

***REVIEWED***

***By SLGFD at 8:17 am, Jan 03, 2022***

**Town of Navassa**

Financial Statements

For the Year Ended June 30, 2021

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**Town of Navassa, North Carolina**  
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**June 30, 2020**

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## ***Financial Section***

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## Independent Auditor's Report

To the Honorable Mayor  
and Members of the Town Council  
Navassa, 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 Navassa, 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's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order 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 opinion.

### Opinions

In our opinion, based on our audit, 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 Navassa, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on ages 9 through 15, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, respectively, be presented to supplement the basic financial statements. Such information, although not a required 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 Information 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 of Navassa, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*S. Preston Douglas & Associates, LLP*

Whiteville, North Carolina

December 6, 2021

## **Management's Discussion and Analysis**



**Town of Navassa, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2021**

## Management's Discussion and Analysis

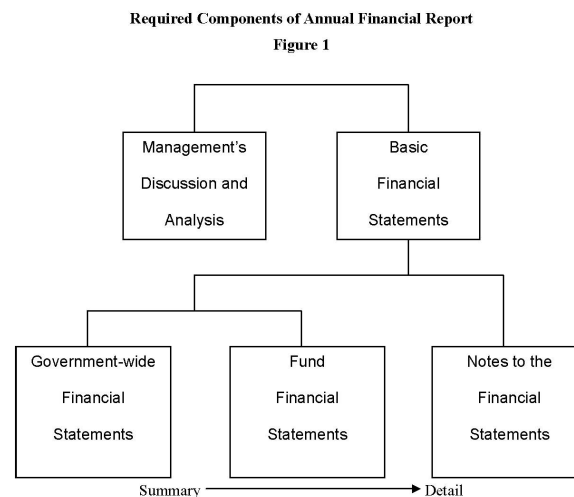
As management of the Town of Navassa, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Navassa for the fiscal year ending June 30, 2021. We encourage readers to read the information presented here in conjunction with additional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

## Financial Highlights

- The assets and deferred outflows of resources of the Town of Navassa exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,351,711 (*net position*).
- Governmental activities increased the Town's net position by \$424,897.
- At June 30, 2021, the fund balance for the Town of Navassa's General Fund reached \$1,407,921, an increase of \$531,192.
- The Town's water sewer system was conveyed to Brunswick County on July 1, 2021.

## Overview of the Financial Statements

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



**Town of Navassa, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**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 8) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) The budgetary comparison statements, 3) The proprietary fund statements, and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show additional details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes can also 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, in a manner similar to the 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, deferred outflows of resources, and total liabilities and deferred inflows of resources. Measuring net position is one way to gage 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 general government, public safety, transportation, and cultural and recreation. Property taxes and State shared revenues finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services that the Town conveyed to Brunswick County on July 1, 2021.

**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 Navassa, like all other state and local governments, 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 Navassa can be divided into two categories: governmental fund and proprietary funds.

**Town of Navassa, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 monies that are unexpended 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 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 Navassa 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 Fund.** The Town of Navassa uses only one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Navassa uses an enterprise funds to account for its water and sewer fund activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the financial statements of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Navassa's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 of this report.

**Town of Navassa, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**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 government and other holders of publicly held U.S. Treasury Securities.

**Government-Wide Financial Analysis**

**The Town of Navassa's Net Position**  
**Figure 2**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$1,609,694	\$1,457,230	\$ -	\$ 212,747	\$1,609,694	\$1,669,977
Capital assets	2,137,290	2,284,738	-	3,888,662	2,137,290	6,173,400
Deferred outflows of resources	119,660	111,033	-	-	119,660	111,033
Total assets	3,866,644	3,853,001	-	4,101,409	3,866,644	7,954,410
Long-term liabilities outstanding	333,084	339,001	-	405,716	333,084	744,717
Other liabilities	8,106	58,159	-	114,500	8,106	172,659
Deferred inflows of resources	169,891	529,027	-	-	169,891	529,027
Total liabilities	511,081	926,187	-	520,216	511,081	1,446,403
Net position						
Net investment in capital assets	1,956,421	2,042,640	-	3,450,702	1,956,421	5,493,342
Restricted	306,245	265,242	-	-	306,245	265,242
Unrestricted	1,089,045	618,932	-	130,491	1,089,045	749,423
Total net position	\$3,351,711	\$2,926,814	\$ -	\$3,581,193	\$3,351,711	\$6,508,007

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$3,351,711 at the close of the current fiscal year. The Town's net position decreased by \$3,156,296 for the fiscal year ended June 30, 2021. The primary reason for the decrease is the conveying of the water sewer system to Brunswick County. The largest portion of the Town's net position, reflects its net investment in capital assets. Net investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding, makes up 58.37% of total net position. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position, \$1,089,045, makes up 32.49% of net position. The remaining balance is the restricted portion of net position, \$306,245, or 11.42%, which represents the Town's resources that are subject to external restrictions on how they may be used.

**Town of Navassa, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Town of Navassa's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Program Revenues						
Charges for services	\$ 4,226	\$ 23,857	\$ 216,090	\$ 462,400	\$ 220,316	\$ 486,257
Operating grants	436,334	377,996	-	375,000	436,334	752,996
Capital grants	19,642	-	-	-	-	-
General revenues						
Property taxes	284,801	251,473	-	-	284,801	251,473
Other taxes	755,382	765,093	-	-	755,382	765,093
Other	47,812	20,160	223	203	48,035	20,363
Total revenues	1,548,197	1,438,579	216,313	837,603	1,744,868	2,276,182
Expenses:						
General government	516,836	744,108	-	-	516,836	744,108
Public safety	195,408	281,505	-	-	195,408	281,505
Transportation	125,392	244,323	-	-	125,392	244,323
Environmental protection	96,177	59,197	-	-	96,177	59,197
Environmental development	119,490	103,820	-	-	119,490	103,820
Cultural and recreation	25,513	18,781	-	-	25,513	18,781
Community building	38,132	37,581	-	-	38,132	37,581
Interest on long-term debt	6,352	11,043	-	-	6,352	11,043
Water and Sewer	-	-	330,140	808,295	330,140	808,295
Total expenses	1,123,300	1,500,358	330,140	808,295	1,453,440	2,308,653
Change in net position	424,897	(61,779)	(113,827)	29,308	291,428	(32,471)
Transfers	-	-	-	-	-	-
Extraordinary item: Disposal of government operations	-	-	(5,913,511)	-	(5,913,511)	-
Change in net position	424,897	(61,779)	(6,027,338)	29,308	(5,602,441)	(32,471)
Beginning net position	2,926,814	2,988,593	6,027,338	3,551,885	8,954,152	6,540,478
Net position, ending	\$ 3,351,711	\$ 2,926,814	\$ -	\$ 3,581,193	\$ 3,351,711	\$ 6,508,007

**Town of Navassa, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Governmental activities.** Governmental activities increased the Town's net position by \$424,897. An increase in grant revenue of \$67,980 was the key element in the higher net position.

**Business-type activities.** The business-type activities decreased the Town of Navassa's net position by \$3,581,193. The conveyance of the Town's water and sewer system was the key component of the decrease in net position.

**Financial Analysis of the Government's Funds**

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

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements.

The General fund is the chief operating fund of the Town of Navassa. As of June 30, 2021, the fund balance for the Town of Navassa's General Fund reached \$1,407,921. Of this, \$306,245 was restricted, leaving an unassigned fund balance of \$1,101,676 available for spending at the Town's discretion. The Town's general fund currently has an available fund balance of 107.74% of governmental fund expenditures.

**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 from external sources, such as federal and State grants.
3. Increases in appropriations that become necessary to maintain services and obligations from prior years not completed.

**Proprietary Funds.** The Town of Navassa's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Net position was eliminated in the proprietary fund due to the conveyance of the water and sewer operations to Brunswick County.

**Capital Assets and Debt Administration Capital Assets**

The Town of Navassa's investments in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$2,137,290 (net of accumulated depreciation). The investments in capital assets includes land, buildings and other systems, infrastructure, and vehicles and motorized equipment.

**Town of Navassa, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Town of Navassa's Capital Assets**  
**(net of depreciation)**  
**Figure 4**

	Governmental Activities		Business -type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 48,670	\$ 48,670	\$ -	\$ 19,050	\$ 48,670	\$ 67,720
Buildings and other systems	71,327	120,104	-	-	71,327	120,104
Infrastructure	1,898,870	1,985,505	-	-	1,898,870	1,985,505
Vehicles and motorized equipment	118,423	130,459	-	-	118,423	130,459
Plant and Distribution System	-	-	-	3,869,612	\$ -	3,869,612
Total capital assets, net	<u>\$2,137,290</u>	<u>\$2,284,738</u>	<u>\$ -</u>	<u>\$ 3,888,662</u>	<u>\$2,137,290</u>	<u>\$6,173,400</u>

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

**Long-term debt.** As of June 30, 2021, the Town of Navassa had total debt outstanding of \$336,034. Installment debt for governmental activities is \$180,869 and \$0 for business-type activities.

	Governmental Activities		Business -type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Installment purchase debt	\$ 180,869	\$ 242,098	\$ -	\$ 19,050	\$ 180,869	\$ 261,148
Compensated absences	11,659	33,111	-	-	11,659	33,111
Pension related debt (LGERS)	127,930	84,932	-	-	127,930	84,932
Pension related debt (LEO)	15,576	13,879	-	-	15,576	13,879
Plant and Distribution System	-	-	-	3,869,612	-	3,869,612
Total capital assets, net	<u>\$ 336,034</u>	<u>\$ 374,020</u>	<u>\$ -</u>	<u>\$ 3,888,662</u>	<u>\$ 336,034</u>	<u>\$ 4,262,682</u>

Additional information on the Town's long-term debt can be found in the notes to the Basic Financial Statements.

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

**Governmental Activities:** Town management will continue to prepare budgets to maintain spending where possible. The Town will budget conservatively to ensure incoming revenues can offset all expected expenditures.

**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:

Claudia Bray, Finance Director  
Town of Navassa  
334 Main St  
Navassa, NC 28451

One can also call (910) 371-2432 or reach via email to cbray@townofnavassa.org.

## ***Basic Financial Statements***

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**Town of Navassa**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,022,469	\$ -	\$ 1,022,469
Taxes receivables, net		-	-
Ad valorem taxes	24,271		
Interest	1,854		
Due from other governments	223,837	-	223,837
Restricted cash and cash equivalents	337,263	-	337,263
<b>Total current assets</b>	<b>1,609,694</b>	<b>-</b>	<b>1,609,694</b>
Non-current assets:			
Capital assets (Note 3):			
Land and non-depreciable improvements	48,670	-	48,670
Other capital assets, net of depreciation	2,088,620	-	2,088,620
<b>Total capital assets</b>	<b>2,137,290</b>	<b>-</b>	<b>2,137,290</b>
<b>Total assets</b>	<b>3,746,984</b>	<b>-</b>	<b>3,746,984</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Deferrals	119,660	-	119,660
<b>Total deferred outflows of resources</b>	<b>119,660</b>	<b>-</b>	<b>119,660</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	9,008	-	9,008
Current portion of long-term debt	2,950	-	2,950
<b>Total current liabilities</b>	<b>11,958</b>	<b>-</b>	<b>11,958</b>
Long-term liabilities:			
Net pension liability-LGERS	127,930	-	127,930
Total pension liability-LEOSSA	15,576	-	15,576
Compensated absences	11,659	-	11,659
Due in more than one year	177,919	-	177,919
<b>Total long term liabilities</b>	<b>333,084</b>	<b>-</b>	<b>333,084</b>
<b>Total liabilities</b>	<b>345,042</b>	<b>-</b>	<b>345,042</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Deferral	3,251	-	3,251
Deferred Grnats	166,640	-	
<b>Total deferred inflows of resources</b>	<b>169,891</b>	<b>-</b>	<b>3,251</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,956,421	-	1,956,421
Restricted for:			
Stabilization by State Statute	223,837	-	223,837
Transportation - Powell Bill	82,408	-	82,408
Unrestricted	1,089,045	-	1,089,045
<b>Total net position</b>	<b>\$ 3,351,711</b>	<b>\$ -</b>	<b>\$ 3,351,711</b>

Town of Navassa, North Carolina  
Statement of Activities  
Year Ended June 30, 2021

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 144,958	\$ -	\$ 379,587	\$ 19,642
Administration	307,305	-	-	-
Public Buildings	64,573	-	-	-
Public Safety	195,408	366	-	-
Transportation	125,392	-	56,747	-
Environmental Protection	96,177	-	-	-
Environmental Development	119,490	3,860	-	-
Cultural and Recreational	25,513	-	-	-
Community Center	38,132	-	-	-
Interest on long-term debt	6,352	-	-	-
Total governmental activities	1,123,300	4,226	436,334	19,642
Business-type activities:				
Water and sewer	177,069	28,708	-	-
Interest on long-term debt	-	-	-	-
Total business-type activities	177,069	28,708	-	-
Total primary government	\$ 1,300,369	\$ 32,934	\$ 436,334	\$ 19,642

Town of Navassa, North Carolina  
Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Primary government:</b>			
<b>Governmental Activities:</b>			
General government	\$ 254,271	\$ -	\$ 254,271
Administration	(307,305)	-	(307,305)
Public Buildings	(64,573)	-	(64,573)
Public Safety	(195,042)	-	(195,042)
Transportation	(68,645)	-	(68,645)
Environmental Protection	(96,177)	-	(96,177)
Environmental Development	(115,630)	-	(115,630)
Cultural and Recreational	(25,513)	-	(25,513)
Community Center	(38,132)	-	(38,132)
Interest on long-term debt	(6,352)	-	(6,352)
<b>Total governmental activities</b>	<u>(663,098)</u>	<u>-</u>	<u>(663,098)</u>
<b>Business-type activities:</b>			
Water and sewer	-	(148,361)	(148,361)
Interest on long-term debt	-	-	-
<b>Total business-type activities</b>	<u>-</u>	<u>(148,361)</u>	<u>(148,361)</u>
<b>Total primary government</b>	<u>(663,098)</u>	<u>(148,361)</u>	<u>(811,459)</u>
<b>General revenues:</b>			
Taxes:			
Property taxes, levied for general purpose	284,801	-	284,801
Local Option Sales Taxes	683,892	-	683,892
Other taxes and licenses	71,490	-	71,490
Investment earnings, unrestricted	192	-	192
Miscellaneous, unrestricted	47,620	-	47,620
<b>Total general revenues and transfers</b>	<u>1,087,995</u>	<u>-</u>	<u>1,087,995</u>
<b>Extraordinary item: Disposal of government operations</b>	<u>-</u>	<u>(3,432,832)</u>	<u>(3,432,832)</u>
<b>Total general revenues, transfers and extraordinary items</b>	<u>1,087,995</u>	<u>(3,432,832)</u>	<u>(2,344,837)</u>
<b>Change in net position</b>	<u>424,897</u>	<u>(3,581,193)</u>	<u>(3,156,296)</u>
<b>Net position, beginning</b>	<u>2,926,814</u>	<u>3,581,193</u>	<u>6,508,007</u>
<b>Net position, ending</b>	<u>\$ 3,351,711</u>	<u>\$ -</u>	<u>\$ 3,351,711</u>

**Town of Navassa, North Carolina**  
**Balance Sheet - Governmental Fund**  
**June 30, 2021**

	<u>Major Fund</u> <u>General</u>	<u>Total</u> <u>Governmental</u> <u>Fund</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 1,022,469	\$ 1,022,469
Restricted cash and cash equivalents	337,263	337,263
Taxes receivables, net	24,271	24,271
Due from other governments	223,837	223,837
<b>Total assets</b>	<u>1,607,840</u>	<u>1,607,840</u>
<b><u>LIABILITIES</u></b>		
Accounts payable and accrued liabilities	9,008	9,008
<b>Total liabilities</b>	<u>9,008</u>	<u>9,008</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Property taxes receivable	24,271	24,271
Deferred Grants	166,640	166,640
<b>Total deferred inflows of resources</b>	<u>190,911</u>	<u>190,911</u>
<b><u>FUND BALANCES</u></b>		
Restricted		
Stabilization by State Statute	223,837	223,837
Transportation - Powell Bill	82,408	82,408
Unassigned	1,101,676	1,101,676
<b>Total fund balances</b>	<u>1,407,921</u>	<u>1,407,921</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 1,607,840</u>	<u>\$ 1,607,840</u>

**Town of Navassa, North Carolina**  
**Balance Sheet - Governmental Fund**  
**June 30, 2021**

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

Total Fund Balance, Governmental Funds		\$ 1,407,921
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	3,599,877	
Accumulated depreciation	<u>(1,462,587)</u>	2,137,290
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Ad valorem taxes		24,271
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are deferred.		
Interest		1,854
Deferred outflows of resources related to pensions are not reported in the funds.		119,660
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Installment purchases	(180,869)	
Compensated Absences	(11,659)	
Net pension liability	(127,930)	
Total pension liability	<u>(15,576)</u>	(336,034)
Deferred inflows of resources related to pensions are not reported in the funds.		<u>(3,251)</u>
<b>Net position of governmental activities</b>		<b><u><u>\$ 3,351,711</u></u></b>

**Town of Navassa, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Fund**  
**Year Ended June 30, 2021**

	<u>Major Fund</u> <u>General</u>	<u>Total</u> <u>Governmental</u> <u>Fund</u>
<b>Revenues</b>		
Ad valorem taxes	\$ 290,284	\$ 290,284
Unrestricted intergovernmental	755,382	755,382
Restricted intergovernmental	455,976	455,976
Permits and Fees	4,226	4,226
Investment Earnings	192	192
Miscellaneous	47,620	47,620
<b>Total revenues</b>	<u>1,553,680</u>	<u>1,553,680</u>
<b>Expenditures</b>		
Current:		
General Government	102,248	102,248
Administration	277,924	277,924
Public Buildings	64,573	64,573
Public Safety	148,218	148,218
Transportation	109,246	109,246
Environmental Protection	95,895	95,895
Environmental Development	112,692	112,692
Cultural and Recreational	25,513	25,513
Community Center	38,132	38,132
Debt Service:		
Principal retirement	41,695	41,695
Interest and other charges	6,352	6,352
<b>Total expenditures</b>	<u>1,022,488</u>	<u>1,022,488</u>
<b>Excess (deficiency) of revenues</b>		
<b>over expenditures</b>	<u>531,192</u>	<u>531,192</u>
<b>Net change in fund balances</b>	531,192	531,192
<b>Fund balances, beginning</b>	876,729	876,729
<b>Fund balances, ending</b>	<u>\$ 1,407,921</u>	<u>\$ 1,407,921</u>

**City of Northwest, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Fund to the Statement of Activities**  
**Year Ended June 30, 2020**

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

Net change in fund balances - total governmental funds	\$	531,192
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 30,793	
Depreciation expense for governmental assets	<u>(135,866)</u>	(105,073)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	47,398
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(5,483)
--	---------

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

Principal payments on long term debt	61,229
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Pension expense	(82,914)
Compensated absences	(21,452)

**Total changes in net position of governmental activities**

	<u>\$ 424,897</u>
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**Town of Navassa**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2021**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Ad valorem taxes	\$ 276,483	\$ 276,483	\$ 290,284	\$ 13,801
Unrestricted intergovernmental	479,860	485,457	755,382	269,925
Restricted intergovernmental	452,484	464,412	455,976	(8,436)
Permits and Fees	16,100	16,100	4,226	(11,874)
Investment Earnings	600	600	192	(408)
Miscellaneous	19,100	19,100	47,620	28,520
<b>Total revenues</b>	<u>1,244,627</u>	<u>1,262,152</u>	<u>1,553,680</u>	<u>291,528</u>
<b>Expenditures</b>				
Current:				
General Government	132,784	211,477	102,248	109,229
Administration	230,441	260,763	277,924	(17,161)
Public Buildings	12,000	117,001	64,573	52,428
Public Safety	272,015	289,907	148,218	141,689
Transportation	174,126	170,126	109,246	60,880
Environmental Protection	132,738	136,682	95,895	40,787
Environmental Development	210,915	207,415	112,692	94,723
Cultural and Recreational	33,020	37,120	25,513	11,607
Community Center	41,413	57,613	38,132	19,481
Debt Service:				
Principal retirement	17,803	45,732	41,695	4,037
Interest and other charges	6,352	6,352	6,352	-
<b>Total expenditures</b>	<u>1,263,607</u>	<u>1,540,188</u>	<u>1,022,488</u>	<u>517,700</u>
<b>Revenues over (under) expenditures</b>	<u>(18,980)</u>	<u>(278,036)</u>	<u>531,192</u>	<u>809,228</u>
<b>Fund balance appropriated</b>	<u>18,980</u>	<u>278,036</u>	<u>-</u>	<u>278,036</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>531,192</u>	<u>531,192</u>
<b>Fund balance, beginning</b>			876,729	
<b>Fund balance, ending</b>			<u>\$ 1,407,921</u>	



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**Town of Navassa, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**June 30, 2021**

	<b>Water &amp; Sewer Fund</b>
<b><u>ASSETS</u></b>	
Current Assets	
Cash and Investments	\$ -
Accounts Receivable, net	-
<b>Total Current Assets</b>	<b>-</b>
 Noncurrent Assets	
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	
Other Capital Assets, Net of Depreciation	-
<b>Total Noncurrent Assets</b>	<b>-</b>
 <b>Total Assets</b>	<b>-</b>
 <b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	-
Due to Other Governments	-
Customer Deposits	
Unearned Revenue	
Notes Payable	-
<b>Total Current Liabilities</b>	<b>-</b>
 Noncurrent Liabilities:	
Notes Payable	-
<b>Total Noncurrent Liabilities</b>	<b>-</b>
 Total Liabilities	
 <b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	-
Unrestricted	-
<b>Total Net Position</b>	<b>\$ -</b>

**Town of Navassa**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**Year Ended June 30, 2021**

	<b>Water &amp; Sewer Fund</b>
<b>Operating Revenues</b>	
Charges for Services	\$ 28,708
<b>Total Operating Revenues</b>	<u>28,708</u>
<b>Operating Expenses</b>	
Water and Sewer Operations	<u>219,519</u>
<b>Total Operating Expenses</b>	<u>219,519</u>
<b>Operating Income (Loss)</b>	<u>(190,811)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Earnings	<u>-</u>
<b>Total Nonoperating Revenues</b>	<u>-</u>
<b>Total Income (loss) Before Contributions, Transfers and Special Items</b>	(190,811)
Special Item - Disposal of government operations	<u>(3,390,382)</u>
<b>Change in Net Position</b>	(3,581,193)
<b>Total net position, beginning</b>	<u>3,581,193</u>
<b>Total net position, ending</b>	<u><u>\$ -</u></u>

**Town of Navassa, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2021**

	<b>Water &amp; Sewer Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 28,708
Cash paid for goods and services	(207,229)
Cash paid to employees for services	-
<b>Net cash provided (used) by operating activities</b>	<u>(178,521)</u>
<b>Cash flows from capital and related financing activities</b>	
Principal paid	-
Interest and fees paid	-
Assumption of debt associated with the disposal of government operations	60,320
<b>Net cash provided (used) by capital and related financing activities</b>	<u>60,320</u>
<b>Cash flows from investing activities</b>	
Interest on investments	-
<b>Net cash provided (used) by investing activities</b>	<u>-</u>
<b>Net increase (decrease) in cash</b>	(118,201)
<b>Cash and cash equivalents - beginning of year</b>	<u>118,201</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
<b>Operating income (loss)</b>	<u>\$ (190,811)</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -</b>	
Depreciation	-
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	94,546
Increase (decrease) in accounts payable and accrued liabilities	(24,725)
Increase (decrease) in Due From Other Governments	(57,531)
<b>Total adjustments</b>	<u>12,290</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (178,521)</u>

## TOWN OF NAVASSA, NORTH CAROLINA

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Navassa 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 Navassa is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town.

##### B. Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The 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.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation (Continued)**

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

**Water & Sewer Fund.** This fund is used to account for the Town's water and sewer operations. The Water and Sewer fund was closed as of June 30, 2021 as all water and sewer operations were transferred to Brunswick County.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

*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 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. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Navassa because the tax is levied by Brunswick 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 positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise 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 project level for the multi-year funds. Any revisions that alter expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that overs that time until the annual ordinance can be adopted.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 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 fund, 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. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**3. Restricted Assets**

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. The unexpected grant revenues are restricted in the general fund for grant expenditures.

**City of Northwest's Restricted Cash**

Governmental Activities

General Fund

Community Building	\$	10,065
Stormwater Project		24,865
NCORR Grant Fund		166,640
Open Space Improvement Fund		19,642
American Rescue Plan		50
Streets		116,001
		<hr/>

Total Restricted Cash	\$	<u>337,263</u>
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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2019. As allowed by state law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**6. Inventory**

Inventories are not maintained. Supplies are purchased according to the current needs and only a negligible amount is maintained on hand.

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a \$5000 cost 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Infrastructure	30
Improvements	25
Vehicles	5
Furniture and Office Equipment	10
Equipment	10
Computer Equipment	3

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 one item that meets this criterion, pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – property taxes receivable, deferred grants and pension deferrals.

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

*Nonspendable Fund Balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**11. Net Position/Fund Balances (Continued)**

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

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

*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 Navassa 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 by 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 in the best interest of the Town.

**12. Defined Benefit Cost-Sharing Plans**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERs) and additions to/deductions from LGERs' fiduciary net position have been determined on the same basis as they are reported by LGERs. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Navassa's employer contributions are recognized when due and the Town of Navassa has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERs. Investments are reported at fair value.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**None**

### III. 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 agents in this unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in its 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 \$1,358,373 and a bank balance of \$1,246,306. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

##### 2. Receivables - Allowances 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	\$ 3,200
Total General Fund	<u>3,200</u>
 Total	 \$ <u><u>3,200</u></u>

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**4. Capital Assets**

**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 48,670	\$ -	\$ -	\$ 48,670
Construction in progress	-	-	-	-
Total capital assets not being depreciated	48,670	-	-	48,670
<b>Capital assets being depreciated:</b>				
Buildings	298,384	-	75,000	223,384
Equipment and Vehicles	223,984	-	-	223,984
Vehicles & Motorized Equipment	473,993	30,793	-	504,786
Infrastructure	2,599,053	-	-	2,599,053
Total capital assets being depreciated:	3,595,414	30,793	75,000	3,551,207
<b>Less accumulated depreciation for:</b>				
Buildings	178,280	6,402	32,625	152,057
Equipment and Vehicles	567,518	42,829	-	610,347
Infrastructure	613,548	86,635	-	700,183
Total accumulated depreciation	1,359,346	135,866	32,625	1,462,587
Total capital assets being depreciated, net	2,236,068			2,088,620
<b>Governmental activities capital assets, net</b>	<b>\$ 2,284,738</b>			<b>\$ 2,137,290</b>

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

General government	\$ 93,037
Public safety	29,547
Transportation	13,282
Cultural and recreational	-
<b>Total depreciation expense</b>	<b>\$ 135,866</b>

**TOWN OF NAVASSA, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2021

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**4. Capital Assets Continued**

	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Business-type activities:</b>				
<b><i>Water and Sewer Fund</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 19,050	\$ -	\$ 19,050	\$ -
Total capital assets not being depreciated	19,050	-	19,050	-
<b>Capital assets being depreciated:</b>				
Buildings	-	-	-	-
Furniture & Equipment	1,525	-	1,525	-
Plant and Distribution System	5,853,459	-	5,853,459	-
Total capital assets being depreciated:	5,854,984	-	5,853,459	-
<b>Less accumulated depreciation for:</b>				
Buildings	-	-	-	-
Furniture & Equipment	1,525	-	1,525	-
Plant and Distribution System	1,983,847	-	1,983,847	-
Total accumulated depreciation	1,985,372	-	1,985,372	-
Total capital assets being depreciated, net	3,869,612			-
Water and Sewer Fund capital assets, net	<u>\$ 3,888,662</u>			<u>\$ -</u>

### III. DETAIL NOTES ON ALL FUNDS (Continued)

#### B. Liabilities

##### 1. Pension Plan Obligations

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

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

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



III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. ***Local Governmental Employees' Retirement System (Continued)***

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Navassa employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Navassa's contractually required contribution rate for the year ended June 30, 2021, was 10.90% of compensation for law enforcement officers and 10.05% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Navassa were \$47,398 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$127,930 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.00358%, which was an increase of 0.00047% from its proportion measured as of June 30, 2019.

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

For the year ended June 30, 2021, the Town recognized pension expense of \$81,566  
At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 16,155	\$ -
Changes of assumptions	9,520	-
Net difference between projected and actual earnings on pension plan investments	18,003	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	28,141	-
Town contributions subsequent to the measurement date	47,398	-
Total	<u>\$ 119,217</u>	<u>\$ -</u>

\$47,398 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ 24,336
2023	27,293
2024	14,862
2025	5,328
2026	-
Thereafter	-
	<u>\$ 71,819</u>

### III. DETAIL NOTES ON ALL FUNDS (Continued)

#### B. Liabilities (Continued)

##### 1. Pension Plan and Postemployment Obligations (Continued)

##### *a. Local Governmental Employees' Retirement System (Continued)*

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

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

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

### III. DETAIL NOTES ON ALL FUNDS (Continued)

#### B. Liabilities (Continued)

##### 1. Pension Plan and Postemployment Obligations (Continued)

##### a. *Local Governmental Employees' Retirement System (Continued)*

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$ 259,553	\$ 127,930	\$ 18,539

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**a. *Local Governmental Employees' Retirement System (Continued)***

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

**b. *Law Enforcement Officers Special Separation Allowance***

**1. Plan Description**

The Town of Navassa administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of credible service or have attained 55 years of age and have completed five years or more of credible service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>3</u>
Total	<u>3</u>

**2. Summary of Significant Accounting Policies**

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73.

### III. DETAIL NOTES ON ALL FUNDS (Continued)

#### B. Liabilities (Continued)

##### 1. Pension Plan (Continued)

##### *b. Law Enforcement Officers Special Separation Allowance (Continued)*

##### 3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.5 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Discount rate	2.98%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

##### 4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$-0- as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$15,576. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$1,348.

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

**b. Law Enforcement Officers Special Separation Allowance (Continued)**

4. Contributions (Continued)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 35	\$ 2,302
Changes of assumptions and other inputs	408	949
Benefit payments and plan administrative expenses made subsequent to the measurement date	-	-
Total	<u>\$ 443</u>	<u>\$ 3,251</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	(1,384)
2022	(1,031)
2023	(214)
2024	(179)
2025	-
Thereafter	-

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (.93%) or 1-percentage-point higher (2.93%) than the current rate:

	<b>1% Decrease (.93%)</b>	<b>Discount Rate (1.93%)</b>	<b>1% Increase (2.93%)</b>
Total pension liability	\$ 16,156	\$ 15,576	\$ 15,048

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

***b. Law Enforcement Officers Special Separation Allowance (Continued)***

4. Contributions (Continued)

**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
June 30, 2021**

	<u><b>2021</b></u>
Beginning balance	\$ 13,879
Service Cost	2,280
Interest on the total pension liability	452
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	44
Changes of assumptions or other inputs	(1,079)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u><u>\$ 15,576</u></u>

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

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



### III. DETAIL NOTES ON ALL FUNDS (Continued)

#### B. Liabilities (Continued)

##### 1. Pension Plan Obligations (Continued)

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension Expense	\$ 81,566	\$ 1,348	\$ 82,914
Pension Liability	127,930	15,576	143,506
Proportionate share of the net pension liability	0.00358%	n/a	
Deferred Outflows of Resources			-
Differences between expected and actual experience	16,155	35	16,190
Changes of assumptions	9,520	408	9,928
Net difference between projected and actual earnings on plan investments	18,003	-	18,003
Changes in proportion and differences between contributions and proportionate share of contributions	28,141	-	28,141
Deferred Inflows of Resources			
Differences between expected and actual experience	-	2,302	2,302
Changes of assumptions	-	949	949
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

##### c. ***Supplemental Retirement Income Plan for Law Enforcement Officers***

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

***Funding Policy.*** Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and non-law enforcement employees may also make voluntary contributions to the plan. The town made contributions of \$3,568 for the reporting year. No amounts were forfeited.

### III. DETAIL NOTES ON ALL FUNDS (Continued)

#### B. Liabilities (Continued)

##### 2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple employer, State-administered, cost-sharing plan funded on a one- year term cost basis. The beneficiaries of those employers who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. The Town considers these contributions to be immaterial.

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

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 47,398
Differences between expected and actual experience	16,190
Changes of assumptions and other inputs	9,928
Net difference between projected and actual earnings	18,003
Changes in proportion and differences between City contributions and proportionate share of contributions	28,141
Total	<u>\$ 119,660</u>

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, less penalties (General Fund)	-	24,271
Deferred Grants	166,640	166,640
Differences between expected and actual experience	2,302	-
Changes in assumptions	949	-
Total	<u>\$ 169,891</u>	<u>\$ 190,911</u>

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**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. 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 worker's 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 purchase by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants and the audited financial statements are available 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.

The Town does not carry flood insurance. The Town is not in a flood plain.

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 \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

**4. Claims, Judgments and Contingent Liabilities**

At June 30, 2021, the Town had no claims or judgments

**5. Long-Term Obligations**

***a. Installment Purchases***

**Governmental Activities**

On February 23, 2016, the Town entered into an installment/purchase contract for the construction of a community center with the USDA. The original amount financed was \$194,524. The financing contract requires annual payments of \$8,654 including interest at 3.125% for forty years. Maturity is February 2056. The outstanding principal balance at June 30, 2021 was \$180,869.

On March 1, 2016, the Town entered into an installment/purchase contract for the purchase of a 2016 Dodge Charger with BB&T. The original amount financed was \$35,000. The financing contract requires annual payments of \$7,566 including interest at 2.65% for five years. Maturity is April 2021. The balance was paid off during the fiscal year.

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**5. Long-Term Obligations (Continued)**

**a. Installment Purchases (Continued)**

On February 24, 2017, the Town entered into an installment/purchase contract for the purchase of a John Deere Utility Tractor with BB&T. The original amount financed was \$18,354. The financing contract requires annual payments of \$3,991 including interest at 2.85% for five years. The outstanding principal balance was paid during the fiscal year.

On January 11, 2019, the Town entered into an installment/purchase contract for the purchase of two 2018 Dodge Chargers and one Dodge Durango. The original amount financed was \$86,874. The financing contract requires annual payments of \$23,891 including for four years. The outstanding principal balance was paid during the fiscal year.

In September 2007, the Town entered into a loan agreement for water improvements with Rural Development. The original amount of the loan was \$53,000. The financing contract requires annual payments of \$3,987 including interest at 4.25%. Maturity was September 2027. The outstanding principal balance at June 30, 2020 was \$26,560, however the loan was taken over by Brunswick County when the Water Sewer system was conveyed to them on 7/1/2021.

The Town has a promissory note payable to the DEHNR Division of Water Quality for the sanitary sewer system. The original amount of the note was \$534,287. The note requires annual principal payments of \$29,386 plus interest at 2.50% for twenty years. Maturity is May 2034. The outstanding principal balance at June 30, 2020 was \$411,400, however the loan was taken over by Brunswick County when the Water Sewer system was conveyed to them on 7/1/2021.

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

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2022	2,950	5,704
2023	3,042	5,612
2024	3,137	5,517
2025	3,220	5,434
2026	3,336	5,318
2027-2031	18,293	24,977
2032-2036	21,337	21,933
2037-2041	24,878	18,392
2042-2046	29,030	14,240
2047-2051	33,860	9,410
2052-2056	37,786	5,494
2057-2059	-	-
	<u>\$ 180,869</u>	<u>\$ 122,031</u>

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

On July 1, 2021 the Town of Navassa conveyed their water and sewer operations to Brunswick County as well as all debt and capital assets associated with the system.

**6. Long-Term Obligations (Continued)**

**a. Changes in Long-Term Liabilities**

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchase	\$ 242,098	\$ -	\$ 61,229	\$ 180,869	\$ 2,950
Compensated absences	33,111	-	21,452	11,659	-
Net pension liability (LIGERS)	84,932	42,998	-	127,930	-
Total Pension Liability	13,879	1,697	-	15,576	-
Governmental activity long-term liabilities	<u>\$ 374,020</u>	<u>\$ 44,695</u>	<u>\$ 82,681</u>	<u>\$ 336,034</u>	<u>\$ 2,950</u>
Business-type activities:					
Loans payable	437,960	-	437,960	-	-
Business-type activities long-term liabilities	<u>\$ 437,960</u>	<u>\$ -</u>	<u>\$ 437,960</u>	<u>\$ -</u>	<u>\$ -</u>

**C. Net Investment in Capital Assets**

	<u>Governmental</u>
Capital Assets	\$ 2,137,290
less: long-term debt	(180,869)
Net investment in capital assets	<u>\$ 1,956,421</u>

**D. 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	\$ 1,407,921
Less:	
Stabilization by State Statute	300,415
Streets-Powell Bill	82,408
Remaining Fund Balance	\$ 1,025,098

**IV. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

Events occurring after June 30, 2021 were evaluated by management on December 6, 2021 to ensure that any subsequent events that met the criteria for recognition and or disclosure in these financial statements have been included. In management's opinion, there are no events that require disclosure in these financial statements.

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***Required Supplementary***

***Financial Data***

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**TOWN OF NAVASSA, NORTH CAROLINA**

Town of Navassa's Proportionate Share of Net Pension Liability (Asset)

Required Supplementary Information

Last Eight Fiscal Years\*

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Navassa's Proportion of the Net Pension Liability ( Asset) (%)	0.00358%	0.00311%	0.00456%	0.00418%	0.00609%	0.00547%	-0.00362%	0.0054%
Navassa's Proportion of the Net Pension Liability ( Asset) (\$)	\$ 127,930	\$ 84,932	\$ 108,179	\$ 63,859	\$ 129,252	\$ 24,549	\$ (21,349)	\$ 65,091
Navassa's Covered-Employee Payroll	\$ 289,836	\$ 279,635	\$ 315,849	\$ 323,149	\$ 299,789	\$ 323,149	\$ 282,346	\$ 259,644
Navassa's Proportion Share of the Net Pension Liability ( Asset) as a Percentage of its Covered-Employee Payroll	44.14%	30.37%	34.25%	19.76%	43.11%	7.60%	-7.56%	25.07%
Plan fiduciary Net Position as a Percentage of the Total Pension/Liability**	91.63%	94.18%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.  
Additional years' information will be presented as it becomes available.

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

**TOWN OF NAVASSA, NORTH CAROLINA**

Town of Navassa's Contributions

Required Supplementary Information

Last Eight Fiscal Years\*

Local Government Employee's Retirement System

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually Required Contribution	<b>\$ 47,398</b>	<b>\$ 47,899</b>	<b>\$ 42,743</b>	<b>\$ 47,367</b>	<b>\$ 40,945</b>	<b>\$ 42,356</b>	<b>\$ 46,575</b>	<b>\$ 46,575</b>
Contributions in Relation to the	<b>47,398</b>	<b>47,899</b>	<b>42,743</b>	<b>47,367</b>	<b>40,945</b>	<b>42,356</b>	<b>46,575</b>	<b>46,575</b>
Contractually Required Contribution Contribution Deficiency (Excess)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Navassa's Covered-Employee Payroll	<b>\$ 311,256</b>	<b>\$ 289,836</b>	<b>\$ 279,635</b>	<b>\$ 315,849</b>	<b>\$ 323,149</b>	<b>\$ 299,789</b>	<b>\$ 323,149</b>	<b>\$ 282,346</b>
Contributions as a Percentage of Covered-Employee Payroll	<b>15.23%</b>	<b>16.53%</b>	<b>15.29%</b>	<b>15.00%</b>	<b>12.67%</b>	<b>14.13%</b>	<b>14.41%</b>	<b>16.50%</b>

\* Additional years' information will be presented as it becomes available.

**TOWN OF NAVASSA, NORTH CAROLINA**  
Schedule of Changes in Total Pension Liability  
Law Enforcement Officer's Special Separation Allowance  
June 30, 2021\*

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 13,879	\$ 13,779	\$ 12,436	\$ 12,217	\$ 9,937
Service Cost	2,280	1,616	1,751	2,222	2,094
Interest on the total pension liability	452	502	393	472	355
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	44	(2,110)	(650)	(3,735)	-
Changes of assumptions or other inputs	(1,079)	92	(151)	1,260	(169)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 15,576</u>	<u>\$ 13,879</u>	<u>\$ 13,779</u>	<u>\$ 12,436</u>	<u>\$ 12,217</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

**TOWN OF NAVASSA, NORTH CAROLINA**

## Schedule of Total Pension Liability as a Percentage of Covered Payroll

## Law Enforcement Officer's Special Separation Allowance

June 30, 2021\*\*

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	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 15,576	\$ 13,879	\$ 13,779	\$ 12,436	\$ 12,217
Covered payroll	125,527	82,425	85,981	101,874	116,689
Total pension liability as a percentage of covered payroll	12.41%	16.84%	16.03%	12.21%	10.47%

Notes to the schedules:

\* Town of Navassa has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

***Individual Fund Statements and Schedules***  
***Governmental Funds***

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Town of Navassa North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual  
Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<b>Ad valorem taxes</b>			
Taxes	\$	\$ 286,374	\$
Penalties and interest		3,910	
<b>Total Ad valorem taxes</b>	<u>276,483</u>	<u>290,284</u>	<u>13,801</u>
<b>Unrestricted intergovernmental</b>			
Local option sales taxes		683,892	
Utility franchise tax		62,590	
Beer and wine tax		8,900	
<b>Total Unrestricted intergovernmental</b>	<u>485,457</u>	<u>755,382</u>	<u>269,925</u>
<b>Restricted intergovernmental</b>			
Powell Bill allocation		56,747	
Federal Grants		27,155	
State Grants		352,432	
Open Space Improvement Fund		19,642	
<b>Total Restricted intergovernmental</b>	<u>464,412</u>	<u>455,976</u>	<u>(8,436)</u>
<b>Permits and Fees</b>			
Zoning permits		3,860	
Public Safety fees		366	
<b>Total Permits and Fees</b>	<u>16,100</u>	<u>4,226</u>	<u>(11,874)</u>
<b>Investment earnings</b>			
General		192	
<b>Total Investment earnings</b>	<u>600</u>	<u>192</u>	<u>(408)</u>
<b>Miscellaneous</b>			
Other revenue		47,620	
<b>Total Miscellaneous</b>	<u>19,100</u>	<u>47,620</u>	<u>28,520</u>
<b>Total revenues</b>	<u>\$ 1,262,152</u>	<u>\$ 1,553,680</u>	<u>\$ 291,528</u>

**Town of Navassa North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures</b>			
<b>General Government</b>			
<b>Governing Body</b>			
Salaries and employee benefits		38,683	
Operating expenditures		63,565	
<b>Total Governing Body</b>	<u>211,477</u>	<u>102,248</u>	<u>109,229</u>
<b>Administration</b>			
Salaries and employee benefits		183,132	
Operating expenditures		94,792	
<b>Total Administration</b>	<u>260,763</u>	<u>277,924</u>	<u>(17,161)</u>
<b>Public Buildings</b>			
Salaries and employee benefits		-	
Operating expenditures		64,573	
<b>Total Public Buildings</b>	<u>117,001</u>	<u>64,573</u>	<u>52,428</u>
<b>Public Safety</b>			
Salaries and employee benefits		126,406	
Operating expenditures		21,812	
<b>Total Public Safety</b>	<u>289,907</u>	<u>148,218</u>	<u>141,689</u>
<b>Transportation</b>			
Salaries and employee benefits		41,089	
Operating expenditures		68,157	
<b>Total Transportation</b>	<u>170,126</u>	<u>109,246</u>	<u>60,880</u>
<b>Environmental Protection</b>			
Salaries and employee benefits		25,502	
Operating expenditures		39,600	
Capital outlay		30,793	
<b>Total Environmental Protection</b>	<u>136,682</u>	<u>95,895</u>	<u>40,787</u>
<b>Environmental Development</b>			
Salaries and employee benefits		82,427	
Operating expenditures		30,265	
<b>Total Environmental Development</b>	<u>207,415</u>	<u>112,692</u>	<u>94,723</u>
<b>Cultural and Recreational</b>			
Salaries and employee benefits		-	
Operating expenditures		25,513	
<b>Total Cultural and Recreational</b>	<u>37,120</u>	<u>25,513</u>	<u>11,607</u>

**Town of Navassa North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Community Center</b>			
Salaries and employee benefits		-	
Operating expenditures		38,132	
<b>Total Community Center</b>	<u>57,613</u>	<u>38,132</u>	<u>19,481</u>
<b>Debt Service</b>			
Principal retirement		41,695	
Interest and fees		6,352	
<b>Total Debt Service</b>	<u>52,084</u>	<u>48,047</u>	<u>4,037</u>
<b>Total expenditures</b>	<u>1,540,188</u>	<u>1,022,488</u>	<u>148,533</u>
<b>Revenues over (under) expenditures</b>	<u>(278,036)</u>	<u>531,192</u>	<u>809,228</u>
<b>Fund balance appropriated:</b>	278,036		278,036
<b>Net change in fund balance</b>	<u>\$ -</u>	\$ 531,192	<u>\$ 531,192</u>
<b>Fund balance, beginning</b>		876,729	
<b>Fund balance, ending</b>		<u>\$ 1,407,921</u>	



***Individual Fund Statements and Schedules***  
***Proprietary Funds***

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Operating Revenues</b>			
<b>Charges for Services</b>			
Water Charges	\$	\$ 12,802	\$
Sewer Charges		14,799	
Miscellaneous		1,107	
<b>Total Operating Revenues</b>	<u>5,951</u>	<u>28,708</u>	<u>22,757</u>
<b>Nonoperating Revenues</b>			
Interest Earnings		-	
Miscellaneous		-	
<b>Total Nonoperating Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<u>5,951</u>	<u>28,708</u>	<u>22,757</u>
<b>Expenditures</b>			
<b>Water Operations</b>			
Salaries and Employee Benefits		-	
Other Operating Expenditures		37,198	
<b>Total Water Operations</b>	<u>1,952</u>	<u>37,198</u>	<u>(35,246)</u>
<b>Sewer Operations</b>			
Salaries and Employee Benefits		-	
Other Operating Expenditures		182,321	
<b>Total Sewer Operations</b>	<u>105,715</u>	<u>182,321</u>	<u>(76,606)</u>
<b>Total Expenditures</b>	<u>107,667</u>	<u>219,519</u>	<u>(111,852)</u>
<b>Revenues over (under) expenditures</b>	<u>(101,716)</u>	<u>(190,811)</u>	<u>(89,095)</u>
<b>Other financing sources (uses):</b>			
Special Item - Disposal of government operations		(3,432,832)	
<b>Total</b>	<u>-</u>	<u>(3,432,832)</u>	<u>(3,432,832)</u>
<b>Appropriated fund balance</b>	101,716	-	101,716
<b>Revenues and other sources over expenditures and other uses</b>	<u>\$ -</u>	<u>\$ (3,623,643)</u>	<u>\$ (3,623,643)</u>

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

**Reconciliation from budgetary basis (modified accrual) to full accrual:**

<b>Revenues over (under) expenditures and other financing (uses)</b>	<u>\$ (3,623,643)</u>
<b>Reconciling items:</b>	
Capital Outlay	-
Principal retirement	-
<b>Total reconciling items</b>	<u>-</u>
<b>Change in net position</b>	<u><u>\$ (3,623,643)</u></u>

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## ***Other Schedules***

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

<b><u>Fiscal Year</u></b>	<b><u>Uncollected Balances June 30, 2020</u></b>	<b><u>Additions</u></b>	<b><u>Collections and Credits</u></b>	<b><u>Uncollected Balances June 30, 2021</u></b>
2020-2021		\$ 281,562	\$ 269,234	\$ 12,328
2019-2020	\$ 14,888	-	10,406	4,482
2018-2019	6,142	-	2,944	3,198
2017-2018	3,579	-	1,104	2,475
2016-2017	2,452	-	1,155	1,297
2016-2015	1,327	-	328	999
2014-2015	1,248	-	346	902
2013-2014	964	-	111	853
2012-2013	783	-	284	499
2011-2012	364	-	88	276
2010-2011	266	-	104	162
	<u>\$ 32,013</u>	<u>\$ 281,562</u>	<u>\$ 286,104</u>	<u>\$ 27,471</u>

Less: allowance for uncollectible accounts - General Fund	<u>3,200</u>
<b>Ad valorem taxes receivable - net</b>	<u><u>\$ 24,271</u></u>

**Reconciliation to revenues:**

Ad valorem taxes - General Fund	\$ 290,284
Interest and Penalties collected	(3,910)
Reconciling items:	
Taxes released or written off	(270)
<b>Total collections and credits</b>	<u><u>\$ 286,104</u></u>

**Town of Navassa, North Carolina**  
**Analysis of Current Tax Levy**  
**Year Ended June 30, 2021**

	<u>Town-Wide Levy</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original levy:</b>					
Property taxed at current year's rate	\$ 123,902,407	0.20	\$ 281,626	\$ 256,132	\$ 25,494
<b>Discoveries:</b>					
Current and prior years	95,000	0.20	\$ 190	190	-
<b>Releases:</b>					
Current and prior years	134,500	0.20	<u>(254)</u>	<u>(254)</u>	<u>-</u>
<b>Net levy</b>			281,562	256,068	25,494
<b>Uncollected taxes at June 30, 2021</b>			<u>12,328</u>	<u>12,328</u>	<u>-</u>
<b>Current year's taxes collected</b>			<u><u>\$ 269,234</u></u>	<u><u>\$ 243,740</u></u>	<u><u>\$ 25,494</u></u>
<b>Current levy collection percentage</b>			<u><u>95.62%</u></u>	<u><u>95.19%</u></u>	<u><u>100.00%</u></u>

**Report On Internal Control Over Financial Reporting and On Compliance and Other  
Matters Based on An Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

**Independent Auditor's Report**

**To the Honorable Mayor and  
Members of the Town Council  
Town of Navassa, North Carolina**

We have audited, 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, the accompanying financial statements of the governmental activities, the discretely present component units, each major fund, and the aggregate remaining fund information of the Town of Navassa, North Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Navassa, North Carolina's basic financial statements, and have issued our report thereon dated December 6, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Navassa, North Carolina's internal control over financial reporting to determine the 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 Town of Navassa's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Navassa'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 a limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that were not identified.

**Compliance and Other Matters**

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



Purpose of this Report

This 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.

*S. Preston Douglas & Associates, LLP*

Whiteville, North Carolina

December 6, 2021

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