

REVIEWED

By SLGFD at 5:25 pm, Feb 24, 2022

TOWN OF HOT SPRINGS, NORTH CAROLINA

Financial Statements, Management's Discussion and Analysis,
Supplemental Schedules and Independent Auditors' Report
For the Year Ended June 30, 2021

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

TOWN OF HOT SPRINGS, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

June 30, 2021

Mayor & Board of Aldermen

Mayor	Abby Norton
Aldermen	Vaughn Barnett Jeanne Caldwell Gentry Jimmy Moore

Town Administration

Town Attorney	Ron Moore
Town Clerk	Nancy Thomas
Tax Collector	Clara Ramsey

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TOWN OF HOT SPRINGS, NORTH CAROLINA

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TOWN OF HOT SPRINGS, NORTH CAROLINA

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Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

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Morganton, North Carolina 28655
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Independent Auditors' Report

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Hot Springs, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hot Springs, 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 Hot Springs, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hot Springs, 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 the Management's Discussion and Analysis, on pages 4–12, 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 Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hot Springs, North Carolina's basic financial statements. The individual fund financial statements, the budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2022 on our consideration of the Town of Hot Springs, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Hot Springs, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Hot Springs, North Carolina's internal control over financial reporting and compliance.

Lowmire Church & Co., L.L.P.

Morganton, North Carolina
February 22, 2022

Management's Discussion and Analysis

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

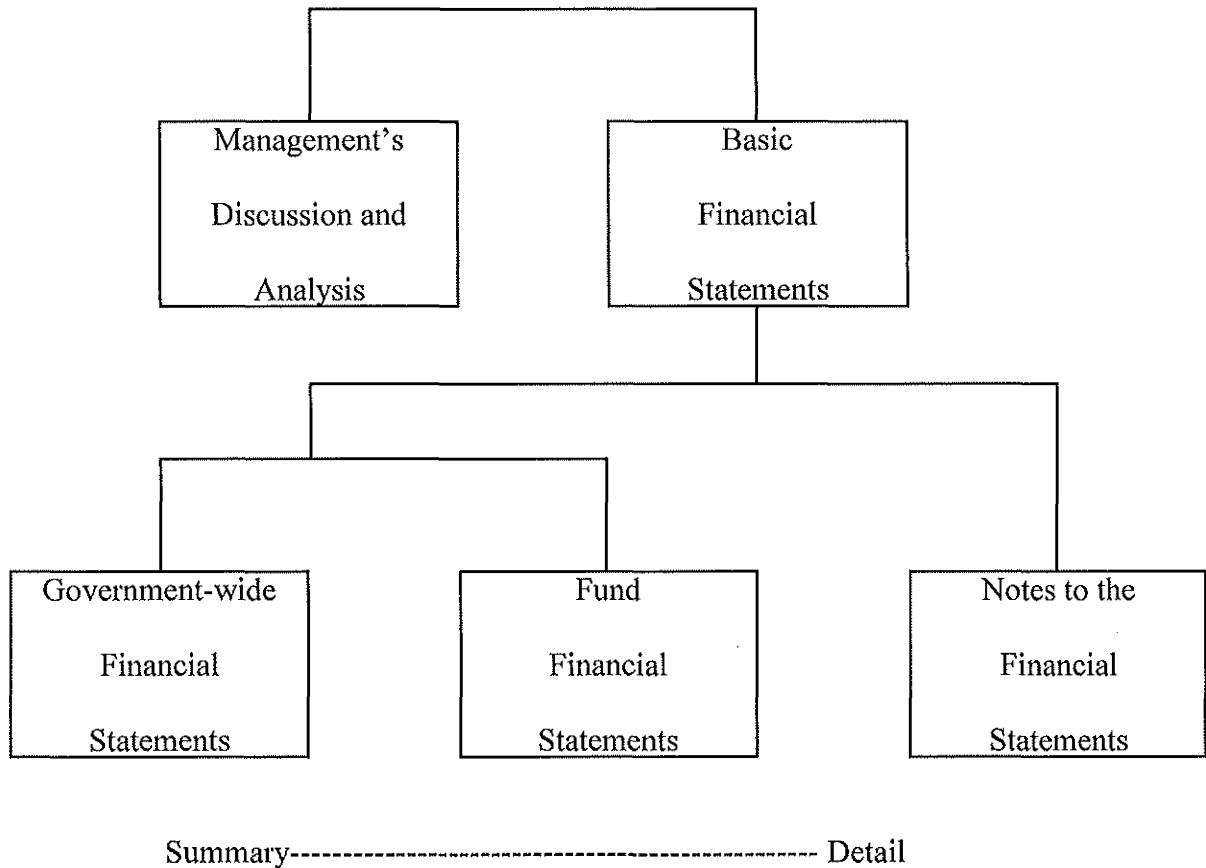
Financial Highlights

- The assets and deferred outflows of resources of the Town of Hot Springs exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,728,716 (net position).
- The government's total net position increased by \$754,504 due to an increase in the governmental-type activities and an increase in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Hot Springs' governmental funds reported combined ending fund balances of \$762,134, with a net change of \$210,782 in fund balance. Approximately 24.62 percent of this total amount, or \$187,669, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$574,466, or 119.41 percent of total General Fund expenditures for the fiscal year.
- The Town of Hot Springs' total debt decreased by \$35,894 (13.45%) during the current fiscal year. The key factor in this decrease was principal payments and the issuance of debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Hot Springs' 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 Hot Springs.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town of Hot Springs, North Carolina's government. 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 North Carolina 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 it has changed. Net position is the difference between the Town'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 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, public works, 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 charges customers to provide. These include the water and sewer services offered by the Town of Hot Springs, North Carolina.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Hot Springs, 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 Hot Springs can be divided into two categories: governmental funds and proprietary funds.

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

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

Proprietary Funds - The Town of Hot Springs has one proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Hot Springs uses enterprise funds to account for its water and sewer activity. These funds are 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 begin on page 23 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents individual fund statements and schedules presented immediately following the notes. Individual fund statements and schedules can be found beginning on page 40 of this report.

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

Government-Wide Financial Analysis

Town of Hot Springs' Net Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 807,043	\$ 618,745	\$ 404,301	\$ 187,799	\$1,211,344	\$ 806,544
Capital assets	<u>588,693</u>	<u>619,343</u>	<u>1,371,683</u>	<u>887,869</u>	<u>1,960,376</u>	<u>1,507,212</u>
Total assets	<u>1,395,736</u>	<u>1,238,088</u>	<u>1,775,984</u>	<u>1,075,668</u>	<u>3,171,721</u>	<u>2,313,757</u>
Long-term liabilities outstanding	145,513	170,119	85,500	96,787	231,013	266,906
Other liabilities	19,823	39,083	190,569	32,556	210,392	71,639
Deferred outflows of resources	<u>1,600</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,600</u>	<u>1,000</u>
Total liabilities and deferred inflows of resources	<u>166,936</u>	<u>210,202</u>	<u>276,069</u>	<u>129,343</u>	<u>443,005</u>	<u>339,545</u>
Net Position:						
Net investment in capital assets	443,181	449,224	1,286,183	791,082	1,729,364	1,240,306
Restricted	179,927	142,839	-	-	179,927	142,839
Unrestricted	<u>605,694</u>	<u>435,824</u>	<u>213,731</u>	<u>155,243</u>	<u>819,425</u>	<u>591,067</u>
Total net position	<u>\$1,228,801</u>	<u>\$1,027,887</u>	<u>\$1,499,915</u>	<u>\$ 946,324</u>	<u>\$2,728,716</u>	<u>\$1,974,212</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 Town of Hot Springs exceeded liabilities and deferred inflows by \$2,728,716 as of June 30, 2021. The Town's net position increased by \$754,504 for the fiscal year ended June 30, 2021. However, the largest portion (63.38%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Hot Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Hot Springs' net investment in 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 Hot Springs' net position, \$179,927, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$819,425 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.72%, which is comparable to the statewide average for comparable size units without electrical systems of 96.81%.
- Increase in local option sales tax revenue, property taxes and grant revenues.
- Overall increase in revenues and an increase in expenses.

**Town of Hot Springs'
Changes in Net Position**

Figure 3

	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 265	\$ 282,656	\$ 282,921	\$ 940	\$274,071	\$ 275,011
Operating grants and contributions	63,238	-	63,238	22,716	-	22,716
Capital grants and contributions	7,256	507,760	515,016	42,500	47,186	89,686
General revenues:						
Property taxes	352,615	-	352,615	263,495	-	263,495
Other taxes	252,101	-	252,101	220,445	-	220,445
Other	11,346	3,000	14,348	13,969	16,074	30,043
Gain on sale of assets	1,000	-	1,000	3,070	-	3,070
Total revenues	<u>687,821</u>	<u>793,416</u>	<u>1,481,237</u>	<u>567,135</u>	<u>337,331</u>	<u>904,466</u>
Expenses:						
General government	250,504	-	250,504	215,993	-	215,993
Public safety	86,043	-	86,043	95,351	-	95,351
Transportation	144,066	-	144,066	124,934	-	124,934
Economic and physical development	-	-	-	-	-	-
Interest	6,294	-	6,294	6,165	-	6,165
Water and sewer	-	239,825	239,825	-	280,984	280,984
Total expenses	<u>486,907</u>	<u>239,825</u>	<u>726,732</u>	<u>442,443</u>	<u>280,984</u>	<u>723,427</u>
Increase (decrease) in net position before transfers	200,914	553,591	754,504	124,691	56,347	181,038
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	200,914	553,591	754,504	124,691	56,347	181,039
Net position, July 1	<u>1,027,887</u>	<u>946,324</u>	<u>1,974,212</u>	<u>903,195</u>	<u>889,977</u>	<u>1,793,172</u>
Net position, June 30	<u>\$1,228,801</u>	<u>\$1,499,915</u>	<u>\$2,728,716</u>	<u>\$1,027,887</u>	<u>\$946,324</u>	<u>\$1,974,212</u>

Governmental activities: Governmental activities increased the Town's net position by \$200,914, thereby increasing the net position of the Town of Hot Springs. Key elements of this increase are as follows:

- Property and other taxes increased.
- Overall expenditures increased.

Business-type activities: Business-type activities increased the Town of Hot Springs' net position by \$553,591. Key elements for this increase are as follows:

- Operating revenues increased approximately \$8,600 and expenses decreased approximately \$41,200.
- Depreciation expense of \$34,598.
- Grant revenues of \$507,760 were received for the construction of water and wastewater projects.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Hot Springs' 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 Hot Springs' financing requirements.

The General Fund is the chief operating fund of the Town of Hot Springs. At the end of the current fiscal year, the Town of Hot Springs' fund balance available in the General Fund was \$619,732, while the total fund balance reached \$762,134. The Town currently has an available fund balance of 128.82 percent of General Fund expenditures, while the total fund balance represents 158.42 percent of that same amount.

At June 30, 2021, the governmental funds of the Town of Hot Springs reported a combined fund balance of \$762,134 with a net increase in fund balance of \$210,782.

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

Highlights include the following:

Total budgeted expenditures increased due to additional software and internet expenses, additional road and maintenance costs, and the receipt of grant revenues for COVID expenditures. Budget amendments were utilized to transfer expenditures among line items in various departments.

Proprietary Funds. The Town of Hot Springs' proprietary fund provides 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 \$213,731. The total change in net position for this fund was an increase of \$553,591.

Capital Asset and Debt Administration

Capital assets. The Town of Hot Springs' investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$1,960,376 (net of accumulated depreciation). These assets include buildings, infrastructure, land, machinery and equipment, distribution systems, and vehicles.

Major capital asset transactions during the year include the following additions and disposals:

Governmental Activities:

- Sale of a vehicle for \$1,000.

Business-type Activities:

- Construction in progress of \$518,412.

Town of Hot Springs' Capital Assets (Net of Depreciation)						
	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$221,016	\$ -	\$ 221,016	\$221,016	\$ -	\$ 221,016
Construction in progress	-	590,878	590,878	-	72,466	72,466
Easement	-	4,000	4,000	-	4,000	4,000
Building	193,008	437	193,446	199,422	533	199,955
Furniture and equipment	8,683	-	8,683	11,361	-	11,361
Infrastructure and distribution systems	136,307	772,487	908,794	145,548	802,334	947,881
Automotive equipment	<u>29,679</u>	<u>3,880</u>	<u>33,560</u>	<u>41,997</u>	<u>8,537</u>	<u>50,534</u>
Total	<u>\$588,693</u>	<u>\$1,371,683</u>	<u>\$1,960,376</u>	<u>\$619,343</u>	<u>\$887,869</u>	<u>\$1,507,212</u>

Additional information on the Town's capital assets can be found in Note I.E.7 and III.A.3 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2021, the Town of Hot Springs had total debt outstanding of \$231,012. Of this, \$231,012 is debt backed by the full faith and credit of the Town.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$85,500	\$91,000	\$ 85,500	\$ 91,000
Direct placement installment purchases	<u>145,512</u>	<u>170,119</u>	<u>-</u>	<u>5,787</u>	<u>145,512</u>	<u>175,906</u>
Total	<u>\$145,512</u>	<u>\$170,119</u>	<u>\$85,500</u>	<u>\$96,787</u>	<u>\$231,012</u>	<u>\$266,906</u>

Town of Hot Springs' Outstanding Debt

The Town of Hot Springs' total debt decreased by \$35,894, or 13.45%, during the past fiscal year due to principal payments.

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 the Town of Hot Springs is \$5,817,998.

Additional information regarding Town of Hot Springs' long-term debt can be found in Note III.B.4 beginning on page 34 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the economic condition of the Town:

- High unemployment. Madison County, which includes the Town of Hot Springs, has an unemployment rate of 5.7%. This is above the State average of 4.9%.
- Employees received a 6% COLA.
- The Town continues to benefit from the Hometown Strong grants from the North Carolina Department of Environmental Quality, Division of Water Infrastructure, for improvements to the public water and sewer system.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The property tax rate remained at .48 per \$100; however, property taxes are expected to remain approximately the same. The County re-assessed property, which resulted in a significant increase in billing amounts.

Overall revenues are expected to increase slightly over the prior year.

Budgeted expenditures are expected to increase approximately 8% to \$559,880. This is mainly due to increased payroll expenses, upcoming election expenses and capital outlay expenditures.

Business-type Activities: The water and sewer rates in the Town had the following changes:

Residential:

- Water: Increase as follows:

New Water Rates (Bi-monthly, 2,500 gallons or less): (rounded down from 8%)
Water: \$37.50
Sewer: \$37.50
Over 5,000 gallons: \$10.00, per 1,000 gallons
Bi-Monthly Billing / Base Rate Residential: \$75.00
- Sewer: Charges will equal water charges.

Business and Commercial:

- Water: Increase as follows:

New Water Rates / Business (rounded down from 8%)
Water: \$46.00 Bi-Monthly
Sewer: \$46.00 Bi-Monthly
Over 4,000 gallons: \$10.00, per 1,000 gallons (same)
Bi-Monthly Billing / Base Rate Business: \$92.00
- Sewer: Charges will equal water charges.

The Water and Sewer Fund budget is expected to increase 10% to \$266,500.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to the Town Clerk, Town of Hot Springs, P. O. Box 218, Hot Springs, N. C. 28743-0218. You can also call 828-622-7591 or send an email to townofhotsprings.org.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements present a condensed overview of the financial position and results of operations of the Town as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

TOWN OF HOT SPRINGS, NORTH CAROLINA

Exhibit 1

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 592,918	\$ 248,663	\$ 841,581
Taxes receivable - net	21,881	-	21,881
Accrued interest receivable-taxes	4,794	-	4,794
Accounts receivable	27,743	40,595	68,338
Due from other governments	66,818	144,753	211,571
Internal balances	40,100	(40,100)	-
Prepaid items	7,742	-	7,742
Restricted cash and cash equivalents	45,047	10,390	55,437
Total current assets	<u>807,043</u>	<u>404,301</u>	<u>1,211,344</u>
Capital assets:			
Land, non-depreciable assets and construction in progress	221,016	594,878	815,894
Other capital assets, net of depreciation	367,677	776,805	1,144,482
Total capital assets	<u>588,693</u>	<u>1,371,683</u>	<u>1,960,376</u>
Total assets	<u>1,395,736</u>	<u>1,775,984</u>	<u>3,171,720</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and other current liabilities	16,634	180,179	196,813
Accrued interest payable	3,189	-	3,189
Due within one year	18,753	5,000	23,753
Payable from restricted assets	-	10,390	10,390
Long-term liabilities:			
Due in more than one year	126,760	80,500	207,260
Total liabilities	<u>165,335</u>	<u>276,069</u>	<u>441,404</u>
<u>Deferred Inflows of Resources</u>			
Deferred rental income	1,600	-	1,600
Total deferred inflows of resources	<u>1,600</u>	<u>-</u>	<u>1,600</u>
<u>Net Position</u>			
Net investment in capital assets	443,181	1,286,183	1,729,364
Restricted for:			
Stabilization by State Statute	134,661	-	134,661
Streets	45,143	-	45,143
Public Safety	123	-	123
Unrestricted	605,694	213,731	819,425
Total net position	<u>\$ 1,228,801</u>	<u>\$ 1,499,915</u>	<u>\$ 2,728,716</u>

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

TOWN OF HOT SPRINGS, NORTH CAROLINA

Exhibit 2

**Statement of Activities
For the Year Ended June 30, 2021**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>		
		<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 250,504	\$ -	\$ 42,048	\$ -	\$ (208,456)	\$ -	\$ (208,456)
Public safety	86,043	5	-	7,256	(78,782)	-	(78,782)
Transportation	144,066	-	21,191	-	(122,874)	-	(122,874)
Economic and physical development	-	260	-	-	260	-	260
Interest on long-term debt	6,294	-	-	-	(6,294)	-	(6,294)
Total governmental activities	<u>486,906</u>	<u>265</u>	<u>63,238</u>	<u>7,256</u>	<u>(416,148)</u>	<u>-</u>	<u>(416,148)</u>
Business-type activities:							
Water and Sewer	239,825	282,656	-	507,760	-	550,590	550,590
Total	<u>\$ 726,732</u>	<u>\$ 282,920</u>	<u>\$ 63,238</u>	<u>\$ 515,016</u>	<u>(416,148)</u>	<u>550,590</u>	<u>134,442</u>
General revenues:							
Taxes:							
Property taxes					352,615	-	352,615
Local option sales tax					200,154	-	200,154
Other taxes and licenses					51,947	-	51,947
Unrestricted investment earnings					-	-	-
Miscellaneous					11,346	3,000	14,346
Gain (loss) on sale of capital assets					1,000	-	1,000
Total general revenues, special items and transfers					<u>617,061</u>	<u>3,000</u>	<u>620,060</u>
Change in net position					200,914	553,591	754,504
Net position - beginning					1,027,887	946,324	1,974,211
Net position - ending					<u>\$ 1,228,801</u>	<u>\$ 1,499,915</u>	<u>\$ 2,728,716</u>

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

TOWN OF HOT SPRINGS, NORTH CAROLINA**Exhibit 3****Balance Sheet
Governmental Funds
June 30, 2021**

	<u>General Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 592,918
Taxes receivables (net)	21,881
Accounts receivable	27,743
Due from other governments	66,818
Due from other funds	40,100
Prepaid items	7,742
Restricted cash and cash equivalents	<u>45,047</u>
Total assets	<u><u>\$ 802,249</u></u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>	
Liabilities:	
Accounts payable and accrued liabilities	<u>\$ 16,634</u>
Deferred inflows of resources:	
Property taxes receivable	21,881
Deferred rental income	<u>1,600</u>
Total deferred inflows of resources	<u>23,481</u>
Fund balances:	
Nonspendable:	
Prepaid expenditures	7,742
Restricted for:	
Stabilization by State Statute	134,661
Streets	45,143
Public safety - police	123
Unassigned	<u>574,466</u>
Total fund balances	<u>762,134</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 802,249</u></u>

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

TOWN OF HOT SPRINGS, NORTH CAROLINA**Exhibit 4****Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2021**

Total governmental fund balances	\$ 762,134
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	588,693
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	4,794
Liabilities for earned revenues considered deferred inflows of resources in fund statements. Property taxes receivable	21,881
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds. Accrued interest on long-term debt	(3,189)
Long-term debt	<u>(145,512)</u>
Net position of governmental activities	<u>\$ 1,228,801</u>

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

TOWN OF HOT SPRINGS, NORTH CAROLINA**Exhibit 5****Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021**

	Total Governmental Funds
Revenues:	
Ad valorem taxes	\$ 356,656
Other taxes and licenses	444
Unrestricted intergovernmental	251,657
Restricted intergovernmental	63,238
Permits and fees	280
Miscellaneous	18,587
Investment earnings	-
	<hr/>
Total revenues	690,861
	<hr/>
Expenditures:	
General government	236,873
Public safety	76,149
Transportation	136,940
Debt service:	
Principal retirement	24,607
Interest	6,510
	<hr/>
Total expenditures	481,079
	<hr/>
Revenues over (under) expenditures	209,782
	<hr/>
Other Financing Sources (Uses):	
Operating transfers in (out)	-
Proceeds from sale of capital assets	1,000
	<hr/>
Total other financing sources (uses)	1,000
	<hr/>
Net change in fund balance	210,782
	<hr/>
Fund balance - beginning	551,352
	<hr/>
Fund balance - ending	<u><u>\$ 762,134</u></u>

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

TOWN OF HOT SPRINGS, NORTH CAROLINA**Exhibit 6****Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
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 \$ 210,782

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.

Depreciation expense	(30,650)
Gain (loss) on sale of assets	1,000
Proceeds from sale of assets	(1,000)

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	(2,596)
Change in accrued interest receivable-taxes	(1,445)

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 the 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.

Principal payments on long-term debt	24,607
Change in accrued interest payable	<u>216</u>

Total changes in net position of governmental activities \$ 200,914

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

TOWN OF HOT SPRINGS, NORTH CAROLINA

Exhibit 7

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

	General Fund			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Ad valorem taxes	\$ 230,565	\$ 241,065	\$ 356,656	\$ 115,591
Other taxes and licenses	1,350	1,350	444	(906)
Unrestricted intergovernmental	182,500	209,100	251,657	42,557
Restricted governmental	22,075	64,166	63,238	(928)
Permits and fees	445	445	280	(166)
Miscellaneous	10,610	17,941	18,587	646
Total revenues	<u>447,545</u>	<u>534,067</u>	<u>690,861</u>	<u>156,794</u>
Expenditures:				
General government	209,791	266,932	236,873	30,059
Public safety	101,269	103,724	76,149	27,575
Transportation	135,639	152,969	136,940	16,029
Debt service	30,199	30,199	31,117	(918)
Total expenditures	<u>476,898</u>	<u>553,824</u>	<u>481,079</u>	<u>72,745</u>
Revenues over (under) expenditures	<u>(29,353)</u>	<u>(19,757)</u>	<u>209,782</u>	<u>229,539</u>
Other Financing Sources (Uses):				
Fund balance appropriated	29,353	18,757	-	(18,757)
Transfers from (to) other funds	-	-	-	-
Proceeds from sale of capital assets	-	1,000	1,000	-
Total other financing sources (uses)	<u>29,353</u>	<u>19,757</u>	<u>1,000</u>	<u>(18,757)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	210,782	<u>\$ 210,782</u>
Fund balance - beginning			<u>551,352</u>	
Fund balance - end of year			<u>\$ 762,134</u>	

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

TOWN OF HOT SPRINGS, NORTH CAROLINA**Exhibit 8****Statement of Fund Net Position
Proprietary Fund
June 30, 2021**

Assets

Current assets:

Cash and cash equivalents	\$ 248,663
Accounts receivable (net)	40,595
Grant receivable	144,753
Restricted cash and cash equivalents	<u>10,390</u>

Total current assets	<u>444,401</u>
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Capital assets:

Land and construction in progress	594,878
Other capital assets, net of depreciation	<u>776,805</u>

Total capital assets	<u>1,371,683</u>
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Total assets	<u>1,816,084</u>
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Liabilities

Current liabilities:

Accounts payable and other accrued liabilities	180,179
Due to other funds	40,100
Installment purchase - current	5,000
Liabilities payable from restricted assets:	
Customer deposits	<u>10,390</u>

Total current liabilities	235,669
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Noncurrent liabilities:

Installment purchase - noncurrent	<u>80,500</u>
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Total liabilities	<u>316,169</u>
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Net Position

Net investment in capital assets	1,286,183
Unrestricted	<u>213,731</u>

Total net position	<u>\$1,499,915</u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF HOT SPRINGS, NORTH CAROLINA**Exhibit 9****Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2021**

Operating Revenues:

Charges for services	\$ 282,656
Other receipts	<u>3,000</u>

Total operating revenues	<u>285,656</u>
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Operating Expenses:

Administration	4,350
Water treatment and distribution	197,228
Depreciation	<u>34,598</u>

Total operating expenses	<u>236,176</u>
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Operating income (loss)	<u>49,480</u>
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Nonoperating Revenues (Expenses):

Grant revenue from capital project	507,760
Interest expense	<u>(3,648)</u>

Total nonoperating revenues (expenses)	<u>504,111</u>
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Income (loss) before transfers	553,591
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Transfer from other fund	<u>-</u>
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Change in net position	553,591
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Total net position - beginning	<u>946,324</u>
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Total net position - ending	<u><u>\$1,499,915</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF HOT SPRINGS, NORTH CAROLINA**Exhibit 10****Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021**

Cash Flows From Operating Activities:

Cash received from customers	\$ 294,280
Customer deposits received	1,100
Cash paid for goods and services	54,424
Cash paid to or on behalf of employees for services	(99,090)
Net cash provided by (used in) operating activities	<u>250,714</u>

Cash Flows From Non-Capital Financing Activities:

Increase (decrease) in due to other fund	<u>40,015</u>
Net cash provided by (used in) non-capital financing activities	<u>40,015</u>

Cash Flows From Capital and Related Financing Activities:

Acquisition and construction of capital assets	(518,412)
Grant receipts	380,033
Principal paid on long-term debt	(11,287)
Interest paid on long-term debt	(3,648)
Net cash provided by (used in) capital and related financing activities:	<u>(153,314)</u>

Cash Flows From Investing Activities:

Net increase (decrease) in cash and cash equivalents	137,415
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Balances - beginning of year	<u>121,638</u>
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Balances - end of year	<u><u>\$ 259,053</u></u>
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Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Operating income (loss)	\$ 49,480
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	34,598
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	8,625
Increase (decrease) in accounts payable and accrued liabilities	156,911
Increase (decrease) in customer deposits	1,100
Net cash provided by (used in) operating activities	<u><u>\$ 250,714</u></u>

Schedule of Noncash Investing and Financing Activities:

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

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TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Hot Springs 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 Hot Springs is a municipal corporation governed by an elected mayor and a three member Board of Aldermen.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the 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 are generally 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 specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - governmental and proprietary - are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. 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, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Project Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Project Fund has been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

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

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

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 Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customer to the water and sewer systems. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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

Sales taxes and certain intergovernmental revenues, such as beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Hot Springs, because the tax is levied by Madison County and then remitted to, and distributed by, the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. The Town does not have a formal policy on how to apply resources, but in practice, the Town would 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 Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental 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 \$1,000. All amendments must be approved by the governing board, and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are 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 fair value. The NCCMT-Term Portfolio is bond fund, has no rating, and is measured at fair value. As of June 30, 2021, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill Funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Federal Asset Seizure Funds are also classified as restricted cash, because it can be expended only for the purposes of expenses associated with forfeited operations or used to finance certain general investigative expenses. Unexpended loan proceeds are classified as restricted assets for the General Fund, because their use is completely restricted to the purpose for which the loan was originally issued.

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Hot Springs Restricted Cash

Governmental Activities	
General Fund	
Streets	\$44,924
Public Safety	<u>123</u>
	45,047
Business-type Activities	
Water and Sewer Fund customer deposits	<u>10,390</u>
Total restricted cash	<u><u>\$55,437</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

5. Allowance 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. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and are expensed as the items are used.

7. 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 \$1,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired after July 1, 2003, consist of the road network and water and sewer system assets that were acquired, or received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that does not add to the value of the asset, or materially extend assets' lives, is not capitalized.

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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

<u>Asset Class</u>	<u>Years</u>
Infrastructure	30
Buildings and improvements	24-40
Distribution systems	24-40
Vehicles	3-5
Furniture and equipment	10-50

8. 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 items that meet 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 two items that meet the criterion for this category - property taxes receivable and deferred rental income.

9. 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.

10. Compensated Absences

The vacation policy of the Town provides for one week of paid vacation leave per year. The vacation policy does not provide for any hours to be carried from one year to the next.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, and any unused sick leave accumulated at the time of separation is forfeited. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. 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.

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended 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 balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable 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.

Prepaid Items - the portion of fund balance that is not available for appropriation because it represents the year-end balance of prepaid items, which are not expendable available resources.

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

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

Restricted for Streets - the 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 Public Safety - the portion of fund balance that is restricted by revenue source for narcotic enforcement.

Committed Fund Balance - the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Hot Springs' Board of Aldermen (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the year-end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

Assigned fund balance - the portion of fund balance that Town of Hot Springs intends to use for specific purposes.

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

The Town of Hot Springs does not have a revenue spending policy that provides guidance for programs with multiple revenue sources. However, in practice, the Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local, non-Town funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

II. Stewardship, Compliance and Accountability

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

Noncompliance with North Carolina General Statutes

Excess Expenditures Over Appropriations

G.S. 15-28(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance. Funds were spent that exceeded the authorized appropriations in the General Fund. The General Fund was over spent by \$918 in debt service. This item was not included in the budget. Management and the Board will review the budget reports to ensure compliance in future years.

Lack of a Balanced Budget Ordinance

G.S. 159-8 states that: "Each local government and public authority shall operate under an annual balanced budget ordinance....and no local government or public authority may expend any moneys, regardless of source, except in accordance with a budget ordinance...." A budget was not adopted for two capital projects: Water System H-AIA-D-20-2020 and Wastewater System E-AIA-W-0233. Budgets will be adopted as required by G.S. 159-8.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are insured using the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their 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

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$896,818, and a bank balance of \$979,817. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the Town's petty cash fund totaled \$200.

2. Receivables - Allowance for Doubtful Accounts

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

General Fund:	
Taxes receivable	\$2,718
Water and Sewer Fund:	
Accounts receivable	<u>5,000</u>
Total	<u>\$7,718</u>

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

3. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 221,016	\$ -	\$ -	\$ 221,016
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>221,016</u>	<u>-</u>	<u>-</u>	<u>221,016</u>
Capital assets being depreciated:				
Buildings and improvements	446,683	-	-	446,683
Furniture and equipment	145,176	-	-	145,176
Infrastructure	277,234	-	-	277,234
Vehicles and motorized equipment	<u>361,422</u>	<u>-</u>	<u>6,184</u>	<u>355,238</u>
Total capital assets being depreciated	<u>1,230,515</u>	<u>-</u>	<u>6,184</u>	<u>1,224,331</u>
Less accumulated depreciation for:				
Buildings and improvements	247,261	6,414	-	253,675
Furniture and equipment	133,816	2,678	6,184	130,310
Infrastructure	131,686	9,241	-	140,927
Vehicles and motorized equipment	<u>319,424</u>	<u>12,318</u>	<u>-</u>	<u>331,742</u>
Total accumulated depreciation	<u>832,187</u>	<u>\$30,650</u>	<u>\$ 6,184</u>	<u>856,653</u>
Total capital assets being depreciated, net	<u>398,328</u>			<u>367,677</u>
Governmental activity capital assets, net	<u>\$ 619,343</u>			<u>\$ 588,693</u>

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

General government	\$13,631
Public safety	9,894
Public works	<u>7,125</u>
Total depreciation expense	<u>\$30,650</u>

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Construction in progress	\$ 72,466	\$518,412	\$ -	\$ 590,878
Easement	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Total capital assets not being depreciated	<u>76,466</u>	<u>518,412</u>	<u>-</u>	<u>594,878</u>
Capital assets being depreciated:				
Buildings and improvements	118,409	-	-	118,409
Plant and distribution systems	2,049,524	-	-	2,049,524
Vehicles and motorized equipment	<u>29,283</u>	<u>-</u>	<u>-</u>	<u>29,283</u>
Total capital assets being depreciated	<u>2,197,216</u>	<u>-</u>	<u>-</u>	<u>2,197,216</u>
Less accumulated depreciation for:				
Buildings and improvements	117,875	95	-	117,970
Plant and distribution systems	1,247,190	29,846	-	1,277,036
Vehicles and motorized equipment	<u>20,747</u>	<u>4,657</u>	<u>-</u>	<u>25,404</u>
Total accumulated depreciation	<u>1,385,812</u>	<u>\$ 34,598</u>	<u>\$ -</u>	<u>1,420,410</u>
Total capital assets being depreciated, net	<u>811,403</u>			<u>776,805</u>
Business-type activity capital assets, net	<u>\$ 887,869</u>			<u>\$1,371,683</u>

The Town has active construction projects as of June 30, 2021. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Chlorination Project	\$ 429,994	\$ 18,186
Water System AIA Project	143,627	13,873
Wastewater System AIA Project	<u>17,257</u>	<u>142,493</u>
Total	<u>\$ 590,878</u>	<u>\$174,552</u>

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

B. Liabilities

1. Pension Plan and Postemployment Obligations

The Town of Hot Springs is not a participating unit of the Local Governmental Employees' Retirement System administrated by the State of North Carolina.

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources - the Town has no deferred outflows of resources.

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable (General Fund)	\$ -	\$ 21,881
Deferred rental income	<u>1,600</u>	<u>1,600</u>
Total	<u>\$1,600</u>	<u>\$ 23,481</u>

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 participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$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. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large Workers' Compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the N. C. League of Municipalities. The pools are audited by certified public accountants, and the audited financial statements are available to the Town upon request.

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

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

The Town carries flood insurance through the National Flood Insurance Plan (the NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town currently has flood insurance coverage of \$48,700.

In accordance with G.S. 159-29, The Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$60,000 and \$10,000, respectively. The remaining employees who have access to funds are bonded under a blanket bond for \$20,000.

4. Long-Term Obligations

a. Installment Purchases

The Town's direct placement installment purchases, serviced by the governmental funds, were issued for the acquisition of various equipment and land. The excavator and land is pledged as collateral for the debt while the debt is outstanding. Principal and interest requirements are appropriated when due.

Installment purchases at June 30, 2021 are comprised of the following:

\$275,000, real property installment purchase in annual installments of \$12,384, through October 2057, secured by the real property.	132,835
\$31,051, vehicle installment purchase in monthly installments of \$940, through October 2022, secured by a vehicle.	<u>12,677</u>
	<u>\$145,512</u>

b. General Obligation Indebtedness

The Town's general obligation bonds are serviced by the governmental funds. The bonds were used to finance the water and sewer system improvements, and the obligations are carried as liabilities of the Water and Sewer Enterprise Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

Bonds payable at June 30, 2021 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$29,000, 1984 Sanitary Sewer Bonds due in annual installments of \$1,000, plus interest, through June 1, 2016, and \$1,500, plus interest, from June 1, 2020 through June 1, 2022; interest is at 5.0%	1,500
\$128,000, 1999 Water Bond due on June 1, in annual installments of \$2,000, plus interest, through June 1, 2012, and \$2,500, plus interest, from June 1, 2013 through June 1, 2020, and \$3,000, plus interest, from June 1, 2021 through June 1, 2021, and \$3,500, plus interest, from June 1, 2022 through June 1, 2025, and \$4,000, plus interest, from June 1, 2026 through June 1, 2028, and \$4,500, plus interest, from June 1, 2029 through June 1, 2031, and \$5,000, plus interest, from June 1, 2032 through June 1, 2034, and \$5,500 at June 1, 2035, and \$6,000, plus interest, from June 1, 2036 through June 1, 2039; interest is at 5.0%.	84,000
	<u>\$ 85,500</u>

Annual debt service requirements to maturity for long-term obligations are as follows:

	<u>General Obligation Bonds</u>		<u>Direct Placement Installment Purchases</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:						
2022	\$ -	\$ -	\$ 18,753	\$ 4,909	\$ 18,753	\$ 4,909
2023	-	-	10,064	4,199	10,064	4,199
2024	-	-	8,465	3,919	8,465	3,919
2025	-	-	8,740	3,644	8,740	3,644
2026	-	-	9,024	3,360	9,024	3,360
2027-2031	-	-	49,716	12,204	49,716	12,204
2032-2036	-	-	<u>40,750</u>	<u>3,275</u>	<u>40,750</u>	<u>3,275</u>
Total	-	-	<u>145,512</u>	<u>35,510</u>	<u>145,512</u>	<u>35,510</u>

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

	General Obligation Bonds		Direct Placement Installment Purchases		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
Business-type Activities:						
2022	\$ 5,000	\$ 3,825	\$ -	\$ -	\$ 5,000	\$ 3,825
2023	3,500	3,675	-	-	3,500	3,675
2024	3,500	3,369	-	-	3,500	3,369
2025	3,500	3,216	-	-	3,500	3,216
2026	4,000	3,063	-	-	4,000	3,063
2027-2031	21,500	12,622	-	-	21,500	12,622
2032-2036	26,500	7,525	-	-	26,500	7,525
2037-2041	18,000	1,575	-	-	18,000	1,575
Total	<u>85,500</u>	<u>38,869</u>	<u>-</u>	<u>-</u>	<u>85,500</u>	<u>38,869</u>
Total	<u>\$85,500</u>	<u>\$38,869</u>	<u>\$145,512</u>	<u>\$35,510</u>	<u>\$231,013</u>	<u>\$74,379</u>

c. Changes in Long-Term Liabilities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Direct placement installment purchases	<u>\$170,119</u>	\$ -	<u>\$24,607</u>	<u>\$145,512</u>	<u>\$18,753</u>
Governmental activity long-term liabilities	<u>\$170,119</u>	\$ -	<u>\$24,607</u>	<u>\$145,512</u>	<u>\$18,753</u>
Business-type activities:					
General obligation bonds	\$ 91,000	\$ -	\$ 5,500	\$ 85,500	\$ 5,000
Direct placement installment purchases	<u>5,787</u>	-	<u>5,787</u>	<u>-</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 96,787</u>	<u>\$ -</u>	<u>\$11,287</u>	<u>\$ 85,500</u>	<u>\$ 5,000</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

At June 30, 2021, the Town had a legal debt margin of \$5,817,998.

C. Interfund Balances and Activity

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

Due to the General Fund for the allocation of cost from the Water and Sewer Fund	\$ 6,094
Due to the General Fund for capital project expenditures from the Water and Sewer Capital Project Fund	<u>34,006</u>
Total	<u>\$40,100</u>

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

From the Water and Sewer Fund to the Water and Sewer Capital Project Fund to fund local match required by the grant agreement. \$2,250

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

During the 2021 fiscal year, the Town made a one-time transfer from the Water and Sewer Fund of \$2,250 to the Water and Sewer Capital Project Fund as per the terms of a matching grant from the Asset Inventory and Assessment Grant Program.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$588,693	\$1,371,683
Less: long-term debt	<u>(145,512)</u>	<u>(85,500)</u>
Net investment in capital assets	<u>\$443,181</u>	<u>\$1,286,183</u>

E. Fund Balance

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

Total fund balance-General Fund	\$762,134
Less:	
Prepaid expenditures	7,742
Stabilization by State Statute	134,661
Streets-Powell Bill	45,143
Police	123
Subsequent Year's Expenditures	-
Remaining Fund Balance	574,466

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

IV. Joint Ventures

The Town and the members of the Town's volunteer fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2021. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. Jointly Governed Organizations

The Town, in conjunction with four counties and fourteen other municipalities, established the Land of Sky Regional Council (the Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$-0- to the Council during the fiscal year ended June 30, 2021.

VI. Related Party Transactions

The Town regularly purchases supplies from Gentry Hardware. Jeanne Gentry, who is a Town Alderman, and who also acts in the capacity of finance director, is the business owner's wife. The Town purchased \$6,644 and \$3,089 in supplies during the fiscal year ended June 30, 2021 from the General Fund and the Water and Sewer Fund, respectively. As of June 30, 2021, there were \$462 outstanding amounts due to Gentry Hardware.

VII. Summary of Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies 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 monies.

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

VIII. Significant Effects of Subsequent Events

Management has evaluated subsequent events through February 22, 2022, the date on which the financial statements were available to be issued and concluded that the following subsequent event has occurred that would require recognition in the financial statements or disclosure in the financial statements:

The Town received its first disbursement of the American Rescue Plan Act Funds in the amount of \$91,944 in August 2021. Eligible uses of these funds are COVID response to public health and economic impact, revenue lost replacement, premium pay, and infrastructure investments.

COVID-19 Pandemic

The spread of the Coronavirus Disease (COVID-19) has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses and communities. As a result, domestic and international equity markets have experienced significant fluctuations. The impact on the Town of Hot Springs, North Carolina is not reflected in the financial statements for the year ended June 30, 2021, since the full impact of COVID-19 is unknown and cannot be reasonably estimated as of February 22, 2022.

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GOVERNMENTAL ACTIVITIES
MAJOR FUNDS
GENERAL FUND

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

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TOWN OF HOT SPRINGS, NORTH CAROLINA**Schedule 1****Page 1 of 4****General Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance****Budget and Actual****For the Fiscal Year Ended June 30, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Ad valorem taxes:				
Current year	\$ 235,065	\$ 337,616	\$ 102,551	\$ 246,236
Prior years	5,000	15,018	10,018	8,469
Penalties and interest	1,000	4,021	3,021	3,934
Total	<u>241,065</u>	<u>356,656</u>	<u>115,591</u>	<u>258,639</u>
 Other taxes and licenses:				
Solid waste tax	350	444	94	447
Gasoline tax refund	1,000	-	(1,000)	-
Total	<u>1,350</u>	<u>444</u>	<u>(906)</u>	<u>447</u>
 Unrestricted intergovernmental:				
Franchise tax	30,000	35,401	5,401	35,576
Local option sales tax	161,600	200,154	38,554	168,121
Payment in lieu of taxes	15,000	13,626	(1,374)	13,759
Beer and wine tax	2,500	2,477	(23)	2,542
Total	<u>209,100</u>	<u>251,657</u>	<u>42,557</u>	<u>219,998</u>
 Restricted intergovernmental:				
Powell Bill State street aid allocation	22,000	21,191	(809)	22,716
Federal and State grants	42,166	42,048	(118)	42,500
Total	<u>64,166</u>	<u>63,238</u>	<u>(927)</u>	<u>65,216</u>
 Permits and fee:				
Public safety fees	95	20	(76)	10
Planning and zoning fees	250	260	10	935
Other permits and fees	100	-	(100)	-
Total	<u>445</u>	<u>280</u>	<u>(166)</u>	<u>945</u>

cont.

TOWN OF HOT SPRINGS, NORTH CAROLINA**Schedule 1****Page 2 of 4****General Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance****Budget and Actual****For the Fiscal Year Ended June 30, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	2021		Variance	2020
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
Revenues (continued):				
Miscellaneous:				
Rents and concessions	9,200	11,000	1,800	7,848
Sales and service	410	200	(210)	-
Other receipts	8,331	7,387	(944)	6,117
Donations	-	-	-	-
Total	<u>17,941</u>	<u>18,587</u>	<u>646</u>	<u>13,964</u>
 Total revenues	<u>534,067</u>	<u>690,861</u>	<u>156,794</u>	<u>559,209</u>
 Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits	14,535	14,290	245	13,179
Professional services	37,600	30,043	7,557	25,217
Other operating expenditures	4,470	4,138	332	11,922
Total	<u>56,605</u>	<u>48,472</u>	<u>8,134</u>	<u>50,317</u>
 Administration and finance:				
Salaries and employee benefits	92,306	91,817	489	90,681
Utilities	35,000	33,357	1,643	29,966
Capital Outlay	1,000	908	92	899
Other operating expenditures	73,961	59,669	14,292	23,375
Total	<u>202,267</u>	<u>185,751</u>	<u>16,516</u>	<u>144,921</u>
 Public buildings:				
Other operating expenditures	6,060	1,450	4,610	3,257
Total	<u>6,060</u>	<u>1,450</u>	<u>4,610</u>	<u>3,257</u>
 Planning and zoning:				
Other operating expenditures	2,000	1,200	800	1,108
 Total general government	<u>266,932</u>	<u>236,873</u>	<u>30,059</u>	<u>199,604</u>

cont.

TOWN OF HOT SPRINGS, NORTH CAROLINA**Schedule 1****Page 3 of 4****General Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance****Budget and Actual****For the Fiscal Year Ended June 30, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	<u>2021</u>		<u>Variance</u>	<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
Expenditures (continued):				
Public safety:				
Police:				
Salaries and employee benefits	\$ 58,995	\$ 44,383	\$ 14,612	\$ 55,707
Capital outlay	-	-	-	32,413
Other operating expenditures	20,480	9,483	10,997	14,795
Total	<u>79,475</u>	<u>53,866</u>	<u>25,609</u>	<u>102,915</u>
Fire:				
Capital outlay	-	-	-	53,710
Other operating expenditures	24,249	22,283	1,966	19,432
Total	<u>24,249</u>	<u>22,283</u>	<u>1,966</u>	<u>73,142</u>
Total public safety	<u>103,724</u>	<u>76,149</u>	<u>27,575</u>	<u>176,056</u>
Transportation:				
Powell Bill expenditures	36,900	37,098	(198)	18,439
Salaries and employee benefits	78,389	78,529	(140)	67,545
Other operating expenditures	37,680	21,314	16,366	34,772
Total transportation	<u>152,969</u>	<u>136,940</u>	<u>16,029</u>	<u>120,756</u>
Debt service:				
Principal retirement	23,689	24,607	(918)	23,288
Interest and other charges	6,510	6,510	-	4,070
Total debt service	<u>30,199</u>	<u>31,117</u>	<u>(918)</u>	<u>27,358</u>
Total expenditures	<u>553,824</u>	<u>481,079</u>	<u>72,745</u>	<u>523,774</u>
Revenues over (under) expenditures	<u>(19,757)</u>	<u>209,782</u>	<u>229,539</u>	<u>35,435</u>

cont.

TOWN OF HOT SPRINGS, NORTH CAROLINA**Schedule 1****Page 4 of 4****General Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance****Budget and Actual****For the Fiscal Year Ended June 30, 2021****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)**

	<u>2021</u>		<u>Variance Positive (Negative)</u>	<u>2020 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Other Financing Sources (Uses):				
Appropriated fund balance	\$ 18,757	\$ -	\$ (18,757)	\$ -
Proceeds from borrowing	-	-	-	31,051
Sale of capital assets	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>3,070</u>
Total other financing sources (uses)	<u>19,757</u>	<u>1,000</u>	<u>(18,757)</u>	<u>34,121</u>
Net change in fund balance	<u>\$ -</u>	210,782	<u>\$ 210,782</u>	69,556
Fund balance - beginning		<u>551,352</u>		<u>481,796</u>
Fund balance - ending		<u>\$ 762,134</u>		<u>\$ 551,352</u>

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Fund - This fund is used to account for the activities associated with the operation and maintenance of the Town's water and sewer systems.

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TOWN OF HOT SPRINGS, NORTH CAROLINA

Schedule 2

Page 1 of 2

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 Fiscal Year Ended June 30, 2020)

	2021		Variance Positive (Negative)	2020 Actual
	Budget	Actual		
Revenues:				
Operating revenue:				
Charges for services	\$ 241,235	\$ 282,656	\$ 41,421	\$ 274,071
Other receipts	500	3,000	2,500	16,074
	<u>241,735</u>	<u>285,656</u>	<u>43,921</u>	<u>290,145</u>
Nonoperating revenue:				
Interest earned	-	-	-	-
Total revenues	<u>241,735</u>	<u>285,656</u>	<u>43,921</u>	<u>290,145</u>
Expenditures:				
Water and sewer distribution:				
Salaries and employee benefits	89,987	98,217	(8,230)	93,546
Utilities	28,700	27,379	1,321	28,104
Repairs and maintenance	1,500	828	672	160
Supplies and testing	42,000	43,644	(1,644)	66,810
Professional services	23,500	21,104	2,396	30,492
Other expenditures	7,450	6,056	1,394	3,721
Administrative expenses	23,758	4,350	19,408	4,657
	<u>216,895</u>	<u>201,578</u>	<u>15,317</u>	<u>227,490</u>
Debt service:				
Principal retirement	19,100	11,287	7,813	18,507
Interest and other charges	5,740	3,648	2,092	5,120
Total debt service	<u>24,840</u>	<u>14,935</u>	<u>9,905</u>	<u>23,627</u>
Capital outlay:				
Water and sewer lines, equipment	-	-	-	-
Total expenditures	<u>241,735</u>	<u>216,513</u>	<u>25,222</u>	<u>251,117</u>
Revenues over (under) expenditures	-	69,143	69,143	39,028
Other Finances Sources (Uses):				
Transfer from (to) Capital Project Fund	-	(2,250)	(2,250)	(2,250)
Revenues and other financing sources over (under) other expenditures (uses)	<u>\$ -</u>	<u>66,893</u>	<u>\$ 66,893</u>	36,778

cont.

TOWN OF HOT SPRINGS, NORTH CAROLINA**Schedule 2****Page 2 of 2****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 Fiscal Year Ended June 30, 2020)**

	2021		Variance Positive (Negative)	2020
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Reconciliation from Budgetary Basis (modified accrual) to Full Accrual:				
Reconciling items:				
Grant revenue from Water and Sewer Capital Project		\$ 507,760		\$ 47,186
Transfer to capital project		2,250		2,250
Principal retirement		11,287		18,507
Depreciation		<u>(34,598)</u>		<u>(48,374)</u>
Change in net position		<u>\$ 553,591</u>		<u>\$ 56,347</u>

TOWN OF HOT SPRINGS, NORTH CAROLINA**Schedule 3**

**Water and Sewer Capital Project Fund
Water System Capital Improvements
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2021**

	<u>Actual</u>			<u>Variance</u>
	<u>Project</u>	<u>Prior</u>	<u>Current</u>	<u>Positive</u>
	<u>Authorization</u>	<u>Years</u>	<u>Year</u>	<u>(Negative)</u>
Revenues:				
Restricted contributions				
DWI Home Town Strong Grant	\$ 500,000	\$ 68,876	\$ 354,919	\$ 423,795
Water System H-AIA-D-20-0202	-	1,340	134,787	136,127
Water System H-AIA-D-20-0202-in kind	-	-	3,047	3,047
Wastewater E-AIA-W-21-0233	-	-	15,007	15,007
Total revenues	<u>500,000</u>	<u>70,216</u>	<u>507,760</u>	<u>577,976</u>
Expenditures:				
DWI Home Town Strong	500,000	68,876	361,118	429,994
Water System H-AIA-D-20-0202	-	3,590	140,037	143,627
Wastewater E-AIA-W-21-0233	-	-	17,257	17,257
Total expenditures	<u>500,000</u>	<u>72,466</u>	<u>518,412</u>	<u>590,878</u>
Revenues over (under) expenditures	-	(2,250)	(10,652)	(12,902)
Other Financing Sources (Uses):				
Transfer from Water and Sewer Fund	-	2,250	2,250	4,500
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,402)</u>	<u>\$ (8,402)</u>

OTHER SCHEDULES

This section contains additional information required on property taxes and transfers

- Schedule of Ad Valorem Taxes Receivable
 - Analysis of Current Tax Levy
-

TOWN OF HOT SPRINGS, NORTH CAROLINA**Schedule 4****Schedule of Ad Valorem Taxes Receivable
June 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions/ Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020 - 2021	\$ -	\$ 349,079	\$ 337,616	\$ 11,463
2019 - 2020	12,657	(311)	7,367	4,979
2018 - 2019	6,801	-	3,346	3,455
2017 - 2018	1,891	-	986	905
2016 - 2017	1,165	-	454	711
2015 - 2016	1,241	-	494	747
2014 - 2015	1,036	-	707	329
2013 - 2014	1,244	-	763	481
2012 - 2013	1,469	-	454	1,015
2011 - 2012	849	-	334	515
2010 - 2011	547	-	547	-
Total	<u>\$ 28,900</u>	<u>\$ 348,768</u>	<u>\$ 353,069</u>	24,599
Less allowance for uncollectibles				<u>2,718</u>
Balance				<u>\$ 21,881</u>
Reconciliation With Revenues:				
Taxes - Ad valorem - General Fund				\$ 356,656
Amounts written off for fiscal year 2010 - 2011				<u>434</u>
				357,090
Less interest collected				<u>(4,021)</u>
Total collections and credits				<u>\$ 353,069</u>

TOWN OF HOT SPRINGS, NORTH CAROLINA

Schedule 5

**Analysis of Current Tax Levy
June 30, 2021**

	<u>City - wide</u>			<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>		
Original levy:					
Property taxes at current year's rate	\$ 66,456,458	0.48	\$ 318,991	\$ 318,991	\$ -
Registered motor vehicles taxed at current year's rate	<u>9,936,968</u>	0.48	<u>47,697</u>	<u>-</u>	<u>47,697</u>
Total	<u>76,393,426</u>		<u>366,688</u>	<u>318,991</u>	<u>47,697</u>
Discoveries-property	-	0.48	-	-	-
Discoveries-motor vehicles	-	0.48	-	-	-
Releases-property	(3,668,448)	0.48	(17,609)	(17,609)	-
Releases-registered motor vehicles	<u>-</u>	0.48	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>(3,668,448)</u>		<u>(17,609)</u>	<u>(17,610)</u>	<u>-</u>
Total property valuation	<u><u>\$ 72,724,978</u></u>				
Net Levy			349,079	301,381	47,697
Less uncollected taxes at June 30, 2021			<u>(11,463)</u>	<u>(11,463)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 337,616</u></u>	<u><u>\$ 289,918</u></u>	<u><u>\$ 47,697</u></u>
Current levy collection percentage			<u><u>96.72%</u></u>	<u><u>96.20%</u></u>	<u><u>100.00%</u></u>

COMPLIANCE SECTION

**Independent Auditors' 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**

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Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

121 N. Sterling Street
Morganton, North Carolina 28655
Phone: (828) 433-1226
Fax: (828) 433-1230

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

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Hot Springs, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hot Springs, 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 Hot Springs, North Carolina's basic financial statements and have issued our report thereon dated February 22, 2022.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as a material weakness and is listed as item 2021-003.

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. We consider the deficiencies in the accompanying schedule of findings and responses as significant deficiencies and are as listed as items 2021-001 and 2021-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Hot Springs, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the of the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2021-004.

The Town of Hot Springs, North Carolina's Response to Findings

The Town of Hot Springs, North Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Hot Springs, North Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Morganton, North Carolina
February 22, 2022

TOWN OF HOT SPRINGS, NORTH CAROLINA

**Schedule of Findings and Responses
For the Year Ended June 30, 2021**

1. Financial Statement Findings:

Significant Deficiencies:

Finding: 2021-001:

Significant Deficiency
Segregation of Duties

Criteria: Duties need to be segregated to provide efficient internal controls.

Condition: The size of the Town's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Cause: Limited number of accounting and administrative staff are available to segregate duties.

Effect: Material misstatements could occur, whether due to fraud or error, and not be detected on a timely basis.

Recommendation: The Mayor and the Board of Aldermen should be engaged in the ongoing review of the financial affairs of the Town to provide oversight.

Views of responsible officials and planned corrective action: The Town agrees with this finding and will adhere to the corrective action plan on page 54 of this report.

Finding: 2021-002

Significant Deficiency
Excess Expenditures Over Appropriations

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance, unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town expended \$918 more than appropriated in the annual budget ordinance.

Cause: The Town overspent debt service payments that had not been budgeted for in the budget ordinance, and a budget amendment was not adopted.

Effect: Moneys were spent that had not been obligated and appropriated.

Recommendation: Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of responsible officials and planned corrective action: The Town agrees with this finding and will adhere to the corrective action plan on page 54 of this report.

TOWN OF HOT SPRINGS, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

Finding: 2021-003

Material Weakness

Lack of Oversight of Capital Projects

Criteria: Capital projects are lacking proper financial oversight and adequate financial records.

Condition: There is a lack of adequate oversight of the capital projects revenues and expenditures and inadequate accounting records.

Cause: The Town hired an outside engineering firm to oversee the capital projects, however, the oversight was lacking and the financial records were not up-to-date or accurate.

Effect: Moneys could have been spent that were not in compliance with the grant.

Recommendation: The Town should provide adequate oversight to the financial records of the projects and record revenues and expenditures as they occur.

Views of responsible officials and planned corrective action: The Town agrees with this finding. An outside consultant reviewed and recorded the capital project transactions and the Town has discussed the issues with the engineering firm and will maintain adequate financial oversight and up-to-date financial records. The Town will adhere to the corrective action plan on page 54 of this report.

Finding: 2021-004

Noncompliance

Lack of a Budget Ordinance

Criteria: G.S. 159-8 states that: "Each local government and public authority shall operate under an annual balanced budget ordinance....and no local government or public authority may expend any moneys, regardless of source, except in accordance with a budget ordinance...." A budget was not adopted for two capital projects: Water System H-AIA-D-20-2020 and Wastewater System E-AIA-W-0233.

Condition: A budget was not adopted for two capital projects: Water System H-AIA-D-20-2020 and Wastewater System E-AIA-W-0233.

Cause: The Town did not adopt a budget ordinance for the two capital project.

Effect: The Town was not in compliance with G.S. 159-8.

Recommendation: Before an obligation is to occur, the Town will adopt a budget ordinance.

Views of responsible officials and planned corrective action: The Town agrees with this finding. The Town will adopt a budget for all capital projects before an obligation is incurred. The Town will adhere to the corrective action plan on page 54 of this report.

Town of Hot Springs
City Hall
186 Bridge Street
PO Box 218
Hot Springs, NC 28743
(828) 622-7591

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

Finding 2021-001:

Name of contact person:	Jeanne Caldwell Gentry, Finance Officer
Corrective action:	The Mayor and the Board of Aldermen will provide ongoing review of the financial affairs of the Town to provide oversight. In addition, an outside consultant will provide some additional internal controls.
Proposed completion date:	The Town will implement this immediately.

Finding 2021-002:

Name of contact person:	Jeanne Caldwell Gentry, Finance Officer
Corrective action:	Management will comply with G.S. 159-28(a), and budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.
Proposed completion date:	The Town will implement this immediately.

Finding 2021-003:

Name of contact person:	Jeanne Caldwell Gentry, Finance Officer
Corrective action:	The Mayor and the Board of Aldermen will provide ongoing review of the capital projects, will monitor the oversight of the engineering firm and will see that all activity in the capital projects are recorded timely. In addition, an outside consultant will provide some assistance.
Proposed completion date:	The Town will implement this immediately.

Finding 2021-004:

Name of contact person:	Jeanne Caldwell Gentry, Finance Officer
Corrective action:	The Mayor and the Board of Aldermen will comply with G.S. 159-8 and adopt a balanced budget for all capital projects.
Proposed completion date:	The Town will implement this immediately.