26,328
Cultural and Recreational	-	-	2,350	(2,350)
Debt Service:				
Principal	-	-	4,150	(4,150)
Total Expenditures	195,185	195,185	172,994	22,191
Revenues Over (Under) Expenditures	-	-	35,062	35,062
OTHER FINANCING SOURCES (USES):				
Fund Balance Appropriated	-	-	-	-
Total Other Financing Sources	-	-	-	-
Revenues and Other Sources Over (Under) Expenditures	\$ -	-	35,062	\$ 35,062
FUND BALANCE - BEGINNING JULY 1		-	195,943	
FUND BALANCE - ENDING JUNE 30		\$ -	\$ 231,005	

The notes to the financial statement are an integral part of this statement.

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	Water and Sewer Fund
ASSETS:	
Current assets:	
Cash and Cash Equivalents	\$ -
Accounts Receivable (net) - billed	44,362
Total Current Assets	<u>44,362</u>
Capital Assets:	
Land and Other Non-Depreciable Assets	11,713
Other Capital Assets, Net of Depreciation	3,152,553
Capital Assets (net)	<u>3,164,266</u>
Total Assets	<u><u>3,208,628</u></u>
LIABILITIES:	
Current Liabilities:	
Checks Written in Excess of Bank Balance	94,046
Accounts Payable and Accrued Liabilities	29,277
Due to General Fund	3,946
Customer Deposits	13,324
Total Current Liabilities	<u>140,593</u>
NET POSITION	
Net Invested in Capital Assets, Net of Related Debt	3,164,266
Unrestricted	(96,231)
Total Net Position	<u><u>\$ 3,068,035</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND - NET POSITION
FOR THE YEAR ENDED June 30, 2021

OPERATING REVENUE:

Charges for Services	\$	175,431
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OPERATING EXPENSES:

Water & Sewer Department

Salaries		22,060
Payroll Taxes		1,262
Office Supplies		437
Telephone & Postage		6,245
Professional Fees		28,916
Repairs & Maintenance		17,091
Utilities		149,629
Depreciation		101,461
Laboratory Analysis		8,757
Insurance		3,646
Supplies		974
Advertising		956
Dues		1,335
Total Operating Expense		342,769
Operating Income (Loss)		(167,338)

NON-OPERATING REVENUES (EXPENSES)

Interest Income		422
Total Non-Operating Revenues (Expenses)		422
Net (Loss) Income Before Transfers and Capital Contributions		(166,916)

Change in Net Position		(166,916)
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Net Position - July 1, 2020		3,234,951
Net Position - June 30, 2021	\$	3,068,035

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 157,013
Cash Paid for Goods and Services	(195,007)
Cash Paid to or on Behalf of Employees for Services	(23,322)
Customer Deposits Received	(466)
Net Cash Provided (Used) by Operating Activities	<u>(61,782)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital Outlay	<u>(12,549)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(12,549)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest	<u>422</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(73,909)
Balances - Beginning of the Year	<u>(20,137)</u>
Balances - End of the Year	<u><u>(94,046)</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	(167,338)
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:	
Depreciation	101,461
(Increase) Decrease in:	
Water Accounts Receivable	(18,418)
(Decrease) Increase in:	
Accounts Payable	19,037
Due to General Fund	3,942
Customer Deposits	(466)
Net cash provided by operating activities	<u><u>\$ (61,782)</u></u>

**TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Halifax 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 of Halifax is a municipal corporation that is governed by an elected mayor and a five-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. 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 emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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 and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental fund:

None.

The Town reports the following major enterprise funds:

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

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.

TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2021

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.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. 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 60 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 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 Halifax County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, and the Enterprise Funds. 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 object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflow/Inflows of Revenue and Fund Equity

1. Deposits and Investments

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

TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2021

accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The Town investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

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.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-4101 thru 136-4104. Building escrow is for proceeds for the sale of a building required to be held in escrow for 5-years.

Town of Halifax Restricted Cash	
Governmental Activities	
General Fund - Streets	\$ 38,827
Mural Fund	100
Wi-fi Grant	50,100
Total restricted cash	<u>\$ 89,027</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, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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.

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. Minimum capitalization costs are as follows: land,

TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2021

\$1,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$1,000; infrastructure, \$20,000; furniture and equipment, \$1,000; and vehicles, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30 - 50
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

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 no item that meets this criterion. 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 only one item that meets the criterion for this category – property taxes receivable.

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, as well as issuance costs, are deferred and amortized over the life of the bonds 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 cost, are expensed in the reporting period in which they are incurred. Prepaid insurance cost are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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.

9. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as 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.

**TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2021**

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 balances can be spent.

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets – Powell Bill 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 Escrow – Proceeds from the sale of a building are required to be held in escrow for 5-years

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

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. The Town violated State Statute G.S. 159-34 that requires local governments to submit audits four months after the end of the fiscal year. This was due to accounting records not being kept current which prevented the audit from being prepared and submitted in a timely manner.
2. The Town violated State Statute G.S. 159-32 which requires that all monies collected or received in excess of \$250 be deposited daily. Deposits are generally made once a month. At the end of the year, June 30, 2021, a large amount of cash and checks had not been deposited.
3. For the fiscal year June 30, 2021, the Town's General Fund General Government Department exceeded budget in the amount of \$1,797, Recreation Department exceeded budget in the amount of \$2,350; Economic Development in the amount of \$1,000; and Debt Service in the amount of \$4,150. The Town did not budget an amount in these departments or amend the budget during the year.
4. For the fiscal year June 30, 2021, the Town's Water and Sewer Fund exceeded the budget in the amount of \$96,147. Unexpected repair costs and utilities caused the expenditures to exceed the budget.

B. Deficit in Fund Balance Not Appropriated in Subsequent Year's Budget Ordinance

The Water and Sewer Fund has a deficit unrestricted fund balance of \$96,231. The Town has increased water/sewer rates to cover the deficit.

III. Detail Notes On All Funds

A. Assets

1. Deposits

All of 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 are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name

TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2021

of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$122,124 and a bank balance of \$95,155. The bank balances of the Town were covered by federal depository insurance in the amount of \$250,000. The Town has \$35 cash on hand at year end.

2. Receivables – Allowances for Doubtful Accounts

The amounts presented in Exhibit A, Statement of Net Assets, do not reflect any provision for allowances for doubtful accounts, because any doubtful accounts are considered to be immaterial.

3. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 32,801	\$ -	\$ -	\$ 32,801
Capital assets being depreciated:				
Buildings	58,074	\$ -	\$ -	58,074
Equipment	48,989	-	-	48,989
Vehicles and motorized equipment	7,572	-	-	7,572
Infrastructure	63,834	-	-	63,834
Total capital assets being depreciated	\$ 178,469	\$ -	\$ -	\$ 178,469
Less accumulated depreciation for:				
Buildings	\$ 18,816	\$ 1,737	\$ -	\$ 20,553
Equipment	42,570	2,011	-	44,581
Vehicles and motorized equipment	7,574	-	-	7,574
Infrastructure	54,356	880	-	55,236
Total accumulated depreciation	123,316	4,628	-	127,944
Total capital assets being depreciated, net	55,153			50,525
Governmental activity capital assets, net	\$ 87,954			\$ 83,326

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 1,718
Public safety	253
Transportation	1,410
Public works	84
Recreation	1,163
Total depreciation expense	<u>\$ 4,628</u>

TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2021

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 11,712	\$ -	\$ -	\$ 11,712
Construction in progress	-	-	-	-
	<u>\$ 11,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,712</u>
Capital assets being depreciated:				
Plant and distribution systems	\$ 4,476,592	\$ 12,549	\$ -	\$ 4,489,141
Furniture and maintenance equipment	199,604	-	-	199,604
	<u>\$ 4,676,196</u>	<u>\$ 12,549</u>	<u>\$ -</u>	<u>\$ 4,688,745</u>
Less accumulated depreciation for:				
Plant and distribution systems	\$ 1,299,141	\$ 90,772	\$ -	\$ 1,389,913
Furniture and maintenance equipment	135,588	10,689	-	146,277
Total accumulated depreciation	<u>\$ 1,434,729</u>	<u>\$ 101,461</u>	<u>\$ -</u>	<u>\$ 1,536,190</u>
Total capital assets being depreciated, net	<u>3,241,467</u>			<u>3,152,555</u>
Water and Sewer fund capital assets, net	<u>\$ 3,253,179</u>			<u>\$ 3,164,267</u>

B. Liabilities

1. Pension Plan Obligations

The Town employees do not participate in the Local Government Employee's Retirement System. The Town does not have a police force and, therefore, no provision for Law Enforcement Retirement.

2. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Inflows</u>
Taxes Receivable (General Fund)	1,547

3. 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 insures itself against such losses through the use of commercial insurance coverage. The Town has general liability coverage of one million dollars, utility vehicle liability coverage of \$300,000 per accident and \$100,000 per person, and worker's compensation coverage of \$100,000.

The Town carries other commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance.

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

TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2021

4. Long-Term Obligations

a. Notes Payable

Notes payable at June 30, 2021 are comprised of the following individual agreements:

Governmental Activities:

A direct placement installment purchase of \$41,500 to finance the purchase of the Town Hall (collateralized by the building) from Halifax County on May 31, 2008. The note is payable in twenty annual equal principal payments of \$2,075 with no interest.

The annual debt service requirements to maturity for the Town's note payable are as follows:

	Governmental Activities		
	Principal	Interest	Total
2021	\$ 2,075	\$ -	\$ 2,075
2022	2,075	-	2,075
2023	2,075	-	2,075
2024	2,075	-	2,075
2025	2,075	-	2,075
	<u>\$ 10,375</u>	<u>\$ -</u>	<u>\$ 10,375</u>

b. Changes in Long-Term Debt

During the year ended June 30, 2021, the following changes occurred in liabilities reported in Governmental activities:

	Balance July 1, 2020	Additions	Retirements	Balance July 1, 2021	Current Portion
By type of debt					
Direct Placement Installment Purchase	\$ 14,525	\$ -	\$ 4,150	\$ 10,375	\$ 2,075
Compensated Absences	-	-	-	-	-
	<u>\$ 14,525</u>	<u>\$ -</u>	<u>\$ 4,150</u>	<u>\$ 10,375</u>	<u>\$ 2,075</u>

IV. Related Party Transactions

None.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

There have been no events which occurred between June 30, 2021 and the date of this report which have significant effect on the Town.

Individual Fund Statements and Schedules

**TOWN OF HALIFAX, NORTH CAROLINA
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET & ACTUAL
FOR THE YEAR ENDED June 30, 2021
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020)**

	2021			2020
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES:				
Ad Valorem Taxes:				
Current Year	\$ -	\$ 96,271	\$ -	\$ 79,566
Prior Years	-	277	-	581
Penalties and Interest	-	3	-	691
Total	<u>94,905</u>	<u>96,551</u>	<u>1,646</u>	<u>80,838</u>
Other Taxes and Licenses				
Local Option Sales Tax	-	37,879	-	32,158
Zoning	-	-	-	120
Permits & Fees	-	-	-	285
Sales Tax Refund	-	375	-	2,545
Total	<u>25,000</u>	<u>38,254</u>	<u>13,254</u>	<u>35,108</u>
Unrestricted Intergovernmental Revenues:				
Utility Franchise Tax	-	20,949	-	21,856
Beer and Wine Tax	-	931	-	968
Total	<u>23,000</u>	<u>21,880</u>	<u>(1,120)</u>	<u>22,824</u>
Restricted Intergovernmental:				
Powell Bill Allotment	-	8,258	-	8,920
Solid Waste Disposal	-	125	-	180
Total	<u>9,025</u>	<u>8,383</u>	<u>(642)</u>	<u>9,100</u>
Sales and Service:				
Garbage Collection Fees	-	22,996	-	22,466
Yard Trash Fees	-	9,862	-	8,886
Total	<u>32,285</u>	<u>32,858</u>	<u>573</u>	<u>31,352</u>
Investment Earnings	-	50	50	38
Other:				
Street Fair	-	-	-	250
Donations	-	2,480	-	1,690
Powell Bill Reimbursement	-	-	-	-
Recreation	-	2,300	-	286
Cares Act	-	5,300	-	108
Insurance Claims	-	-	-	5,649
Wi-fi Grant	-	-	-	-
Total	<u>10,970</u>	<u>10,080</u>	<u>(890)</u>	<u>7,983</u>
Total Revenues	<u>\$ 195,185</u>	<u>\$ 208,056</u>	<u>\$ 12,871</u>	<u>\$ 187,243</u>

**TOWN OF HALIFAX, NORTH CAROLINA
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET & ACTUAL
FOR THE YEAR ENDED June 30, 2021
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020)**

	2021			2020
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
EXPENDITURES:				
General Government:				
Salaries:				
Salaries and Employee Benefits	\$ -	\$ 18,039	\$ -	\$ 18,215
Professional Services	-	18,503	-	14,933
Insurance	-	16,770	-	11,567
Dues and Subscriptions	-	2,051	-	2,092
Telephone and Postage	-	3,470	-	4,345
Utilities	-	2,254	-	4,372
Other Operating Expenses	-	13,220	-	9,597
Total General Government	72,510	74,307	(1,797)	65,121
Public Safety:				
Fire Department	-	11,000	-	11,000
Total Public Safety	11,000	11,000	-	11,000
Transportation:				
Street Lights	-	12,962	-	10,323
Street Improvements	-	2,103	-	-
Total Transportation	20,225	15,065	5,160	10,323
Public Works:				
Salaries and Employee Benefits	-	26,790	-	39,401
Maintenance & Repair	-	6,905	-	14,849
Other Operating Expenditures	-	2,448	-	7,657
Landfill, Recycle & Garbage Collection Fee	-	28,979	-	23,383
Total Public Works	91,450	65,122	26,328	85,290
Recreation				
Fire Works	-	2,350	(2,350)	4,453
Economic Development	-	1,000	(1,000)	1,000
Debt Service				
Principle	-	4,150	(4,150)	2,075
Total Expenditures:	195,185	172,994	22,191	179,262
Revenues Over (Under) Expenditures	-	35,062	(35,062)	7,981
Other Financing Sources:				
Fund Balance Appropriated	-	-	-	-
	\$ -	\$ -	\$ -	\$ -

**TOWN OF HALIFAX, NORTH CAROLINA
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET & ACTUAL
FOR THE YEAR ENDED June 30, 2021
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020)**

	<u>2021</u>			<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenue & Other Financing Sources Over Expenditures	\$ -	\$ 35,062	\$ 35,062	\$ 7,981
FUND BALANCE:				
Beginning of Year - July 1		<u>195,993</u>		<u>188,012</u>
End of year - June 30		<u>\$ 231,055</u>		<u>\$ 195,993</u>

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF REVENUES & EXPENDITURES
BUDGET & ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS
WATER & SEWER FUND
FOR THE YEAR ENDED June 30, 2021
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020)

	2021			2020
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
OPERATING REVENUES:				
Charges for Services:	\$ -	\$ 175,431	\$ -	\$ 144,147
Other operating revenues				
Tap & Connection Fees	-	-	-	100
Penalties	-	-	-	1,141
Total operating revenues	<u>157,710</u>	<u>175,431</u>	<u>17,721</u>	<u>145,388</u>
NON-OPERATING REVENUES:				
Interest Earned	-	422	422	-
Total Revenues	<u>157,710</u>	<u>175,853</u>	<u>18,143</u>	<u>145,388</u>
EXPENDITURES:				
Operations:				
Salaries	-	22,060	-	22,887
Payroll Taxes & Benefits	-	1,262	-	1,886
Office Supplies	-	437	-	487
Bank Charges	-	956	-	-
Professional Fees	-	28,916	-	17,376
Repairs & Maintenance	-	17,091	-	3,049
Utilities	-	149,629	-	112,703
Advertising & Election	-	-	-	858
Supplies	-	974	-	903
Insurance	-	3,646	-	1,776
Capital Outlay	-	12,549	-	54,991
Laboratory Analysis	-	8,757	-	8,768
Telephone & Postage	-	6,245	-	4,568
Training	-	-	-	493
Dues	-	1,335	-	945
Total Operating Expenditures	<u>157,710</u>	<u>253,857</u>	<u>96,147</u>	<u>231,690</u>
Revenues Over Expenditures	<u>-</u>	<u>(78,004)</u>	<u>(78,004)</u>	<u>(86,302)</u>
Other Sources & (Uses):				
Appropriated Fund Balance	55,000	-	-	-
	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>\$ 55,000</u>	<u>\$ (78,004)</u>	<u>\$ (78,004)</u>	<u>\$ (86,302)</u>

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF REVENUES & EXPENDITURES
BUDGET & ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS
WATER & SEWER FUND
FOR THE YEAR ENDED June 30, 2021
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020)

	<u>2021</u>			<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Reconciliation of Modified Accrual Basis:				
Excess of Revenues Over Expenditures		\$ (78,004)	\$ -	\$ (86,302)
Reconciling Items				
Depreciation		(101,461)	-	-
Capital Outlay		12,549	-	-
Total Reconciling Items		<u>(88,912)</u>	<u>-</u>	<u>-</u>
Net Income		<u>\$ (166,916)</u>	<u>\$ -</u>	<u>\$ (86,302)</u>

Other Schedules

TOWN OF HALIFAX, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2021

	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 96,906	\$ 96,271	\$ 635
2019-2020	589	-	277	312
2018-2019	56	-	-	56
2017-2018	56	-	-	56
2016-2017	55	-	-	55
2015-2016	55	-	-	55
2014-2015	48	-	-	48
2013-2014	121	-	-	121
2012-2013	99	-	-	99
2011-2012	110	-	-	110
2010-2011	102	-	102	-
TOTALS	\$ 1,291	\$ 96,906	\$ 96,650	\$ 1,547

Reconciliation with Revenues:

Taxes-Ad Valorem-General Fund	\$ 96,551
Ad Valorem Tax Written Off	99
Discounts Allowed & Releases	-
Subtotal	96,650
Less Penalties and Interest Collected	-
Total Collections and Credits	\$ 96,650

**TOWN OF HALIFAX, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
June 30, 2021**

	<u>Total Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property Taxes at Current Years Rate	\$ 14,682,727	0.66%	\$ 96,906	\$ 84,918	\$ 11,988
Releases	-	0.66%	-	0	-
Total	<u>\$ 14,682,727</u>	0.66%	<u>96,906</u>	<u>84,918</u>	<u>11,988</u>
Uncollected June 30, 2021			(635)	(635)	-
Current Years Taxes Collected			<u>\$ 96,271</u>	<u>\$ 84,283</u>	<u>\$ 11,988</u>
Current Levy Collection Percentage			<u>99.34%</u>	<u>99.25%</u>	<u>100.00%</u>