

**City of High Shoals
High Shoals, North Carolina
For the year ended
June 30, 2021**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

Governance

Mayor Paul Rathbone

Council Members

**Todd Duggins
Denise Cook
Dennis Cash
Bo Rhyne
Tim Eidson
Joey Heavener**

Clerk

Lucy Williams

City of High Shoals

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EDDIE CARRICK, CPA, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of High Shoals
High Shoals, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the City of High Shoals, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the City of High Shoals, North Carolina, as of June 30, 2021, and the respective changes in financial position, cash flows, where appropriate, thereof, and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3-12 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 Council, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of High Shoals, North Carolina's basic financial statements. The individual fund 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 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 my opinion, based on my audit, the individual fund 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*, I have also issued my report dated October 15, 2021, on my consideration of the City of High Shoals, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of High Shoals, North Carolina's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note VI to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter.



Eddie Carrick, CPA

Lexington, North Carolina

October 15, 2021



P.O. Box 6, High Shoals, N.C. 28077
Tel: (704) 735-1651 - Fax: (704) 735-5595

Management's Discussion and Analysis

As management of the City of High Shoals, we offer the readers of the City of High Shoals' financial statements this narrative overview and analysis of the financial activities of the City of High Shoals 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 City's financial statements, which follow this narrative.

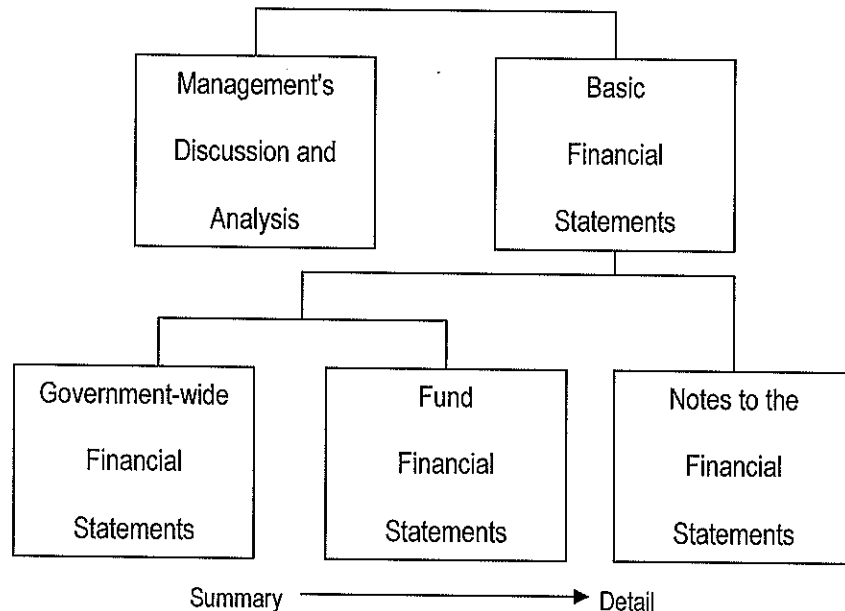
Financial highlights

- The assets of the City of High Shoals exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,942,431 (*net position*).
- The government's total net position increased by \$125,248, primarily due to a conservative spending approach by management and sewer grants.
- As of the close of the current fiscal year, the City of High Shoals' governmental funds reported combined ending fund balances of \$315,277 with a net increase of \$80,098 in fund balance. Approximately 45% of this total amount, or \$142,283 is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$172,994, or 61% of total general fund expenditures for the fiscal year.
- The City of High Shoals debt decreased by \$73,241 due to payments on loan for City Hall of \$70,000 and payments on borrowing on equipment of \$3,241.

Overview of the Financial Statements

This discussion and analysis is intended to serve as introduction to the City of High Shoals' basic financial statements. The City'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 City 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 City of High Shoals.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibit 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City'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, supplemental information is provided to show details about the City'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 City'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 City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City'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 City's basic services such as streets, sanitation, parks and recreation, and general administration. Property tax and state shared revenues finance these activities. The business-type activities are those that the City charges customers to provide. These include water and sewer services offered by the City.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of High Shoals, 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 General Statutes or the City's budget ordinance. All of the funds of the City of High Shoals 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 City'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 determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

Management Discussion and Analysis
City of High Shoals

The City of High Shoals adopts an annual budget for the General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance the current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City 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 in 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 differences or variance between the final budget and 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 City of High Shoals has one type of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer activity. This fund is the same as the functions shown in the business-type activities in the Statement of Net position and Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplemental information detailing the information provided in the basic financial statements and is presented to allow the reader to gain an in-depth understanding of the financial information presented.

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

Management Discussion and Analysis
City of High Shoals

City of High Shoals's Net Position (Figure 2)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Current and other assets	\$ 355,863	\$ 253,753	\$ 282,755	\$ 231,246	\$ 638,618	\$ 484,999
Capital assets	945,563	994,584	5,429,078	5,457,651	6,374,641	6,452,235
Total assets	<u>1,301,426</u>	<u>1,248,337</u>	<u>5,711,833</u>	<u>5,688,897</u>	<u>7,013,259</u>	<u>6,937,234</u>
Other liabilities	27,443	5,056	30,418	28,788	57,861	33,844
Long-term Liabilities	12,967	86,208	-	-	12,967	86,208
Total liabilities	<u>40,410</u>	<u>91,264</u>	<u>30,418</u>	<u>28,788</u>	<u>70,828</u>	<u>120,052</u>
Net position:						
Net investment in						
capital assets	932,596	908,376	5,429,078	5,457,651	6,361,674	6,366,027
Restricted for:						
Stabilization by State Statute	17,340	21,991	-	-	17,340	21,991
Streets	42,543	24,858	-	-	42,543	24,858
Unrestricted	268,537	201,848	252,337	202,458	520,874	404,306
Total net position	<u>\$ 1,261,016</u>	<u>\$ 1,157,073</u>	<u>\$ 5,681,415</u>	<u>\$ 5,660,109</u>	<u>\$ 6,942,431</u>	<u>\$ 6,817,182</u>

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 the City exceeded liabilities and deferred inflows by \$6,942,431 as of June 30, 2021. The City's net position increased by \$125,248 for the fiscal year ended June 30, 2021. However, the largest portion (92%) reflects the City's net investment in capital assets (road improvements, equipment, machinery, utility plant). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$59,883, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$520,874 is unrestricted.

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

- Continued diligence in the collection of property taxes and uncollected receivables.
- Conservative spending practices
- State grants of \$326,179 for housing rehabilitation and sewer improvement

Management Discussion and Analysis
City of High Shoals

City of High Shoals' Changes in Net Position (Figure 3)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Revenues						
Program revenues:						
Charges for services	\$ 3,753	\$ 40,998	\$ 222,260	\$ 199,605	\$ 226,013	\$ 240,603
Grants and contributions	62,179	442,588	-	-	62,179	442,588
Capital grants and contributions	263,793	-	62,386	1,532,086	326,179	1,532,086
General revenues:						
Property taxes	152,981	152,456	-	-	152,981	152,456
Unrestricted intergovernmental revenues	128,447	114,396	-	-	128,447	114,396
Other	3,586	8,444	-	-	3,586	8,444
Total revenues	614,739	758,882	284,646	1,731,691	899,385	2,490,573
Expenses:						
General government	386,679	568,897	-	-	386,679	568,897
Public safety	72,720	-	-	-	72,720	-
Transportation	55,243	59,979	-	-	55,243	59,979
Environmental protection	8,261	47,134	-	-	8,261	47,134
Cultural and recreational	393	10,496	-	-	393	10,496
Water and sewer	-	-	250,841	240,319	250,841	240,319
Total expenses	523,296	686,506	250,841	240,319	774,137	926,825
Increase in net assets before transfers and contributions	91,443	72,376	33,806	1,491,372	125,249	1,563,748
Transfers	12,500	12,500	(12,500)	(12,500)	-	-
Increase in net position	103,943	84,876	21,306	1,478,872	125,248	1,563,748
Net position, July 1	1,157,073	1,072,198	5,660,109	4,181,237	6,817,182	5,253,435
Net position, June 30	\$ 1,261,016	\$ 1,157,073	\$ 5,681,415	\$ 5,660,109	\$ 6,942,430	\$ 6,817,182

Governmental activities. Governmental activities increased the City's net position by \$103,943, thereby accounting for 83% of the total increase in net position of the City. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Management believes healthy investment in the City will result in additional revenues, and in that vein added to the City's net position by investing in capital assets. Increased efforts to maximize tax collections also contributed to the favorable net position. Tax revenue did not appreciably decline in the current year. City management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Key elements of this increase are as follows:

- Reducing expenditures in the street maintenance departments.
- Additional principal paid on City Hall loan

Management Discussion and Analysis City of High Shoals

Business-type activities: Business-type activities increased the City's net position by \$21,306 accounting for 17% of the total increase in the government's net position. Key elements of this increase are as follows:

- Continued efficient operation of the system
- Grant proceeds for infrastructure improvement
- Increased depreciation expense with completion of sewer improvements

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City'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 City. At the end of the current fiscal year, the City of High Shoals' fund balance available in the General Fund was \$172,994, while total fund balance reached \$315,277. The City currently has an available fund balance of 61% of general fund expenditures, while total fund balance represents 111% of the same amount.

General Fund Budgetary Highlights: During the fiscal year, the City made several revisions to 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 more than the budgeted amounts in taxes and unrestricted revenues primarily because the City is very conservative on its estimates. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position in the Water and Sewer Fund at the end of the fiscal year amounted to \$252,337. The total increase in net position was \$21,306. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$6,374,641 (net of accumulated depreciation). These assets include buildings, land, roads, machinery and equipment, park facilities, vehicles, water distribution lines, sewage collection lines and water and wastewater treatment facilities.

Management Discussion and Analysis
City of High Shoals

Major capital asset transactions during the year included the following additions:

- Work in progress for sewer infrastructure \$ 62,386
- Housing rehabilitation \$263,793

Town of High Shoals' Capital Assets (net of depreciation) (Figure 4)

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	2021	2020	2021	2020	2021	2020
Land	\$ 55,958	\$ 55,958	\$ 50	\$ 50	\$ 56,008	\$ 56,008
Buildings	553,302	582,770	200	200	553,502	582,970
System improvements other than buildings	53,124	53,465	5,428,828	5,457,401	5,481,952	5,510,866
Machinery and equipment	52,036	64,966	-	-	52,036	64,966
Vehicles	10,327	10,327	-	-	10,327	10,327
Infrastructure	220,816	227,098	-	-	220,816	227,098
	<u>\$ 945,563</u>	<u>\$ 994,584</u>	<u>\$ 5,429,078</u>	<u>\$ 5,457,651</u>	<u>\$ 6,374,641</u>	<u>\$ 6,452,235</u>

Additional information on the City's capital assets can be found in Note III.A.4 of the Basic Financial Statements.

City of High Shoals' Outstanding Debt

At June 30, 2021, the City has secured financing with Peoples Bank in the amount of \$300,000 with interest accruing at 2.85% secured by City Hall. It is anticipated to be repaid with ten annual payments of \$30,000 of principal plus interest beginning 4-11-2021. The City paid extra principal of \$95,000 during the year. The remaining balance was \$70,000. The City retired the remaining debt on July 16, 2021.

The City entered into a lease / purchase arrangement with John Deere financial for the purchase of various equipment for \$16,208. The term is 60 monthly payments \$270 at 0% interest.

The City of High Shoals debt decreased by \$73,241 due to payments on loan for City Hall of \$70,000 and payments on borrowing on equipment of \$3,241.

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 property located within that government's boundaries. The legal debt margin for the City is \$2,980,839.

Additional information regarding the City's long-term debt can be found in Note III.B.5 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The City continues to extend its solid waste collection services outside the city limits.
- The City continues to make plans to make improvements to certain city streets and increase mileage of city streets with housing subdivision development.
- The City is starting a clean water distribution line with Gaston County that will include additional City residents and county government agencies. It will include the newly developed industrial park.
- The City has plans to increase revenues with infrastructure improvements over the next 3 years for sewer distribution with the help of a CDBG Grant.
- The City has plans to increase revenues with infrastructure improvements over the next 3 years for clean water distribution utilizing a CDBG Grant.
- The City is looking to develop properties for commercial business by using a CDBG Grant for demolition.
- The City is implementing a capital and asset management plan for the water and sewer department. This will help in keeping track of all the assets and staying on track of all equipment, it will also help in replacing older less efficient equipment with updated and proficient equipment.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

- The City has plans to develop a multiuse property by utilization of Brownfield Grants.
- The City plans to increase property values with the use of a North Carolina Neighborhood Revitalization Grant, to assist low income and poverty level families.
- By use of Powell Bill Funding storm water issues are be controlled and corrected with improvements.
- Plans to adopt a Fees Schedule to aid in housing growth
- Increased tax revenues with development of housing subdivisions

The City has chosen to appropriate General Fund balance in the fiscal year 2022 budget. Management believes that increased revenues and continued restrictions on spending will maintain the City's financial position. Though management believes current growth will generate enough revenue to support City operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-type Activities:

The water and sewer rates in the City will remain the same. General operating expenses are also expected to remain the same. The Water and Sewer Fund has experienced an increased customer base for sewer services because of the new sewer interconnect project and sewer infrastructure projects.

The City will increase revenues with the development of the new clean water distribution line by increasing the customer base in the Water & Sewer Fund.

Management Discussion and Analysis
City of High Shoals

Business-type Activities: (continued)

The City has adopted a capital and asset management plan for the water and sewer department that will help in keeping track of all the assets and staying on track of all equipment, it will also help in replacing older less efficient equipment with updated and proficient equipment.

Requests for Information

This report is designed to provide an overview of the City'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 City Clerk, City of High Shoals, 101 Thompkins Street, PO box 6, High Shoals, NC 28077.

City of High Shoals, North Carolina
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 266,910	\$ 242,372	\$ 509,282
Taxes receivable (net)	8,879	-	8,879
Accounts receivable (net)	20,191	20,566	40,758
Due from other governments	17,340	367	17,707
Cash and cash equivalents - restricted	42,543	19,450	61,993
Total current assets	<u>355,863</u>	<u>282,755</u>	<u>638,619</u>
Non-current assets:			
Capital Assets:			
Land, non-depreciable improvements, and construction in process	55,958	1,829,582	1,885,540
Other capital assets, net of depreciation	889,605	3,599,495	4,489,100
Total capital assets	<u>945,563</u>	<u>5,429,078</u>	<u>6,374,641</u>
Total assets	<u>1,301,426</u>	<u>5,711,833</u>	<u>7,013,260</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	27,443	10,968	38,412
Customer deposits	-	19,450	19,450
Current portion of long-term debt	3,240	-	3,240
Long-term liabilities:			
Due in more than one year	9,727	-	9,727
Total liabilities	<u>40,410</u>	<u>30,418</u>	<u>70,829</u>
DEFERRED INFLOWS OF RESOURCES			
None	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	932,596	5,429,078	6,361,674
Restricted for:			
Stabilization by State Statute	17,340	-	17,340
Streets	42,543	-	42,543
Unrestricted	268,537	252,337	520,874
Total net position	<u>\$ 1,261,016</u>	<u>\$ 5,681,415</u>	<u>\$ 6,942,431</u>

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

City of High Shoals, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

EXHIBIT 2

Program Revenues					Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Function / 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	\$ 386,679	\$ -	\$ -	\$ 263,793	\$ (122,886)	\$ -	\$ (122,886)
Street maintenance	72,720	-	44,494	-	(28,226)	-	(28,226)
Sanitation	55,243	-	17,685	-	(37,558)	-	(37,558)
Recreation	8,261	-	-	-	(8,261)	-	(8,261)
Cemetery	393	3,753	-	-	3,361	-	3,361
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities (see Note 1)	523,295	3,753	62,179	263,793	(193,570)	-	(193,570)
Business-type activities:							
Water and sewer	250,841	222,260	-	62,386	-	33,806	33,806
Total business-type activities	250,841	222,260	-	62,386	-	33,806	33,806
Total primary government	\$ 774,136	\$ 226,013	\$ 62,179	\$ 326,179	(193,570)	33,806	(159,765)
General revenues:							
Taxes:							
Property taxes levied for general purposes					152,981	-	152,981
Unrestricted intergovernmental revenues					128,447	-	128,447
Transfer from (to)					12,500	(12,500)	-
Unrestricted investment earnings					1,181	-	1,181
Miscellaneous					2,404	-	2,404
Total general revenues and special items					297,513	(12,500)	285,013
Change in net position					103,943	21,306	125,248
Net position-beginning					1,157,073	5,660,109	6,817,182
Net position-ending					\$ 1,261,016	\$ 5,681,415	\$ 6,942,431

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

City of High Shoals, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major Fund</u>	<u>Non-major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
ASSETS			
Cash and cash equivalents - unrestricted	\$ 266,910	\$ -	\$ 266,910
Cash and cash equivalents - restricted	42,543	-	42,543
Accounts receivable (net)	4,265	15,926	20,191
Taxes receivable (net)	8,879	-	8,879
Due from other governments	17,340	-	17,340
Total assets	<u>\$ 339,937</u>	<u>\$ 15,926</u>	<u>\$ 355,863</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 11,516	\$ 15,926	\$ 27,442
Total liabilities	<u>11,516</u>	<u>15,926</u>	<u>27,442</u>
Deferred inflows of resources:			
User fee receivables	4,265	-	4,265
Property tax receivable	8,879	-	8,879
Total deferred inflows of resources	<u>13,144</u>	<u>-</u>	<u>13,144</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	17,340	-	17,340
Streets	42,543	-	42,543
Assigned for subsequent expenditures	82,400	-	82,400
Unassigned	172,994	-	172,994
Total fund balances	<u>315,277</u>	<u>-</u>	<u>315,277</u>
Total Liabilities, deferred inflows of resources and fund balances	<u>\$ 339,937</u>	<u>\$ 15,926</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost	\$ 1,610,893		
Accumulated depreciation	<u>(665,330)</u>		945,563
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			13,144
Some liabilities, including bonds payable, accrued interest, and compensated absences are not due and payable in the current period and are therefore not reported in the funds.			<u>(12,967)</u>
Net position of the governmental activities			<u>\$ 1,261,016</u>

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

City of High Shoals, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	<u>Major Funds</u>	<u>Non-major Funds</u>	<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
Revenues:			
Ad Valorem taxes	\$ 152,980	\$ -	\$ 152,980
Other taxes and licenses	75	-	75
Unrestricted intergovernmental revenues	128,447	-	128,447
Restricted intergovernmental revenues	17,685	263,793	281,478
Permits and fees	550	-	550
Investment earnings	1,181	-	1,181
Sales and services	48,623	-	48,623
Miscellaneous	1,779	-	1,779
Total revenues	<u>351,320</u>	<u>263,793</u>	<u>615,113</u>
Expenditures:			
Current:			
General government	98,981	263,793	362,774
Street maintenance	66,430	-	66,430
Sanitation	43,654	-	43,654
Recreational	4,754	-	4,754
Cemetery	293	-	293
Debt service	69,611	-	69,611
Total Expenditures	<u>283,722</u>	<u>263,793</u>	<u>283,722</u>
Excess (deficiency) of revenues over expenditures	<u>67,598</u>	<u>-</u>	<u>67,598</u>
Other financing sources (uses):			
Transfers from (to) other funds	12,500	-	12,500
Loan proceeds	-	-	-
Total other financing sources	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Net change in fund balance	80,098	-	80,098
Fund Balances			
Beginning of year, July 1	<u>235,178</u>	<u>-</u>	<u>235,178</u>
End of year, June 30	<u>\$ 315,277</u>	<u>\$ -</u>	<u>\$ 315,277</u>

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

City of High Shoals, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance (continued)
Governmental Funds
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds		\$ 80,098
<p>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 (net of disposals).</p>		
Capital outlay expenditures which were capitalized	\$ -	
Depreciation expense for governmental assets	<u>(49,021)</u>	(49,021)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues	1	
Change in unavailable revenue for sanitation fees	<u>(376)</u>	(375)
<p>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. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principle payments on long-term debt	73,241	
Proceeds from long term debt	<u>-</u>	<u>73,241</u>
Total changes in net position of governmental activities		<u><u>\$ 103,943</u></u>

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

City of High Shoals, North Carolina
General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 122,500	\$ 122,500	\$ 152,980	\$ 30,480
Other taxes and licenses	175	175	75	(100)
Unrestricted intergovernmental	96,000	96,000	128,447	32,447
Restricted intergovernmental	18,500	18,500	17,685	(815)
Permits and fees	150	150	550	400
Investment earnings	500	500	1,181	681
Sales and services	35,000	35,000	48,623	13,623
Miscellaneous	-	-	1,779	1,779
Total revenues	<u>272,825</u>	<u>272,825</u>	<u>351,320</u>	<u>78,495</u>
Expenditures				
Current:				
General government	203,875	189,050	98,981	90,069
Street maintenance	89,450	89,450	66,430	23,020
Sanitation	45,475	60,300	43,654	16,646
Recreation	10,600	10,600	4,754	5,846
Cemetery	7,200	7,200	293	6,908
Debt service:				
Principal retirement	70,000	70,000	69,611	389
Interest and other charges	-	-	-	-
Total expenditures	<u>426,600</u>	<u>426,600</u>	<u>283,722</u>	<u>142,878</u>
Revenues over (under) expenditures	<u>(153,775)</u>	<u>(153,775)</u>	<u>67,598</u>	<u>221,373</u>
Other financing sources (uses):				
Fund balance appropriated	141,275	141,275	-	(141,275)
Proceeds from borrowing	-	-	-	-
Transfer from other funds	12,500	12,500	12,500	-
Total other financing sources (uses)	<u>153,775</u>	<u>153,775</u>	<u>12,500</u>	<u>(141,275)</u>
Net change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	80,098	<u>\$ 80,098</u>
Fund balance, beginning of year			<u>235,178</u>	
Fund balance, ending of year			<u>\$ 315,277</u>	

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

City of High Shoals, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and investments - unrestricted	\$ 242,372
Cash and investments - restricted	19,450
Accounts receivable, (net) - billed	20,566
Due from other governments	367
Total current assets	<u>282,755</u>
Capital assets:	
Land and other non-depreciable assets	1,829,582
Other capital assets, net of depreciation	3,599,495
Capital assets (net)	<u>5,429,078</u>
Total assets	<u>5,711,833</u>
Liabilities:	
Current Liabilities:	
Accounts payable and accrued liabilities	10,968
Customer deposits	19,450
Due to other governments	-
Total current liabilities	<u>30,418</u>
Net Position:	
Net investment in capital assets	5,429,078
Unrestricted	<u>252,337</u>
Total net position	<u>\$ 5,681,415</u>

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

City of High Shoals, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 222,260
Other operating revenues	-
Total operating revenues	<u>222,260</u>
Operating Expenses:	
Water and sewer operations	159,882
Depreciation	90,959
Total operating expenses	<u>250,841</u>
Operating income (loss)	<u>(28,580)</u>
Non-Operating Revenues (Expenses):	
Operating transfers	(12,500)
Grant revenues	62,386
Total non-operating revenues (expenses)	<u>49,886</u>
Income (loss) before contributions and transfers	<u>21,306</u>
Change in net position	21,306
Total net position - beginning	<u>5,660,109</u>
Total net position - ending	<u><u>\$ 5,681,415</u></u>

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

City of High Shoals, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 224,392
Cash paid for goods and services	(132,621)
Cash to or on behalf of employees	(26,131)
Net cash provided by operating activities	<u>65,640</u>
Cash Flows From Capital Financing Activities:	
Acquisition and construction of capital assets	(62,386)
Transfers out	(12,500)
Cash from grant income	62,386
Net cash provided (used) by capital and related financing activities	<u>(12,500)</u>
Cash Flows From Investing Activities:	
Interest and dividends	<u>-</u>
Net increase (decrease) in cash and cash equivalents	53,140
Balances - beginning of year	<u>208,682</u>
Balances - end of year	<u><u>\$ 261,822</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (28,580)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	90,959
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	1,631
Increase (decrease) in accounts payable and accrued liabilities	1,130
Increase in customer deposits	500
Total adjustment	<u>94,220</u>
Net cash provided by operating activities	<u><u>\$ 65,640</u></u>
Interest paid	<u><u>\$ -</u></u>

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

City of High Shoals, North Carolina
NOTES TO FINANCIAL STATEMENTS
As of or for the Year Ended June 30, 2021

Description of the Unit

The City of High Shoals is located in Gaston County, which is in the Piedmont area of North Carolina. The City has a population of approximately 720 and covers approximately two and seven-tenths square miles. The City provides water and sewer services to its residents.

I. Summary of Significant Accounting Policies

The accounting policies of the City 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 City of High Shoals is a municipal corporation governed by an elected mayor and six-member council. The City was incorporated on November 6, 1973.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display the information about the government. These statements include the activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or 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 City and for each function of the City'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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and 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 City'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 the same values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Notes to the Financial Statements (continued)

B. Basis of Presentation (continued)

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds. The primary revenue sources are ad valorem taxes and various other taxes and licenses. The primary expenditures are for street maintenance and construction, sanitation services, and general government services.

The City reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for its water and sewer services.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified 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 recorded at the time liabilities are incurred regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, includes 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.

Proprietary funds distinguish 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise fund are charges to customers for sales and services. The City 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 enterprise funds 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.

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 financial sources.

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

The City considers all revenue available if they are collected within 90 days after year end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the City 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 City'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 City'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. Project ordinances are adopted for the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The City Clerk is authorized to transfer objects of expenditures within a department without limit and without a report to the governing board and to transfer appropriations between departments within a fund up to \$2,500. Any revisions that alter total expenditures of any fund must be approved by the governing board. During the year, 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 Outflows/Inflows of Resources, and Fund Equity:

1. Deposits and Investments

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

Notes to the Financial Statements (continued)

1. Deposits and Investments (continued)

State law (G.S. 159-30(c)) authorizes the City 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 City's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value. The City does not have a formal investment or credit risk policy.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursements 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

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4

City of High Shoals Restricted Cash

Governmental Activities		
General Fund	Streets	\$ 42,543
Total governmental activities		<u>42,543</u>
Business-type Activities		
Water and Sewer Fund	Customer deposits	19,450
Total Business-type Activities		<u>19,450</u>
Total Restricted Cash		<u>\$ 61,993</u>

4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the City 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; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the City has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

Notes to the Financial Statements (continued)

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This account 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 amount and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$300; buildings, improvements, substations, lines, and other plant and distribution systems, \$300; infrastructure, \$300; furniture and equipment, \$300; vehicles, \$300; computer software, \$300; and computer equipment, \$300. 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. Beginning July 1, 2003 and prospectively, acquisitions of roads, streets, sidewalks, and similar infrastructure of the City are reported at cost or estimated 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:

<u>Asset Class</u>	<u>Life</u>
Infrastructure	25-50 years
Buildings	50
Improvements	20
Vehicles	5
Furniture, office and other equipment	5-10
Computer equipment	5
Computer software	5

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 City 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 City has only two items that meet the criterion for this category – user fees receivable and 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 statements 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 premium 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.

Notes to the Financial Statements (continued)

8. Long-Term Obligations (continued)

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. Compensated Absences

The City had three employees who were eligible to earn paid vacation and a significant amount of that earned had been taken prior to June 30, 2021. Therefore, no provision for unused vacation has been made in these financial statements.

The City's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest. Since the City does not have any obligation for the accumulation of sick leave until it is actually 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 represents 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 balances 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.

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.

Notes to the Financial Statements (continued)

10. Net position / Fund Balances (continued)

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of High Shoals' governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Assigned fund balance – portion of fund balance that the City of High Shoals intends to use for specific purposes. The City has assigned fund balance for future year's expenditures that have not been restricted or assigned.

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

The City of High Shoals has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-City funds, City 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 City.

II. Stewardship, Compliance, and Accountability

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

B. Deficit in Fund Balance or Net position of Individual Funds None were noted.

C. Excess of Expenditures over Appropriations None were noted.

III. Detail Notes on All Funds and Account Groups

A. Assets:

1. Deposits

All the deposits of the City 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 City'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 City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approval 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 City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists to 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 City 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 City complies with provisions of GS 159-31 when designating official depositories and verifying that deposits are properly secured.

Notes to the Financial Statements (continued)

1. Deposits (continued)

At June 30, 2021, the City's deposits had a carrying amount of \$527,791 and a bank balance of \$529,860. The bank balances of the City were covered by \$250,000 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above. At June 30, 2021, the City's petty cash fund totaled \$117

2. Investments

At June 30, 2021, the City had \$43,367 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

3. Receivable - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 is net of the following allowances for doubtful accounts:

General Fund:

Taxes receivable	\$ 1,786
User fees receivable	1,984
Total	<u>\$ 3,770</u>

Enterprise Fund:

Accounts receivable - Water	\$ 4,715
Accounts receivable - Sewer	9,850
Total	<u>\$ 14,565</u>

Notes to the Financial Statements (continued)

4. Capital Assets

Primary Government

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	\$ 55,958	\$ -	\$ -	\$ 55,958
Construction in progress	-	-	-	-
Total Capital assets not being depreciated	55,958	-	-	55,958
Capital assets being depreciated:				
Buildings	788,147	-	-	788,147
Other improvements	103,643	-	-	103,643
Equipment	231,308	-	-	231,308
Vehicles	180,554	-	-	180,554
Infrastructure	251,283	-	-	251,283
Total capital assets being depreciated:	1,554,935	-	-	1,554,935
Less, accumulated depreciation for:				
Buildings	205,377	29,468	-	234,845
Other improvements	50,178	341	-	50,519
Equipment	166,342	12,930	-	179,272
Vehicles	170,227	-	-	170,227
Infrastructure	24,185	6,282	-	30,467
Total accumulated depreciation	616,309	49,021	-	665,330
Total capital assets being depreciated, net	938,626			889,605
Governmental activity capital assets, net	\$ 994,584			\$ 945,563

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

General government	\$ 24,294
Sanitation	11,589
Street maintenance	9,531
Cemetery	101
Cultural and recreational	3,507
	<u>\$ 49,021</u>

Notes to the Financial Statements (continued)

4. Capital Assets (continued)

Business-type activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Water and sewer fund:				
Capital assets not being depreciated				
Land	\$ 50	\$ -	\$ -	\$ 50
Construction in progress	1,767,146	62,387	-	1,829,533
Total not being depreciated	1,767,196	62,387	-	1,829,583
Capital assets being depreciated:				
Building	1,057	-	-	1,057
Water plant and system	445,613	-	-	445,613
Water system equipment	33,646	-	-	33,646
Vehicles	15,317	-	-	15,317
Sewer system	4,214,171	-	-	4,214,171
Sewer system equipment	9,920	-	-	9,920
Total capital assets being depreciated:	4,719,724	-	-	4,719,724
Less, accumulated depreciation for:				
Building	857	-	-	857
Water plant and system	242,341	11,133	-	253,474
Water system equipment	48,197	-	-	48,197
Vehicles	15,317	-	-	15,317
Sewer system	713,162	79,826	-	792,988
Sewer system equipment	9,396	-	-	9,396
Total accumulated depreciation	1,029,270	90,959	-	1,120,229
Total capital assets being depreciated, net	3,690,454			3,599,495
Business-type activity capital assets, net	\$ 5,457,651			\$ 5,429,078

Construction commitments

The City has entered into a contract for the construction of sewer lines. The total anticipated construction costs are \$1,906,767. The construction will be funded by a CDBG grant. The City had spent \$1,829,532 as of June 30, 2021.

B. Liabilities:

1. Pension Plan Obligations:

The City does not provide retirement benefits for its employees. The City disbanded its police department; therefore, no law enforcement retirement benefits apply for the current fiscal year.

Notes to the Financial Statements (continued)

2. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
General Fund		
Prepaid property taxes	\$ -	\$ -
User fees receivable	4,265	-
Taxes receivable (net)	8,879	-
	<u>\$ 13,144</u>	<u>\$ -</u>

3. Risk Management

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains insurance coverage, through individual policies with commercial carriers, against these risks of loss. These policies provide general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to \$1 million lifetime limit.

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

The City does not carry flood insurance because the City and its major properties are not in a flood plain as mapped by the State of North Carolina.

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

4. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

5. Long-Term Obligations

a. General Obligation Indebtedness

At June 30, 2016, the City secured financing with Peoples Bank in the amount of \$300,000 with interest accruing at 2.85%. It is to be repaid with ten annual payments of \$30,000 of principal plus interest, totaling \$39,330, beginning April 11, 2018. The City paid additional principal of \$95,000 during the current year.

The City retired the remaining balance of the debt on July 16, 2021.

Notes to the Financial Statements (continued)

a. General Obligation Indebtedness (continued)

The City entered into a lease / purchase arrangement with John Deere financial for the purchase of various equipment for \$16,208. The term is 60 monthly payments \$270 at 0% interest.

Future anticipated payments are as follows including interest of \$0:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 3,240	\$ -	\$ 3,240
2023	3,240	-	3,240
2024	3,240	-	3,240
2025	3,247	-	3,247
thereafter	-	-	-
	<u>\$ 12,967</u>	<u>\$ -</u>	<u>\$ 12,967</u>

b. Changes in Long-Term Liabilities

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>	<u>Portion</u>
Governmental activities:					
Installment purchase	\$ 86,208	\$ -	\$ 73,241	\$ 12,967	\$ 3,240
Governmental activity					
long-term liabilities	\$ 86,208	\$ -	\$ 73,241	\$ 12,967	\$ 3,240

At June 30, 2021, the City had no bonds authorized but unissued and a legal debt margin of \$2,980,839.

c. Commitments

The City is in the process of constructing sewer lines. The total anticipated construction costs are \$1,906,767. The construction will be funded by a CDBG grant. The City had spent \$1,829,532 as of June 30, 2021.

6. Interfund Receivables and Payables/ Transfers

The composition of interfund transfers as of June 30, 2021 is as follows:

Transfers:		
To	General Fund	\$12,500
From	Water and Sewer Fund	\$12,500

Transfers are to cover administrative costs incurred by the General fund for the Water / Sewer Fund.

Notes to the Financial Statements (continued)

7. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 945,563	\$ 5,429,078
less: long-term debt	12,967	-
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 932,596</u>	<u>\$ 5,429,078</u>

8. Fund Balance

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

<u>Total fund balance - General Fund</u>	<u>\$ 315,277</u>
Less:	
Assigned for subsequent expenditures	82,400
Stabilization by State Statute	17,340
Streets - Powell Bill	42,543
Remaining Fund Balance	<u>\$ 172,994</u>

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City 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.

V. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through October 15, 2021, which is the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the City and its ability to carry out its activities which could impact its financial results.

City of High Shoals, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year end June 30, 2020</u>
REVENUES:				
Ad valorem taxes:				
Current year		\$ 152,980		\$ 147,379
Penalties and interest		-		-
	<u>\$ 122,500</u>	<u>152,980</u>	<u>\$ 30,480</u>	<u>147,379</u>
Other taxes and licenses:				
Privilege Licenses		75		75
	<u>175</u>	<u>75</u>	<u>(100)</u>	<u>75</u>
Unrestricted intergovernmental:				
Utility franchise tax		24,999		24,332
Local option sales tax		60,769		46,706
Gaston County sales tax		41,258		42,815
Solid waste disposal tax		534		543
Gasoline tax refunds		887		-
	<u>96,000</u>	<u>128,447</u>	<u>32,447</u>	<u>114,396</u>
Restricted intergovernmental:				
Powell Bill allocation		17,685		18,475
Other grants		-		-
	<u>18,500</u>	<u>17,685</u>	<u>(815)</u>	<u>18,475</u>
Permits and fees:				
Building and zoning permits	<u>150</u>	<u>550</u>	<u>400</u>	<u>700</u>
Sales and Services:				
Cemetery plots		3,753		650
Sanitation		44,870		39,215
	<u>35,000</u>	<u>48,623</u>	<u>13,623</u>	<u>39,865</u>
Investment earnings:	<u>500</u>	<u>1,181</u>	<u>681</u>	<u>2,286</u>
Miscellaneous:				
Miscellaneous		1,659		5,275
Rentals		120		110
	<u>-</u>	<u>1,779</u>	<u>1,779</u>	<u>5,385</u>
Total revenues	<u>272,825</u>	<u>351,320</u>	<u>78,495</u>	<u>328,559</u>

City of High Shoals, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year end June 30, 2020</u>
EXPENDITURES:				
General Government:				
Salaries and benefits		\$ 40,026		\$ 43,936
Professional services		20,773		24,309
Elections - Contracted services		-		1,160
Other operating expenditures		38,182		47,438
Capital outlay		-		-
Total general government	<u>\$ 189,050</u>	<u>98,981</u>	<u>\$ 90,069</u>	<u>116,843</u>
Street maintenance:				
Salaries and benefits		38,460		26,532
Other operating expenditures		27,970		24,016
Capital outlay		-		31,208
Powell Bill expenditures:				
Capital outlay		-		-
Other		-		-
Total street maintenance	<u>89,450</u>	<u>66,430</u>	<u>23,020</u>	<u>81,756</u>
Sanitation:				
Salaries and benefits		13,928		13,365
Contract services		17,737		10,844
Other operating expenditures		11,990		7,245
Capital outlay		-		-
	<u>60,300</u>	<u>43,654</u>	<u>16,646</u>	<u>31,454</u>
Cemetery:				
Other operating expenditures		293		3,991
	<u>7,200</u>	<u>293</u>	<u>6,908</u>	<u>3,991</u>
Recreation:				
Salaries and benefits		-		-
Other operating expenditures		4,754		6,989
Capital outlay		-		-
	<u>10,600</u>	<u>4,754</u>	<u>5,846</u>	<u>6,989</u>

City of High Shoals, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year end June 30, 2020</u>
Debt service:				
Interest and other charges		\$ -		\$ 6,013
Principal retirement		69,611		124,611
	<u>\$ 70,000</u>	<u>69,611</u>	<u>\$ 389</u>	<u>130,624</u>
Total expenditures	426,600	283,722	135,971	371,658
Revenues over expenditures	<u>(153,775)</u>	<u>67,598</u>	<u>221,373</u>	<u>(43,099)</u>
Other sources (uses):				
Fund Balance appropriations	141,275	-	(141,275)	-
Proceeds from borrowing	-	-	-	16,208
Transfer from (to) other funds	12,500	12,500	-	12,500
	<u>153,775</u>	<u>12,500</u>	<u>(141,275)</u>	<u>28,708</u>
Net change in fund balance	<u>\$ -</u>	80,098	<u>\$ 80,098</u>	(14,390)
Fund balances - beginning of year		<u>235,178</u>		<u>249,569</u>
Fund balances - end of year		<u>\$ 315,277</u>		<u>\$ 235,178</u>

City of High Shoals, North Carolina
General Capital Project
2018 Neighborhood Revitalization CDBG Project
17-C-3025

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	Project	Actual			Variance
	Authorization	Prior Year	Current Year	Total to Date	Positive (Negative)
REVENUES					
Restricted intergovernmental:					
State grant	\$ 750,000	\$ 427,916	\$ 263,793	\$ 691,709	\$ (58,291)
Total revenues	<u>750,000</u>	<u>427,916</u>	<u>263,793</u>	<u>691,709</u>	<u>(58,291)</u>
EXPENDITURES					
Rehabilitation	675,000	393,657	255,386	649,043	25,957
Administration	75,000	34,259	8,407	42,666	32,334
Total expenditures	<u>750,000</u>	<u>427,916</u>	<u>263,793</u>	<u>691,709</u>	<u>58,291</u>
Revenues under expenditures	-	-	-	-	-
OTHER FINANCING SOURCES					
None	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

City of High Shoals, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
REVENUES:				
Operating Revenues:				
Water - charges		\$ 113,171		\$ 94,568
Sewer - charges		105,923		100,178
Reconnect and late fees		3,166		4,859
Total revenues	<u>\$ 187,000</u>	<u>222,260</u>	<u>\$ 35,260</u>	<u>199,605</u>
EXPENDITURES:				
Water Operations:				
Salaries and employee benefits		21,468		18,951
Purchased water		51,157		34,237
Maintenance and repairs		-		43
Capital outlay		-		-
Other operating expenditures		14,907		15,083
	<u>92,400</u>	<u>87,532</u>	<u>4,868</u>	<u>68,314</u>
Sewer Operations:				
Salaries and employee benefits		4,663		9,877
Sewer processing		45,195		44,341
Maintenance and repairs		2,309		1,971
Capital outlay		-		-
Other operating expenditures		20,183		23,960
	<u>82,100</u>	<u>72,350</u>	<u>9,750</u>	<u>80,150</u>
Debt Service:				
Principal		-		-
Interest		-		-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>174,500</u>	<u>159,882</u>	<u>14,618</u>	<u>148,463</u>
Revenues over expenditures	<u>12,500</u>	<u>62,379</u>	<u>49,879</u>	<u>51,141</u>

City of High Shoals, North Carolina
Water and Sewer Fund (continued)
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
Other financing sources (uses):				
Transfer to general fund	\$ (12,500)	\$ (12,500)	\$ -	\$ (12,500)
Total Other Financing (Uses)	<u>(12,500)</u>	<u>(12,500)</u>	<u>-</u>	<u>(12,500)</u>
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures and other financing (uses)	<u>\$ -</u>	49,879	<u>\$ 49,879</u>	38,641
Reconciliation of modified accrual basis to full accrual basis:				
Reconciling items:				
Grant revenues from capital project funds		62,386		1,532,086
Capital outlay		-		-
Depreciation		<u>(90,959)</u>		<u>(91,856)</u>
		<u>(28,573)</u>		<u>1,440,230</u>
Change in Net Position		<u>\$ 21,306</u>		<u>\$ 1,478,872</u>

City of High Shoals, North Carolina
Sewer Infrastructure Capital Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
E-CDBG-I-2016-00002920-1
NC 16-I-2920
From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
REVENUES - Water Project:					
Restricted intergovernmental:					
Federal grant	\$ 1,906,767	\$ 1,767,146	\$ 62,386	\$ 1,829,532	\$ (77,235)
Total revenues	<u>1,906,767</u>	<u>1,767,146</u>	<u>62,386</u>	<u>1,829,532</u>	<u>(77,235)</u>
EXPENDITURES - Water Project:					
Sewer line construction	1,722,727	1,651,520	62,386	1,713,906	8,821
Housing rehabilitation	39,050	-	-	-	39,050
Administration	144,990	115,626	-	115,626	29,364
Total expenditures	<u>1,906,767</u>	<u>1,767,146</u>	<u>62,386</u>	<u>1,829,532</u>	<u>77,235</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES					
Contribution from Gaston County	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

City of High Shoals, North Carolina
Schedule of Ad Valorem Taxes Receivable
General Fund
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2021	\$ -	\$ 152,844	\$ 146,995	\$ 5,849
2020	7,008	-	5,128	1,880
2019	805	-	226	579
2018	629	-	57	572
2017	435	-	26	409
2016	509	-	26	483
2015	313	-	26	287
2014	230	-	26	204
2013	230	-	26	204
2012	224	-	26	198
2011	236	-	236	-
	<u>\$ 10,619</u>	<u>\$ 152,844</u>	<u>\$ 152,798</u>	<u>\$ 10,665</u>

Less: allowance for uncollectible accounts:
General Fund

1,786

Ad valorem taxes receivable - net

\$ 8,879

Reconciliation with revenues:

Taxes-Ad Valorem-General

\$ 152,980

Reconciling items:

Discoveries, abatement and adjustments

(182)

Total collections and credits

\$ 152,798

City of High Shoals, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Year Ended June 30, 2021

	Total Levy				
	Total Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current years rate	\$ 37,279,024	0.41	\$ 152,844	\$ 136,457	\$ 16,387
Registered motor vehicles taxed at prior year's rate	-	0.41	-	-	-
Penalties	-		-	-	-
Total	<u>37,279,024</u>		<u>152,844</u>	<u>136,457</u>	<u>16,387</u>
Discoveries:					
Current year taxes	-	0.41	-	-	-
Penalties	-		-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements					
Current year taxes	18,537		76	76	-
Penalties	-		-	-	-
Total	<u>18,537</u>		<u>76</u>	<u>76</u>	<u>-</u>
Total property valuation	<u>\$ 37,260,488</u>				
Net Levy			152,768	136,381	16,387
Uncollected taxes at June 30, 2021			<u>5,849</u>	<u>5,849</u>	<u>-</u>
Current year's taxes collected			<u>\$ 146,919</u>	<u>\$ 130,532</u>	<u>\$ 16,387</u>
Percent current year collected			<u>96.17%</u>	<u>95.71%</u>	<u>100.00%</u>

**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based
On An Audit Of Financial Statements Performed In Accordance With *Government Auditing
Standards***

Independent Auditor's Report

To the Honorable Mayor and
City Council
City of High Shoals, North Carolina

I 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 and each major fund of the City of High Shoals, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the City of High Shoals' basic financial statements, and have issued my report thereon dated October 15, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of High Shoals' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of High Shoals' internal control. Accordingly, I do not express an opinion on the effectiveness of the City'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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of High Shoals' financial statements are free of material misstatement, I 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Eddie Carrick, CPA

A handwritten signature in black ink, appearing to read "Eddie Carrick - CPA".

Lexington, North Carolina
October 15, 2021