

REVIEWED

By SLGFD at 10:35 am, Dec 13, 2021

TOWN OF ORRUM, NORTH CAROLINA

Financial Statements

For the Year Ended June 30, 2021

TOWN OF ORRUM, NORTH CAROLINA

Financial Statements

For the Year Ended June 30, 2021

Board of Town Aldermen

Wilton Caulder, Mayor

Dan Anderson

Gene Horne

Cleo Smith

Jessie Stephens

* * * *

Administrative and Financial Staff

Lettie H. Navarrete, Town Clerk

Town of Orrum, North Carolina
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June 30, 2021

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FINANCIAL SECTION

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Board of Town Aldermen
Town of Orrum, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Orrum, 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 the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing and 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.

Opinion

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 and the major fund of the Town of Orrum, North Carolina as of June 30, 2021, and the respective changes in financial position, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 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 and opinion or provide any assurance.

A handwritten signature in black ink that reads "Stanton Douglas & Associates, LLP". The signature is written in a cursive, flowing style.

Lumberton, North Carolina
November 5, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's Discussion and Analysis

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

Financial Highlights

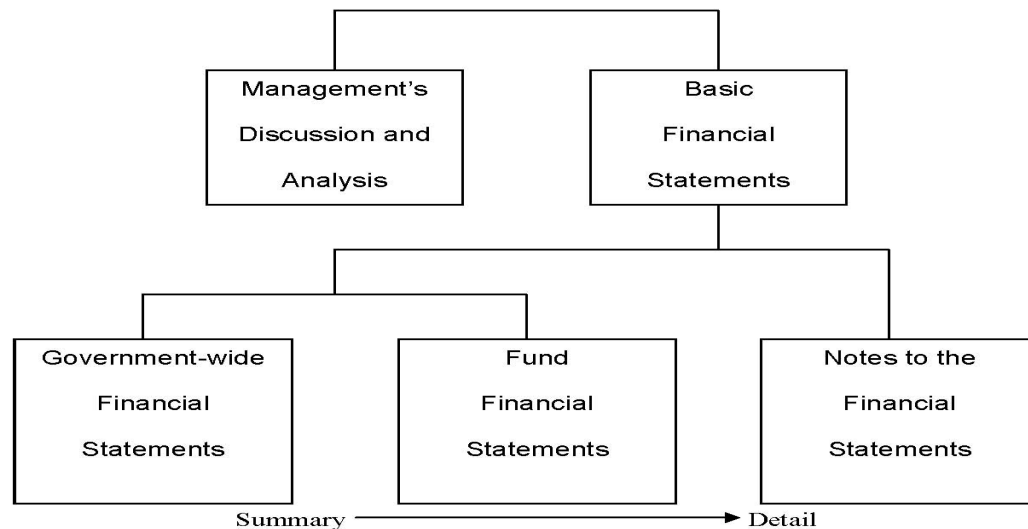
- The assets of the Town of Orrum exceeded its liabilities at the close of the fiscal year by \$170,853 (net position).
- The Town's total net position increased by \$10,549, which was due primarily to unrestricted intergovernmental type revenues increasing slightly and diligence in controlling expenses.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$120,922 with a net change of \$12,005. All of the ending fund balance is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$120,922, or 557.66 percent of total General Fund expenditures.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Pages 7 and 8) 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 as a whole.

The next statements (Pages 9 through 11) 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

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

government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

Government-wide Financial Statements

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

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

The government-wide statements include governmental activities. The Town has no business-type activities. The governmental activities include the Town's basic services, which is the general administration of the Town. State funds finance these activities.

The government-wide financial statements can be found starting on page 7 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps 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 Orrum 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.

The basic governmental fund financial statements can be found starting on page 9 of this report.

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

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 financial statements can be found starting on page 12 of this report.

Interdependence with Other Entities

The Town depends on financial resources flowing from, or associated with 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 State laws and State appropriations.

Government-wide Financial Analysis

The Town of Orrum's Net Position

	Governmental Activities	
	2021	2020
Current assets	\$ 120,922	\$ 108,917
Capital assets	49,931	51,387
Total assets	170,853	160,304
Liabilities	-	-
Net position		
Invested in capital assets	49,931	51,387
Unrestricted	120,922	108,917
Total net position	\$ 170,853	\$ 160,304

As noted earlier, net position may serve over time as a useful indicator of a Town's financial condition. The assets of the Town exceeded liabilities by \$170,853 as of June 30, 2021. The Town has no items which meet the criterion for deferred outflows/inflows. The Town's net position increased by \$10,549 for the fiscal year ended June 30, 2021. The largest part of net position (70.78%) reflects the Town's unrestricted net position. The remaining balance of \$49,931 reflects the Town's net investment in capital assets.

The particular aspects of the Town's operations that positively influenced the total unrestricted governmental net position were a continued diligence in controlling expenditures and increased sales tax revenue.

The Town of Orrum's Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues:		
General revenues:		
Sales taxes	\$ 32,071	\$ 29,152
Grants and contributions not restricted to specific programs	1,618	1,517
Total revenues	33,689	30,669
Expenses:		
General Government	18,470	20,466
Environmental protection	4,670	4,609
Total expenditures	23,140	25,075
Increase (decrease) in net position	10,549	5,594
Net position – beginning of year	160,304	154,710
Net position – end of year	\$ 170,853	\$ 160,304

Governmental Activities

Governmental activities increased the Town of Orrum's net position by \$10,549 in the current fiscal year. A key element of this increase is the increase in state sales tax revenue and due diligence in controlling expenditures.

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

Financial Analysis of Town's Funds

As noted earlier, the Town of Orrum 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. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Orrum. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$120,922. Of this total amount, \$120,922 constitutes unassigned fund balance. The Town maintains an available fund balance of at least 10% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 557.66% of General Fund expenditures.

General Fund Budgetary Highlights

The Town made some revisions to the original budget ordinance during the year. Generally, if budget amendments are made, they fall into one of three categories:

- Amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available;
- Amendments made to recognize new funding amounts from external sources, such as federal and State grants;
- Amendments made to appropriate increases that become necessary to maintain services

Revenues were more than budgeted amounts primarily because the Town did not expect to receive some of the unrestricted intergovernmental funds that became available. Expenditures were held in check to comply with its budgetary requirements.

Capital Assets

The Town of Orrum's investment in capital assets as of June 30, 2021 totals \$49,931 (net of accumulated depreciation). This asset includes the town hall building and land.

Economic Factors and Next Year's Budget

The following key economic indicator reflects the impact on growth and prosperity of the Town.

- The unemployment rate for the Town and surrounding area is 7.30% at June 30, 2021, which is a decrease from a rate of 8.80% a year ago. This comparison is higher than the State's rate of 4.90% and the national rate of 6.10%.

Budget highlights for the fiscal year ending June 30, 2022 include anticipating budgeted revenues from sales taxes and franchise taxes to remain approximately the same as the prior year amounts. Budgeted expenditures are expected to remain approximately the same as the prior fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Orrum's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Post Office Box 9, Orrum, NC, 28369.

BASIC FINANCIAL STATEMENTS

Town of Orrum, North Carolina
Statement of Net Position
June 30, 2021

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 120,922
Total current assets	<u>120,922</u>
Non-current assets:	
Capital assets (Note III) -	
Capital assets, net of depreciation	49,931
Total capital assets	<u>49,931</u>
Total assets	<u>170,853</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	-
Total current liabilities	<u>-</u>
Total liabilities	<u>-</u>
<u>NET POSITION</u>	
Net investment in capital assets	49,931
Unrestricted	<u>120,922</u>
Total net position	<u>\$ 170,853</u>

Town of Orrum, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Primary Government</u>	
		<u>Governmental Activities</u>	<u>Total</u>
Primary government			
Governmental Activities:			
General government	\$ 18,470	\$ (18,470)	\$ (18,470)
Environmental protection	4,670	(4,670)	(4,670)
Total governmental activities	<u>23,140</u>	<u>(23,140)</u>	<u>(23,140)</u>
Total primary government	<u>\$ 23,140</u>	<u>(23,140)</u>	<u>(23,140)</u>
General revenues:			
Grants and contributions not restricted to specific programs		<u>33,689</u>	<u>33,689</u>
Total general revenues		<u>33,689</u>	<u>33,689</u>
Change in net position		10,549	10,549
Net position, beginning		<u>160,304</u>	<u>160,304</u>
Net position, ending		<u>\$ 170,853</u>	<u>\$ 170,853</u>

Town of Orrum, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	Major Fund General	Total Governmental Funds
<u>ASSETS</u>		
Cash	\$ 120,922	\$ 120,922
Total assets	\$ 120,922	\$ 120,922
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
<u>FUND BALANCE</u>		
Unassigned	120,922	120,922
Total fund balance	120,922	120,922
Total liabilities and fund balance	\$ 120,922	\$ 120,922
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at cost	\$ 69,378	
Accumulated depreciation	(19,447)	49,931
Net position of governmental activities		\$ 170,853

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

	Major Fund General	Total Governmental Funds
Revenues:		
Unrestricted intergovernmental	\$ 33,622	\$ 33,622
Restricted intergovernmental	67	67
Total revenues	<u>33,689</u>	<u>33,689</u>
Expenditures:		
General government	17,014	17,014
Environmental protection	4,670	4,670
Total expenditures	<u>21,684</u>	<u>21,684</u>
Revenues over (under) expenditures	<u>12,005</u>	<u>12,005</u>
Fund balance, beginning	<u>108,917</u>	<u>108,917</u>
Fund balance, ending	<u><u>\$ 120,922</u></u>	<u><u>\$ 120,922</u></u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balance		12,005
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	\$ -	
Depreciation expense for governmental assets	<u>(1,456)</u>	<u>(1,456)</u>
Total changes in net position of governmental activities		<u><u>\$ 10,549</u></u>

Town of Orrum, North Carolina
Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Unrestricted intergovernmental revenue:				
Local option sales taxes	\$	\$	\$ 32,171	\$
Telecommunications sales tax			1,186	
Video franchise fee			265	
Total unrestricted intergovernmental revenue	<u>31,000</u>	<u>33,000</u>	<u>33,622</u>	<u>622</u>
Restricted intergovernmental revenue:				
Solid waste disposal tax			67	
Total restricted intergovernmental revenue	<u>-</u>	<u>-</u>	<u>67</u>	<u>67</u>
Total revenues	<u>31,000</u>	<u>33,000</u>	<u>33,689</u>	<u>689</u>
Expenditures:				
General government:				
Services - Town clerk			1,800	
Utilities			3,199	
Professional services			2,500	
Office supplies			1,445	
Travel			1,400	
Insurance			572	
Dues and subscriptions			800	
Election expense			-	
Repairs and maintenance			5,298	
Total general government	<u>15,800</u>	<u>17,700</u>	<u>17,014</u>	<u>686</u>
Environmental protection:				
Trash services			4,670	
Total environmental protection	<u>4,600</u>	<u>4,700</u>	<u>4,670</u>	<u>30</u>
Total expenditures	<u>20,400</u>	<u>22,400</u>	<u>21,684</u>	<u>716</u>
Revenues over (under) expenditures	<u>10,600</u>	<u>10,600</u>	<u>12,005</u>	<u>1,405</u>
Fund balance appropriated	<u>(10,600)</u>	<u>(10,600)</u>	<u>-</u>	<u>10,600</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>12,005</u>	<u>\$ 12,005</u>
Fund balance, beginning			<u>108,917</u>	
Fund balance, ending			<u>\$ 120,922</u>	

Town of Orrum, North Carolina
Notes to Financial Statements
For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Orrum conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies.

A - Reporting Entity

The Town of Orrum is a municipal corporation that is governed by an elected mayor and a four-member board.

B - Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. 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 Town does not have any business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues 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 recipient 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. A statement for the governmental fund is presented. The emphasis of fund financial statements is on major governmental funds. The Town has only one governmental fund.

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are various state taxes. The primary expenditures are for administration.

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 Statements. The government-wide financial statements are reported using the economic resources measurement focus. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues would 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 program revenues. Likewise, amounts reported as general revenues include all taxes.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources 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.

Town of Orrum, North Carolina
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes collected 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. Intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

D - Budgetary Data

The Town's budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. The budget is prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations and must be approved by the governing board.

E - Assets, Liabilities, and Fund Equity

Deposits

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

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

Cash and Cash Equivalents

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$500; buildings and improvements, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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	30
Infrastructure	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

Town of Orrum, North Carolina
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, and Fund Equity (continued)

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 does not have any items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town does not have any items that meet this criterion.

Net Position

Net position in government-wide financial statements is classified as net investment in capital assets and unrestricted.

Fund Balances

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

The governmental fund type classifies fund balance as follows:

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

The Finance Officer uses resources in the following hierarchy: state funds and local non-town funds. For purposes of fund balance classification expenditures are spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance.

The Town has a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

No instances of noncompliance were noted during the fiscal year ending June 30, 2021.

B. Excess of Expenditures over Appropriations

None

Town of Orrum, North Carolina
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

A - Assets

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

Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent 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 \$120,922 and a bank balance of \$120,922. The bank balances of the Town were fully covered by Federal Deposit Insurance.

Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 500	\$ -	\$ -	\$ 500
Capital assets being depreciated:				
Building	68,878	-	-	68,878
Total capital assets being depreciated	68,878	-	-	68,878
Less accumulated depreciation for:				
Buildings	17,991	1,456	-	19,447
Total accumulated depreciation	17,991	1,456	-	19,447
Total capital assets being depreciated, net	50,887			49,431
Governmental activity capital assets, net	<u>\$ 51,387</u>			<u>\$ 49,931</u>

Depreciation expense of \$1,456 was charged to the General government function for the current fiscal year.

Town of Orrum, North Carolina
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

Claims, Judgments and Contingent Liabilities

At June 30, 2021, the Town had no known claims, judgments, or contingent liabilities.

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; and natural disasters. The Town carries commercial coverage for the town hall. The town does not carry flood insurance given that it has not experienced any significant losses from floods.

In accordance with G.S. 159-29, the Town's finance officer is bonded through a commercial surety bond in the amount of \$50,000.

C - Fund Balance

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

Total fund balance available for appropriation – General Fund	\$ <u>120,922</u>
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The Town of Orrum has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

D - Subsequent Events

Management has evaluated subsequent events through November 5, 2021, the date of which the financial statements were available to be issued.