

**REVIEWED**

*By SLGFD at 9:54 am, Jul 27, 2022*

# **Town of Pantego, North Carolina**

## **FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2021**

**PT CPAs, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**RALEIGH, NORTH CAROLINA**

**TOWN OFFICIALS**

**MAYOR**

Stuart Ricks

**Board of Commissioners**

Oran Mart Benson, Jr.

Reid Gelderman

Robert Lilley

Chad Keech

Charles "Chuck" Williams

**Town Clerk**

Bobbie Jo Ricks

**Town of Pantego, North Carolina**  
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**FINANCIAL  
SECTION**



James J. Pappalardo, CPA  
Joseph V. Turchetti, CPA

### **Independent Auditor's Report**

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of The Town of Pantego, North Carolina (the Town), 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 from material misstatement.

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

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

### ***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, and each major fund of the Town of Pantego, 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 pages 8-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and 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. In our opinion, based on our audit, the individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

PT CPA'S, PLLC

Raleigh, North Carolina  
June 15, 2022

## **Town of Pantego, North Carolina Management's Discussion and Analysis**

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

### **Financial Highlights**

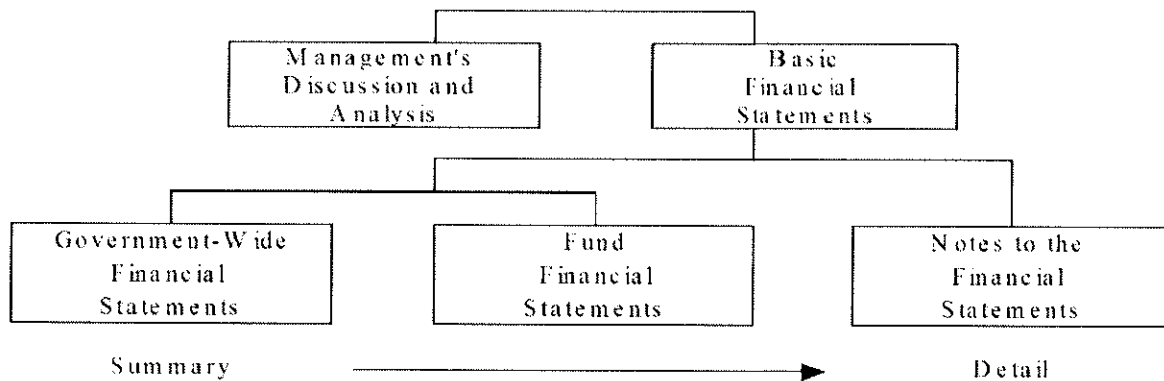
- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the fiscal year by \$735,102 (*net position*).
- The government's total net position decreased by (\$121,574).
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$665,066 with a net change of \$60,898 in fund balance. Approximately 94% of this total amount or \$623,224 is available for spending for budgeted and unforeseen expenditures at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$623,224, or 245% of total general fund expenditures for the year.
- At the end of the current fiscal year, the Town had Restricted Reserves of \$41,842.

### **Overview of the Financial Statements**

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



**Required Components of Annual Financial Statements**  
**Figure 1**



### **Basic Financial Statements**

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

The next statements (Exhibits 3 through 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements.

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

### **Government-wide Financial Statements**

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities and 3) component units. The governmental activities include most of the Town's basic services such as public safety, transportation, and general administration. Property taxes and the county sales tax allocation finances most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water services offered by the Town.

## Fund Financial Statements

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

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

The Town 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 Town Council 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.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

## Government-wide Financial Analysis

### Town of Pantegos' s Net Position

Figure 2

		Governmental Activities	
		2021	2020
Current and other assets		\$ 667,912	\$ 552,309
Capital assets		<u>70,036</u>	<u>305,801</u>
Total assets and deferred			
outflows of resources		<u>\$ 737,948</u>	<u>\$ 858,110</u>
Current liabilities		<u>2,846</u>	<u>1,434</u>
Total liabilities and deferred			
inflow of resources		<u>2,846</u>	<u>1,434</u>
Net investment in capital assets		70,036	305,801
Restricted		41,842	50,006
Unrestricted		<u>623,224</u>	<u>500,869</u>
Total net position		<u>\$ 735,102</u>	<u>\$ 856,676</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$735,102 at June 30, 2021. However, a large portion, \$70,036, reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), net of related debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town's net assets, \$41,842, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$623,224 is unrestricted. The Town's net position decreased by (\$121,574) during the fiscal year ended June 30, 2021.

# Town of Pantego's Changes in Net Position

Figure 3

		<b>Governmental Activities</b>	
		2021	2020
Revenues:			
Program revenues:			
Charges for services		\$ 24,237	\$ 18,900
Operating grants and contributions		5,552	6,397
General revenues:			
Property taxes		31,553	24,555
Other taxes		75,027	69,574
Investment earnings		8,493	5,221
Other		-	9,458
Total revenues		<u>144,862</u>	<u>134,105</u>
Expenses:			
General government			
General government		264,703	126,248
Transportation		1,048	1,048
Culture and recreation		685	-
Total expenses		<u>266,436</u>	<u>127,981</u>
Increase (decrease) in Net Position		(121,574)	6,124
Net position, July 1		<u>856,676</u>	<u>850,552</u>
Net position, June 30		<u>\$ 735,102</u>	<u>\$ 856,676</u>

**Governmental activities.** Governmental activities decreased the Town's net position by (\$121,574). The key elements of this decrease was the loss on the disposition of 142 Swamp Road, Pantego, NC 27860.

## Financial Analysis of the Town's Funds

As noted earlier, the Town 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. At the end of the current fiscal year, the Town's unassigned fund balance in the General Fund was \$623,224, while total fund balance reached \$665,066. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures of \$266,436. Unassigned fund balance represents approximately 233% of total General Fund expenditures, while the total fund balance of \$665,066 represents approximately 249% of that same amount.

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

## Capital Asset and Debt Administration

**Capital assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$70,036 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment.

### Town of Pantego's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities	
	2021	2020
Land	\$ 3,000	\$ 22,602
Buildings	24,835	235,615
Infrastructure	34,693	36,033
Improvements	5,809	6,134
Equipment	<u>4,698</u>	<u>5,417</u>
Total	<u>\$ 70,036</u>	<u>\$ 305,801</u>

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

## **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years and the lingering effects of the Covid-19 pandemic continue to put stress on the Town's resources.

High unemployment, and aged population, no significant industrial development, and very little retail business creates a situation where the Town's customer base is eroding. The resulting ratio of expense versus revenue creates a difficult situation in keeping rates and fees low, while maintaining an adequate level of service. In addition, a large percentage of the Town's population live on fixed income.

## **Budget Highlights for the Fiscal Year Ended June 30, 2022**

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

## **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

## **Requests for Information**

**Town Clerk,  
Town of Pantego,  
P.O. Box 87  
Pantego, NC 27860**

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

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 626,070
Taxes receivable, net	5,430
Restricted cash and cash equivalents	<u>36,412</u>
Total current assets	<u>\$ 667,912</u>
Non-current assets:	
Capital assets:	
Other capital assets, net of depreciation	<u>70,036</u>
Total assets	<u>\$ 737,948</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	<u>\$ 2,846</u>
Total current liabilities	2,846
<b>NET POSITION</b>	
Net investment in capital assets	70,036
<i>Restricted for:</i>	
Stabilization by State Statute	5,430
Streets	36,412
<i>Unrestricted:</i>	<u>623,224</u>
Total net position	<u>\$ 735,102</u>

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

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

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
			<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary Government:</b>					
Governmental Activities:					
General government	\$ 264,703	\$ -	\$ -	\$ -	\$ (264,703)
Transportation	1,048	-	5,552	-	4,504
Cultural and recreational	<u>685</u>	<u>24,237</u>	<u>-</u>	<u>-</u>	<u>23,552</u>
Total governmental activities	<u>266,436</u>	<u>24,237</u>	<u>5,552</u>	<u>-</u>	<u>(236,647)</u>

General Purpose Revenues and Transfers:

**Revenues**

Ad valorem taxes	31,553
Unrestricted intergovernmental	75,027
Investment earnings	<u>8,493</u>
Total General Revenues and Transfers	<u>115,073</u>
Change in Net Position	(121,574)
Net position, beginning as previously reported	<u>856,676</u>
Net position - ending	<u>\$ 735,102</u>

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



**Town of Pantego  
Balance Sheet  
Governmental Funds  
June 30, 2021**

	<b>Major Fund General</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 626,070
Taxes receivable, net	5,430
Restricted cash	<u>36,412</u>
Total assets	<u>\$ 667,912</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	<u>2,846</u>
Total current liabilities	2,846
<b>FUND BALANCES:</b>	
Restricted	
Stabilization by State Statute	5,430
Streets	36,412
Unassigned	<u>623,224</u>
Total fund balances	<u>665,066</u>
Total liabilities and fund balance	<u>\$ 667,912</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balance - Governmental Funds	665,066
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>70,036</u>
Net position of governmental activities	<u>\$ 735,102</u>

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

**Town of Pantego**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For Year Ended June 30, 2021**

	<b>Major Fund</b>
	<b>General</b>
<b>REVENUES</b>	
Ad valorem taxes	\$ 31,553
Other taxes and licenses	75,027
Restricted intergovernmental	5,552
Charges for services	24,237
Investment earnings	<u>8,493</u>
Total revenues	144,862
<b>EXPENDITURES</b>	
Current:	
General government	<u>83,964</u>
Total expenditures	<u>83,964</u>
Net change in fund balances	60,898
Fund balances – beginning	549,588
Prior period adjustment	<u>54,580</u>
Fund balances – ending	<u>\$ 665,066</u>

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

Net changes in fund balances – total governmental funds	60,898
---------------------------------------------------------	--------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation expense	(11,927)
Capital outlay	(13,611)
Loss on asset disposal	<u>(156,934)</u>
Total changes in net position for government activities	<u>\$ (121,574)</u>

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

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

	<b>General Fund</b>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget – Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 18,087	\$ 18,087	\$ 31,553	\$ 13,466
Unrestricted intergovernmental	62,105	62,105	75,027	12,922
Restricted intergovernmental	6,396	6,396	5,552	(844)
Investment earnings	411	411	8,493	8,082
Sales and services	16,780	16,780	24,237	7,457
Miscellaneous income	1,200	1,200	-	(1,200)
Total revenues	<u>104,979</u>	<u>104,979</u>	<u>144,862</u>	<u>39,883</u>
Expenditures:				
Current:				
General government	139,495	139,495	83,964	55,531
Transportation	6,407	6,407	-	6,407
Environmental protection	5,000	5,000	-	5,000
Total expenditures	<u>150,902</u>	<u>150,902</u>	<u>83,964</u>	<u>66,938</u>
Revenues over (under) expenditures	(45,923)	(45,923)	60,898	106,821
Prior period adjustment	-	-	54,580	54,580
Fund Balance Appropriations	<u>45,923</u>	<u>45,923</u>	<u>-</u>	<u>(45,923)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,478</u>	<u>\$ 115,478</u>
Fund balance, beginning of year			<u>549,588</u>	
Fund balance, end of year			<u>\$ 665,066</u>	

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

**NOTES TO  
FINANCIAL  
STATEMENTS**

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

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Pantego, North Carolina (the Town) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Town is a municipal corporation 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 government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information governmental activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. The emphasis of fund financials is on major governmental funds.

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 local option sales taxes and various other taxes and licenses. The primary expenditures are for public safety and general government.

**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.

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

*Government-wide and Proprietary Fund Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

*Governmental Fund Financial Statements.* Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified* accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers all revenues to be available if they are collected within 90 days after year-end, except for property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. 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.

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

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

**D. Budgetary Data**

The Town's budgets are adopted as required by 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 functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**E. Assets, Liabilities, and Fund Equity**

**1. Deposits and Investments**

All deposits of the Town are made in Town Council-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.

**2. Cash and Cash Equivalents**

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

**3. 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, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. 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.

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

**4. 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. At June 30, 2021, the Town has determined all receivables are fully realizable.

**5. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost exceeding a defined capitalization cost and an estimated useful life in excess of two years. The Town has established a minimum capitalization cost of \$1,000 for all newly acquired assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that 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>
Infrastructure	20
Buildings	39
Improvements	15
Equipment and furniture	3-10
Computer equipment	3

**6. 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 withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

**7. Compensated Absences**

The vacation policy of the Town requires vacation to be taken in the year earned with no carry over. The Town has no policy regarding sick leave.

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



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

**8. Net Position / Fund Balances**

**Net Position**

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt, 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:

**Non-spendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town does not have any non-spendable fund balance at June 30, 2021.

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

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

Restricted for Streets – Powell Bill (Transportation) - 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.

**Assigned Fund Balance** – the portion of fund balance that the Town intends to use for a specific purpose. At June 30, 2021 the Town did not have any assigned fund balance.

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town'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. The Town did not have any committed fund balance at June 30, 2021.

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

## **II. Stewardship, Compliance, and Accountability**

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

#### **1. Noncompliance with North Carolina Statutes**

For the fiscal year ended June 30, 2021, the Town had no instances of noncompliance.

#### **2. Contractual Violations**

For the fiscal year ended June 30, 2021, the Town had no contractual violations.

### **B. Excess of Expenditures over Appropriation**

For the fiscal year ended June 30, 2021, no expenditures were made by the Town's General Fund in excess of the authorized appropriations made by the general government.

## **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 these units' names. 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 the entities' names. 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. 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. 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 \$662,482 and bank balances, at several commercial banks, totaling \$662,482. All the bank balances were covered by federal depository insurance.

## 2. Capital Assets

### **Primary Government**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 25,602	\$ -	\$ (22,602)	\$ -	\$ 3,000
Total capital assets not being depreciated	25,602	-	(22,602)	-	3,000
<b>Capital assets being depreciated</b>					
Buildings	403,676	13,609	(390,643)	-	26,642
Infrastructure	41,500	-	-	-	41,500
Improvements	6,500	-	-	-	6,500
Equipment	<u>65,036</u>	<u>-</u>	<u>(53,604)</u>	<u>-</u>	<u>11,432</u>
Total capital assets being depreciated	516,712	13,609	(444,247)	-	86,074
<b>Less accumulated depreciation for:</b>					
Buildings	168,061	9,834	175,798	-	2,097
Infrastructure	8,468	1,048	-	-	9,516
Improvements	366	325	-	-	691
Equipment	<u>59,619</u>	<u>720</u>	<u>53,605</u>	<u>-</u>	<u>6,734</u>
Total accumulated depreciation	<u>236,514</u>	<u>11,927</u>	<u>229,403</u>	<u>-</u>	<u>19,038</u>
Total capital assets being depreciated, net	<u>280,198</u>	<u>1,682</u>	<u>(673,650)</u>	<u>-</u>	<u>67,036</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 305,800</u>	<u>\$ 1,682</u>	<u>\$ (696,252)</u>	<u>\$ -</u>	<u>\$ 70,036</u>

## B. Liabilities

### 1. Pension Plan Obligations

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

### 2. Deferred Outflows and Inflows of Resources

The Town did not have any items meeting these criteria at June 30, 2021.

### 3. Commitments

The Town did not have any significant commitments at June 30, 2021.

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

#### 4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial coverage for risks of loss. Settled claims have not exceeded coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town has made the decision to purchase flood insurance and is currently covered.

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

#### 5. Claims, Judgments and Contingent Liabilities

At June 30, 2020, there were no outstanding claims or judgments against the Town.

#### C. Fund Balance

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

Total fund balance - general fund	\$ 665,066
Less:	
Stabilization by State Statute	5,430
Streets-Powell Bill	<u>36,412</u>
Remaining fund balance	<u>\$ 623,224</u>

#### D. Jointly Governed Organization

Town, in conjunction with five counties and thirty-seven other municipalities established the Mid-East Commission Council of Governments (Council). The participating governments established the

Council to coordinate various funding received from federal and state agencies. Each participating government appoints one director to the Council's governing board.

The Town, in conjunction with three other municipalities and one chamber of commerce, also established the Northeastern Beaufort County Economic Development Corporation (NEBCED), a nonprofit corporation. The participating governments established NEBCED to coordinate various economic development programs. Each participating government and chamber appoints two directors to NEBCED's governing board.

**OTHER  
SCHEDULES**

**Town of Pantego**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	<u>-</u>	<u>31,553</u>	<u>-</u>
Total	18,087	31,553	13,466
Unrestricted intergovernmental:			
Local option sales tax	<u>-</u>	<u>75,027</u>	<u>-</u>
Total	62,105	75,027	12,922
Restricted intergovernmental:			
Powell Bill allocation	<u>-</u>	<u>5,552</u>	<u>-</u>
Total	6,396	5,552	(844)
Investment Earnings:			
Interest	<u>-</u>	<u>8,493</u>	<u>-</u>
Total	411	8,493	8,082
Sales and Services:			
Rental income	-	5,710	-
Other	<u>-</u>	<u>18,527</u>	<u>-</u>
Total	16,780	24,237	7,457
Miscellaneous Income:			
Other income	<u>1,200</u>	<u>-</u>	<u>-</u>
Total	<u>1,200</u>	<u>-</u>	<u>(1,200)</u>
Total revenues	<u>104,979</u>	<u>144,862</u>	<u>39,883</u>

**Town of Pantego**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2021**

	<u>2021</u>		<b>Variance Positive (Negative)</b>
	<u>Budget</u>	<u>Actual</u>	
<b>Expenditures:</b>			
General government:			
Salaries and benefits		14,614	
Tax collection fee		330	
Professional services		6,021	
Dues & subscriptions		859	
Telephone		1,456	
Taxes		2,498	
License & permits		100	
Contract services		50,283	
Insurance & bonds		4,779	
Utilities		14,187	
Supplies		1,250	
Other operating expense	-	1,198	-
Total General Government	139,495	83,964	(55,531)
Transportation:			
Capital outlay	-	-	-
Total	6,407	-	(6,407)
Cultural and Recreational:			
Recreation	-	-	-
Operating expenses	-	-	-
Total	5,000	-	5,000
Total expenditures	150,902	83,964	(66,938)
Revenues over (under) expenditures	(45,923)	60,898	106,821
Other Financing Uses:			
Fund balance appropriations	45,923	-	(45,923)
Prior prior adjustment	-	54,580	54,580
Total	45,923	54,580	8,657
Net change in fund balance	-	115,478	115,478
Fund balance - July 1		549,588	
Fund balance - June 30		<u>\$ 665,066</u>	

**Town of Pantego**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Year Ended June 30, 2021**

<b>Fiscal Year</b>	<b>Uncollected Balance July 30, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
2021	\$ -	\$ 31,998	\$ 31,553	\$ 445
2020	551	-	-	551
2019	570	-	346	224
2018	375	-	319	56
2017	63	-	8	55
2016	55	-	-	55
2015	46	-	-	46
2014	64	-	-	64
2013	74	-	1	73
2012	53	-	1	52
2011	75	-	1	74
2010	<u>38</u>	<u>-</u>	<u>2</u>	<u>36</u>
	<u>\$ 1,964</u>	<u>\$ 31,998</u>	<u>\$ 32,231</u>	1,731

Reconciliation with  
revenues

Ad valorem taxes  
- General Fund

\$ 31,553

Interest, penalties  
and discovery

678

Total collections  
and credits

\$ 32,231



Town of Pantego  
**Analysis of Current Tax Levy - Town-Wide Levy**  
**For the Year Ended June 30, 2021**

Town – Wide			Total Levy	
Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles

Original Levy:

Property taxed at current year's rate

Net property valuation	<u>\$ 19,999,375</u>	<u>0.16</u>	<u>\$ 31,998</u>	<u>\$ 25,438</u>	<u>\$ 6,560</u>
Net levy	<u>\$ 19,998,963</u>		31,998	25,438	6,560
Uncollected taxes at June 30, 2021			<u>445</u>	<u>445</u>	<u>-</u>
Current year's taxes collected			<u>\$ 31,553</u>	<u>\$ 24,993</u>	<u>\$ 6,560</u>
Current levy collection percentage			<u>98.61%</u>	<u>98.25%</u>	<u>100.00%</u>

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

**E. Restatements**

**Prior Period Adjustment**

During the fiscal year ended June 30, 2021, it was determined that the prior year unrestricted funds balance was misstated. Therefore, a prior period adjustment of \$54,580 was made to correct the misstatement made to prior years capital asset schedule.

Change in Accounting Principle - The City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.