



REVIEWED

By SLGFD at 8:37 am, Jun 02, 2022

Town of Mesic

FINANCIAL STATEMENTS

June 30, 2021



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Mesic, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

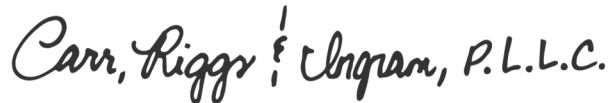
Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2022 on our consideration of Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, P.L.L.C." in a cursive script.

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

New Bern, North Carolina

May 17, 2022

Town of Mesic Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

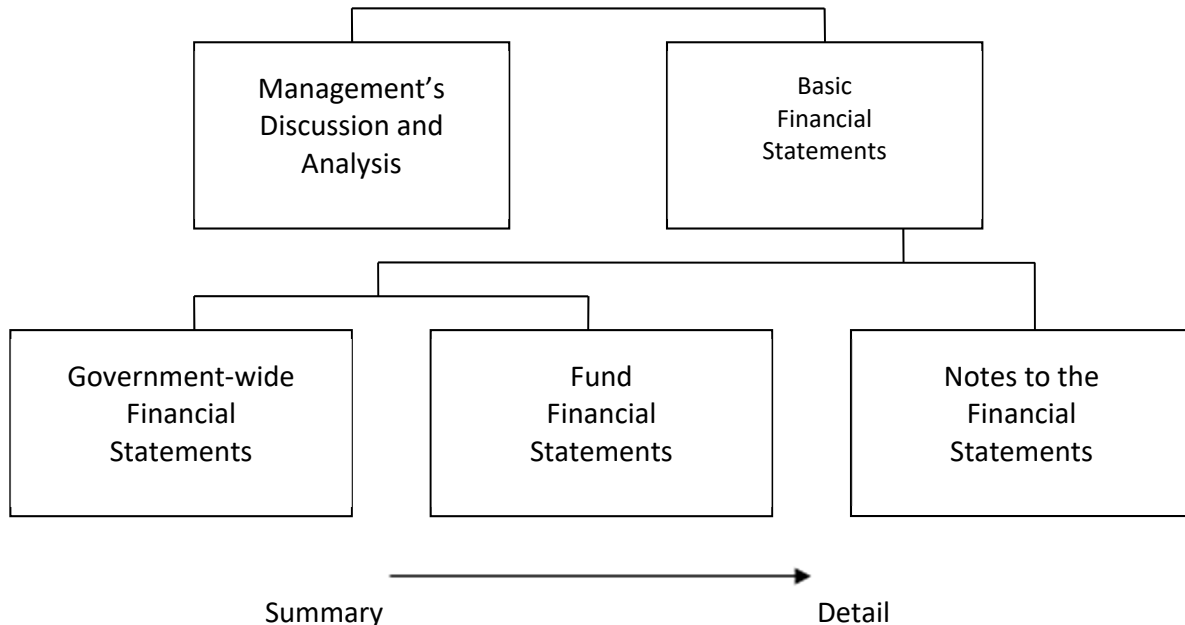
- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$322,723 (*net position*).
- The government's total net position increased by \$8,922, primarily due to an increase in charges for services and a decrease in general government expenses.
- As of the close of the current fiscal year, the Town of Mesic's governmental funds reported combined ending fund balances of \$97,925, with a net decrease of \$4,957 in fund balance. Approximately 48.56% of this total amount, or \$47,556 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$50,369, or 59.77% of total general fund expenditures for the fiscal year.
- The Town of Mesic's total debt decreased by \$22,640 (43.44%) during the current fiscal year. The decrease was due to scheduled principal payments being made and the early payoff of one installment loan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure1). 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.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Analysis

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

Town of Mesic Management's Discussion and Analysis

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

The government-wide statements consist of the governmental activities. The governmental activities include most of the Town's basic services such as general administration, transportation, environmental protection, and cultural and recreation. Property taxes and state and federal grant funds finance most of these activities.

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

Fund Financial Statements

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

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

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

Town of Mesic Management's Discussion and Analysis

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

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

Government-wide Financial Analysis

Town of Mesic's Net Position

	Governmental Activities	
	2021	2020
Current and other assets	\$ 66,916	\$ 109,918
Restricted assets	43,638	5,028
Capital assets	243,174	250,976
Total assets	353,728	365,922
Current liabilities	3,201	2,665
Long-term liabilities	27,804	49,456
Total liabilities	31,005	52,121
Net investment in capital assets	213,693	198,855
Restricted net position	47,556	8,569
Unrestricted net position	61,474	106,377
Total net position	\$ 322,723	\$ 313,801

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$322,723 as of June 30, 2021. The Town's net position increased by \$8,922 for the fiscal year ended June 30, 2021. However, a large portion (66.22%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$47,556 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$61,474 is unrestricted.

Town of Mesic Management's Discussion and Analysis

Town of Mesic's Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 8,491	\$ 384
Operating grants	5,961	6,359
General revenues:		
Property taxes	30,838	34,500
Other taxes	22,783	21,204
Investment earnings	2	506
Other revenues	10,281	26,134
Total revenues	78,356	89,087
Expenses:		
General government	36,968	46,568
Transportation	10,089	9,573
Environmental protection	18,288	16,704
Cultural and recreation	2,481	1,347
Interest expense	1,608	2,408
Total expenses	69,434	76,600
Increase (decrease) in net position	8,922	12,487
Net position, beginning	313,801	301,314
Net position, ending	\$ 322,723	\$ 313,801

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

- Increase in charges for services and other taxes
- Decrease in property tax revenues and other revenues
- Decrease in general government expenses

Governmental activities: Governmental activities increased the Town's net position by \$8,922.

Financial Analysis of the Town of Mesic

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

Town of Mesic Management's Discussion and Analysis

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$50,369, while total governmental fund balance reached \$97,925. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The Town currently has an available fund balance of 59.77% of total General Fund expenditures, and total fund balance represents 116.20% of the same amount.

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

Capital Assets. As of June 30, 2021, the Town's investment in capital assets for its governmental activities totals \$243,174 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, and machinery and equipment.

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

	Governmental Activities	
	2021	2020
Land	\$ 11,413	\$ 11,413
Construction in process	2,550	-
Buildings	125,800	129,500
Machinery and equipment	1,801	2,055
Improvements	82,412	87,793
Infrastructure	19,198	20,215
Total capital assets	\$ 243,174	\$ 250,976

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

Town of Mesic Management's Discussion and Analysis

Long-term debt

As of June 30, 2021, the Town had total installment purchase obligations outstanding of \$29,481, all of which is backed by the full faith and credit of the Town.

Town of Mesic's Outstanding Debt

	Governmental Activities	
	2021	2020
Installment purchase obligation	\$ 29,481	\$ 52,121
Total	\$ 29,481	\$ 52,121

The Town's debt decreased by \$22,640 (43.44%) during the current fiscal year. The key factor to the decrease was scheduled principal payments being made and an early payoff of one install loan.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Mesic is \$1,058,799.

Economic Factors and Next Year's Budgets and Rates

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

Budget Highlights for the Fiscal Year Ending June 30, 2022

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

Request for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Mesic, 9275 NC Hwy. 55, Mesic, NC 28587.

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

	Primary Government Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 51,893
Taxes receivable	11,105
Accounts receivable	3,918
Restricted cash and cash equivalents	43,638
Total current assets	110,554
Noncurrent assets:	
Capital assets:	
Land and construction in progress	13,963
Capital assets, net of depreciation	229,211
Total capital assets	243,174
Total assets	353,728
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	1,524
Current portion of long-term liabilities	1,677
Total current liabilities	3,201
Long-term liabilities:	
Due in more than one year	27,804
Total liabilities	31,005
NET POSITION	
Net investment in capital assets	213,693
Restricted for:	
Stabilization by State Statute	3,918
Pursuant to loan requirements	2,976
Environmental protection	22,199
Cultural and recreation	10,225
Streets - Powell Bill	8,238
Unrestricted	61,474
Total net position	\$ 322,723

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

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

					Net (Expense) Revenue and Changes in Net Position	
		Program Revenues			Primary Government	
Functions/ Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activiites	
Primary government:						
Governmental activities:						
General government	\$ 36,968	\$ -	\$ -	\$ -	\$	(36,968)
Transportation	10,089	-	5,961	-		(4,128)
Environmental protection	18,288	8,491	-	-		(9,797)
Cultural and recreation	2,481	-	-	-		(2,481)
Interest expense	1,608	-	-	-		(1,608)
Total governmental activities	\$ 69,434	\$ 8,491	\$ 5,961	\$ -		(54,982)

General revenues:

Taxes:	
Property taxes, levied for general purposes	30,838
Other taxes	22,783
Investment earnings	2
Miscellaneous	10,281
Total general revenues	63,904
Change in net position	8,922
Net position, beginning	313,801
Net position - ending	\$ 322,723

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

Town of Mesic
Balance Sheet – Governmental Fund
June 30, 2021
Exhibit 3

	Major Fund
	General
ASSETS	
Cash and cash equivalents	\$ 51,893
Restricted cash	43,638
Taxes receivable	11,105
Accounts receivable	3,918
Total assets	\$ 110,554
LIABILITIES	
Accounts payable and accrued liabilities	\$ 1,524
Total liabilities	1,524
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	11,105
FUND BALANCES	
Restricted	
Stabilization of State Statute	3,918
Pursuant to loan requirements	2,976
Environmental protection	22,199
Cultural and recreation	10,225
Streets - Powell Bill	8,238
Unassigned	50,369
Total fund balances	97,925
Total liabilities, deferred inflows of resources and fund balances	\$ 110,554
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balances - governmental fund	\$ 97,925
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	
Gross capital assets at historical cost	326,197
Accumulated depreciation	<u>(83,023)</u> 243,174
Earned revenues considered deferred inflows of resources in the fund statements	11,105
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the fund	
Installment purchase obligation	(29,481)
Net position of governmental fund	\$ 322,723

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

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

	Major Fund
	General
REVENUES	
Ad valorem taxes	\$ 31,797
Unrestricted intergovernmental	22,783
Restricted intergovernmental	5,961
Sales and service	8,491
Miscellaneous	10,281
Investment earnings	2
Total revenues	79,315
EXPENDITURES	
Current:	
General government	33,014
Transportation	6,172
Environmental protection	18,288
Debt service	24,248
Capital outlay	2,550
Total expenditures	84,272
Net change in fund balances	(4,957)
Fund balances - beginning	102,882
Fund balances- ending	\$ 97,925

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

Town of Mesic
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2021
Exhibit 4

Net change in fund balances - governmental fund	\$	(4,957)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized		2,550
Depreciation expense for governmental assets		(10,352)

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 revenue		(959)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of those differences in the treatment of long-term debt and related items.

Principal payments on installment purchase obligation		22,640
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Total changes in net position of governmental activities	\$	8,922
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The accompanying notes are an integral part of these financial statements.

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

General Fund				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 35,375	\$ 35,375	\$ 31,797	\$ (3,578)
Unrestricted intergovernmental	14,200	14,200	22,783	8,583
Restricted intergovernmental	6,000	6,000	5,961	(39)
Sales and service	9,000	9,000	8,491	(509)
Miscellaneous	200	6,200	10,281	4,081
Investment earnings	-	-	2	2
Total revenues	64,775	70,775	79,315	8,540
EXPENDITURES				
Current:				
General government	34,525	35,624	33,014	2,610
Transportation	10,000	8,500	6,172	2,328
Environmental protection	18,450	18,450	18,288	162
Debt service	5,000	24,276	24,248	28
Capital outlay	-	7,500	2,550	4,950
Total expenditures	67,975	94,350	84,272	10,078
Revenues over (under) expenditures	(3,200)	(23,575)	(4,957)	18,618
Fund balance appropriated	3,200	23,575	-	(23,575)
Net change in fund balances	\$ -	\$ -	(4,957)	\$ (4,957)
Fund balances - beginning			102,882	
Fund balances - ending			<u>\$ 97,925</u>	

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

The Town reports the following major governmental 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, local option sales taxes, State grants and various other taxes and licenses. The primary expenditures are for general government, transportation, and environmental protection.

C. Measurement Focus, Basis of Accounting and Financial Presentations

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Budgetary Information

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Use of Estimates

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

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity / Net Position

1. Deposits

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

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

2. Cash and Cash Equivalents

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Restricted Assets

Pursuant to loan requirements from the USDA, the Town maintains a required amount of funds for the repayment of the loan. Environment protection funds are restricted based on the requirements of the Town's FEMA grant. Cultural and recreation funds are restricted based on the Town's Duke Energy Foundation grant. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4.

<u>Town of Mesic Restricted Cash</u>	
Governmental Activities	
General Fund	
Streets - Powell Bill	\$ 8,238
Pursuant to loan requirements	2,976
Environmental protection	22,199
Cultural and recreation	10,225
<u>Total governmental activities</u>	<u>43,638</u>
 Total Restricted Cash	 \$ 43,638

4. Ad Valorem Taxes Receivables

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

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	20 years
Buildings	30 years
Improvements	25 years
Machinery and equipment	7-10 Years

7. Deferred Outflows/Inflows of Resources

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

8. Long-term Obligations

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Net Position/Fund Balance

Net Position

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

Restricted pursuant to loan requirements – portion of fund balance that is restricted based on loan requirements from the USDA.

Restricted for Environmental Protection – portion of fund balance that is restricted based on grant requirements from the Federal Emergency Management Agency.

Restricted for Cultural and Recreation – portion of fund balance that is restricted based on grant requirements from the Duke Energy Foundation.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: 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. The finance officer has the authority to deviate from this policy if it is in the best interest of the Town.

10. Recently Issued Accounting Pronouncements

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

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

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

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Noncompliance with North Carolina General Statutes

The Town is in violation of N.C.G.S. 159-34(a) which states that each local government shall have its accounts audited as soon as possible after the close of each fiscal year. The Town had a change in auditor for the year ended June 30, 2021, and encountered delays in completing the audit. The Town will continue to review their procedures and policies to ensure the annual audit is submitted in a timely manner in the future. In addition, the Town will closely monitor their reporting requirements.

Note 3: DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$95,531 and a bank balance of \$95,526. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Town of Mesic
Notes to Financial Statements

Note 3: DETAIL NOTES ON ALL FUNDS (Continued)

2. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 11,413	\$ -	\$ -	\$ 11,413
Construction in progress	-	2,550	-	2,550
Total capital assets not being depreciated	11,413	2,550	-	13,963
Capital assets being depreciated:				
Buildings	185,000	-	-	185,000
Machinery and equipment	5,699	-	-	5,699
Improvements	91,017	-	-	91,017
Infrastructure	30,518	-	-	30,518
Total capital assets being depreciated	312,234	-	-	312,234
Less accumulated depreciation for:				
Buildings	55,500	3,700	-	59,200
Machinery and equipment	3,644	254	-	3,898
Improvements	3,224	5,381	-	8,605
Infrastructure	10,303	1,017	-	11,320
Total accumulated depreciation	72,671	10,352	-	83,023
Total capital assets being depreciated, net	<u>239,563</u>			<u>229,211</u>
Governmental activities capital assets net	<u>\$ 250,976</u>			<u>\$ 243,174</u>

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

General government	\$ 3,954
Cultural and recreational	2,481
Streets	3,917
Total depreciation expense	<u>\$ 10,352</u>

Note 3: DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Deferred Outflows and Inflows of Resources

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable	<u>\$ -</u>	<u>\$ 11,105</u>

2. 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 carries commercial coverage for risk of loss. Settled claims have not exceeded coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town has made the decision to purchase flood insurance and is currently covered.

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

3. Long-term Obligations

a. Installment purchase obligation

In October 2004 the Town entered into a \$48,000 direct placement contract with USDA to finance the purchase of real estate. The property is pledged as collateral for the debt. The financing contract requires monthly payments of \$248, including interest at 4.5% for a period of 30 years. Equity reserve is established at a rate of \$504 per year until one year's payment is reserved.

Town of Mesic
Notes to Financial Statements

Note 3: DETAIL NOTES ON ALL FUNDS (Continued)

Annual debt service payments of the installment purchase as of June 30, 2021, including \$9,429 of interest are as follows:

Year Ending June 30	Principal	Interest
2022	\$ 1,677	\$ 1,299
2023	1,754	1,222
2024	1,835	1,141
2025	1,919	1,057
2026	2,008	968
2027-2031	11,492	2,970
2032-2035	8,796	772
Total	\$ 29,481	\$ 9,429

b. Changes in Long-term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Direct placement					
Installment purchase obligation	\$ 52,121	\$ -	\$ 22,640	\$ 29,481	\$ 1,677
Governmental long-term liabilities	\$ 52,121	\$ -	\$ 22,640	\$ 29,481	\$ 1,677

C. Fund Balance

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

Total Fund Balance - General Fund	\$ 97,925
Less:	
Stabilization by State Statute	3,918
Pursuant to loan requirements	2,976
Environmental protection	22,199
Cultural and recreation	10,225
Streets - Powell Bill	8,238
Remaining Fund Balance	\$ 50,369

Note 4: JOINTLY GOVERNED ORGANIZATIONS

The Town, in conjunction with nine counties and sixty-one municipalities established the Eastern Carolina Council of Governments. The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one director to the Councils' governing board.

Note 5: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

Note 6: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the ongoing operating activities and the future results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain as of June 30, 2021.

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

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes			
Taxes	\$ 35,375	\$ 31,797	\$ (3,578)
Unrestricted intergovernmental			
Local option sales tax		14,334	
Utility franchise tax		7,395	
Beer and wine tax		894	
Solid waste disposal tax		160	
Total	14,200	22,783	8,583
Restricted intergovernmental			
Powell Bill allocation	6,000	5,961	(39)
Sales and services			
Garbage fees	9,000	8,491	(509)
Miscellaneous			
Grant receipts		10,225	
Other		56	
Total	6,200	10,281	4,081
Investment earnings	-	2	2
Total revenues	70,775	79,315	8,540

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

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government			
Administration			
Salaries and benefits		10,995	
Telephone		1,535	
Dues & subscriptions		318	
Advertising		58	
Office Supplies		831	
Utilities		2,430	
Professional fees		2,850	
Insurance & bonds		4,477	
Other expenditures		9,520	
Total general government	35,624	33,014	2,610
Transportation			
Street lights		3,772	
Street maintenance		2,400	
Total transportation	8,500	6,172	2,328
Environmental protection			
Sanitation services	18,450	18,288	162

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

	Budget	Actual	Variance Positive (Negative)
Debt service			
Principal		22,640	
Interest		1,608	
Total debt service	24,276	24,248	28
Capital outlay	7,500	2,550	4,950
Total expenditures	94,350	84,272	10,078
Fund balance appropriated	23,575	-	23,575
Net change in fund balances	\$ -	(4,957)	\$ (4,957)
Fund balances, beginning		<u>102,882</u>	
Fund balances, ending		<u>\$ 97,925</u>	

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

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 31,288	\$ 29,121	\$ 2,167
2019-2020	3,002	61	1,034	2,029
2018-2019	2,122	61	541	1,642
2017-2018	1,475	-	229	1,246
2016-2017	1,366	-	428	938
2015-2016	1,375	-	188	1,187
2014-2015	935	-	116	819
2013-2014	746	-	170	576
2012-2013	446	-	184	262
2011-2012	296	-	57	239
2010-2011	301	-	301	-
	\$ 12,064	\$ 31,410	\$ 32,369	11,105

Less: allowance for uncollectible amounts -

Ad valorem taxes receivable - net \$ 11,105

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 31,797
Penalties and interest	(791)
Taxes written off	<u>1,363</u>
 Total collections and credits	 <u>\$ 32,369</u>

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

			<u>Total Levy</u>		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Property taxed at current rate	\$ 13,603,500	0.23	\$ 31,288	\$ 24,248	\$ 7,040
Total property valuation	<u>\$ 13,603,500</u>				
Net levy			\$ 31,288	\$ 24,248	\$ 7,040
Uncollected taxes at June 30, 2021			<u>2,167</u>	<u>2,167</u>	<u>-</u>
Current year's tax collected			<u>\$ 29,121</u>	<u>\$ 22,081</u>	<u>\$ 7,040</u>
Current levy collection percentage			<u>93.07%</u>	<u>91.06%</u>	<u>100.00%</u>

**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 Commissioners
Town of Mesic, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Mesic, North Carolina (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated May 17, 2022

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

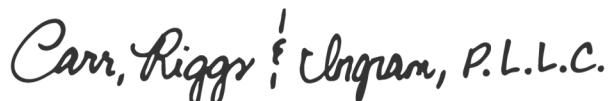
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

Town of Mesic's Response to Finding

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, P.L.L.C." with a stylized flourish at the end.

New Bern, North Carolina
May 17, 2022

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

FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2021-1 Noncompliance with North Carolina General State Statute

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

Condition: The Town had a change in auditor from the previous year, which created a delay in completing the audit.

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

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

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

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

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