

TOWN OF PRINCEVILLE, NORTH CAROLINA



**FINANCIAL STATEMENTS AS OF JUNE 30, 2021
TOGETHER WITH INDEPENDENT AUDITORS REPORT**

Financial Statements
for the Town of Princeville
in North Carolina

Town Council Members
Bobbie Jones, Mayor
Linda Joyner, Mayor Pro Tem
Joe Roam Myrick
Milton Bullock
Alvin Jones

TOWN OF PRINCEVILLE, NORTH CAROLINA
FINANCIAL STATEMENTS AS OF JUNE 30, 2021
TOGETHER WITH INDEPENDENT AUDITORS REPORT

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Town of Princeville Town
Princeville, North Carolina

Opinions

We have audited accompanying financial statements of the governmental activities, and the major fund of the Town of Princeville, 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 of the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Town of Princeville as of June 30, 2021, and the respective changes in financial position, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- Exercised professional judgement and maintained professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 11, the Schedules of the Board's Proportionate Share of the Net Pension Liability and Schedules of Board Contributions on pages 41 and 42, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Princeville, North Carolina's basic financial statements. The accompanying individual fund budgetary schedule and other schedules, as well as the schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund budgetary schedule, other schedules, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2024, on our consideration of the Town of Princeville, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Princeville, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Princeville, North Carolina's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

Elon, North Carolina
January 12, 2024

Management's Discussion and Analysis

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

As management of the Town of Princeville (the "Town"), we offer readers of the Town of Princeville's financial statements this narrative overview and analysis of the financial activities of the Town of Princeville 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 of Princeville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,894,185 (*net position*).
- The government's total net position increased by \$3,200,598, primarily due to the increase in capital assets acquired from grants and additional grant funding.
- As of the close of the current fiscal year, the Town of Princeville's governmental funds reported an ending fund balance of \$3,601,918 with a net increase of \$1,132,816 in fund balance. Approximately 68% of this total amount, or \$2,450,808, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,151,110 or 26% of total general fund expenditures and transfers out for the fiscal year.

Overview of the Financial Statements

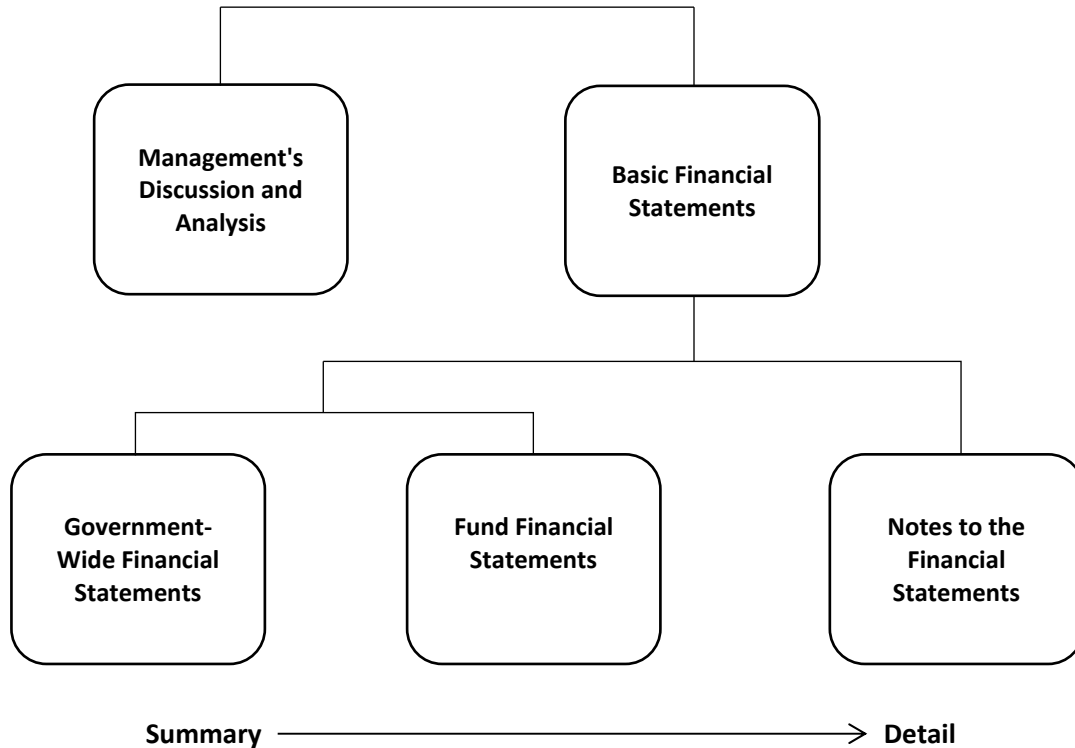
This discussion and analysis are intended to serve as an introduction to the Town of Princeville's basic financial statements. The Town's basic financial statements consist of four (4) components: 1) Independent Auditors Report; 2) Management discussion and analysis; 3) Basic financial statements; and 4) Required supplemental section. The basic financial statements present two different views of the Town using 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 Princeville.

TOWN OF PRINCEVILLE, NORTH CAROLINA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)**

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show 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.

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

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.

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 consist of governmental activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

The government-wide financial statements are Figures 2 and 3 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 Princeville, 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 of Princeville are considered governmental 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 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 Princeville 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 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.

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether 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.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Princeville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

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

Government-Wide Financial Analysis

Town of Princeville's Net Position

Figure 2

	Governmental Activities	
	2021	2020
Current and other assets	\$ 5,042,241	\$ 3,001,641
Capital assets	5,733,147	2,628,875
Deferred outflows of resources	64,222	63,930
<i>Total assets and deferred outflows of resources</i>	<u>10,839,610</u>	<u>5,694,446</u>
Long-term liabilities outstanding	1,468,501	522,939
Other liabilities	1,469,946	469,880
Deferred inflows of resources	6,978	8,040
<i>Total liabilities and deferred inflows of resources</i>	<u>2,945,425</u>	<u>1,000,859</u>
Net position:		
Net investment in capital assets	3,733,147	2,628,875
Restricted	2,450,808	1,317,219
Unrestricted	1,710,230	747,493
<i>Total net position</i>	<u>\$ 7,894,185</u>	<u>\$ 4,693,587</u>

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Princeville exceeded liabilities and deferred inflows by \$7,894,185 as of June 30, 2021. The Town's net position increased by \$3,200,598 for the fiscal year ended June 30, 2021. However, the largest portion reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) of \$3,733,147. The Town of Princeville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Princeville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Princeville's net position, \$2,450,808, represents resources that are subject to external restrictions on how they may be used.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 88.57%. The statewide average in fiscal year 2020 was 98.78%.

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

Government -Wide

Town of Princeville's Changes in Net Position

Figure 3

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues:		
Charges for services	\$ 142,866	\$ 124,667
Operating grants and contributions	779,094	865,874
Capital grants and contributions	2,686,760	414,441
General revenues:		
Property taxes	296,631	217,638
Other taxes	662,311	666,073
Other	28,698	6,388
<i>Total revenues</i>	<u>4,596,360</u>	<u>2,295,081</u>
Expenses:		
General government	438,118	433,666
Public safety	87,056	59,825
Transportation	349,166	27,888
Environmental protection	325,293	218,456
Economic and physical development	169,281	151,200
Cultural and recreation	23,829	26,300
Human Services	3,019	11,777
<i>Total expenses</i>	<u>1,395,762</u>	<u>929,112</u>
Increase in net position before extraordinary items	3,200,598	1,365,969
Extraordinary item: Insurance Proceeds	-	3,465
Increase in net position	3,200,598	1,369,434
Net position, beginning, as restated	4,693,587	3,324,153
Net position, June 30	<u><u>\$ 7,894,185</u></u>	<u><u>\$ 4,693,587</u></u>

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

Governmental activities. Governmental activities increased the Town's fund balance by \$1,132,816. The increase in fund balance was the result of a concerted effort to control costs and manage expenditure. Though the Town is still in a recovery state from Hurricane Matthew, tax revenues remained steady. Town management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Princeville'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 of Princeville's financing requirements.

The general fund is the chief operating fund of the Town of Princeville. At the end of the current fiscal year, Town of Princeville's fund balance available in the General Fund was \$3,601,918 of which \$2,450,808 is restricted funds.

General Fund Budgetary Highlights. During the fiscal year, the Town did not revise the budget. 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 assets. The Town of Princeville's investment in capital assets for its governmental type activities as of June 30, 2021, totals \$5,733,147 (net of accumulated depreciation). These assets include roads and bridges, land, machinery and equipment, parks facilities, and vehicles.

TOWN OF PRINCEVILLE, NORTH CAROLINA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)**

Major capital asset transactions during the year included the following:

- Purchase of land in the amount of \$25,000.
- Completion of the Storm Water Mitigation.
- Purchase of vehicles for public works and the Senior Center.
- Continued construction of the Senior Center and Town Hall buildings.

**Town of Princeville's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities	
	2021	2020
Land	\$ 1,480,334	\$ 1,455,334
Improvements other than buildings	1,362,620	315,947
Equipment and furniture	237,508	82,418
Vehicles and motorized equipment	156,532	29,385
Construction in progress	2,496,153	745,791
Total	<u>\$ 5,733,147</u>	<u>\$ 2,628,875</u>

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

Long-term Debt. As of June 30, 2021, the Town of Princeville had total debt outstanding of \$2,126,766, consisting of the Net Pension Liability for LGERS of \$110,776, compensated absences of \$15,990 and Notes Payable to NCCOR in the amount of \$2,000,000. The Town has no outstanding bonded debt.

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

Outstanding Debt

Figure 5

	Activities	
	2021	2020
Net pension liability (LGERS)	\$ 110,776	\$ 86,297
Note Payable	2,000,000	425,000
Compensated absences	15,990	11,642
Total	<u>\$ 2,126,766</u>	<u>\$ 522,939</u>

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- Funding for construction and renovations of the Town's hall, building, park, senior citizen center, museum and developmental projects have led to the recovery of the Town.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

Budgeted expenditures in the General Fund are expected to rise approximately to \$8.4 million based on the OSBM Disaster Recovery Grant of \$6.3 million and the remaining State Appropriations Grant received by the Town. These grants would provide salaries for additional employees on special projects, capital outlay, public works equipment and supplies, and professional services.

Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. The Town received an ARP Grant of \$614,811. A first disbursement of \$307,905 was received in July 2021 with the second disbursement of \$306,906 being received July 2022.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Manager, Town of Princeville, 201 S. Main Street, Princeville, NC 27886. One can also call (252)-823-1057, visit our website www.TownofPrinceville.com or send an email to gknight@townofprinceville.com for more information.

TOWN OF PRINCEVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2021

Exhibit 1

Primary Government

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,791,564
Restricted cash and cash equivalents	662,312
Taxes receivables (net)	171,226
Accounts receivable (net)	132,220
Due from other governments	2,284,919
Total current assets	5,042,241
Non-current assets:	
Capital assets	
Land, non-depreciable improvements, and construction in progress	3,976,487
Other capital assets, net of depreciation	1,756,660
Total capital assets	5,733,147
Total assets	10,775,388
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	64,222
LIABILITIES	
Current liabilities:	
Accounts payable	623,835
Compensated Absences	1,655
Deferred Revenue Grants	16,620
Note payable	656,610
Unavailable Revenue	171,226
Total current liabilities	1,469,946
Long-term liabilities:	
Net pension liability	110,776
Notes Payable	1,343,390
Compensated Absences	14,335
Total long-term liabilities	1,468,501
Total liabilities	2,938,447
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	6,978
NET POSITION	
Net investment in capital assets	3,733,147
Restricted for:	
Stabilization by State Statute	1,788,496
Streets	105,382
State Appropriations Grant	91,163
Insurance Proceeds- Capital Outlay	441,509
NCCF Grant	16,700
United Way Grant	500
Economic Development	1,468
Park Grant	5,590
Unrestricted	1,710,230
Total net position	\$ 7,894,185

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 438,118	\$ 2,570	\$ 343,443	\$ 1,216,545	\$ 1,124,440	\$ 1,124,440
Public safety	87,056	-	226	-	(86,830)	(86,830)
Transportation	349,166	-	56,507	281,417	(11,242)	(11,242)
Economic and physical development	169,281	8,961	161,962	115,217	116,859	116,859
Environmental protection	325,293	128,002	192,023	657,486	652,218	652,218
Cultural and recreation	23,829	3,333	23,245	7,370	10,119	10,119
Human Services	<u>3,019</u>	<u>-</u>	<u>1,688</u>	<u>408,725</u>	<u>407,394</u>	<u>407,394</u>
Total governmental activities (See Note 1)	<u>1,395,762</u>	<u>142,866</u>	<u>779,094</u>	<u>2,686,760</u>	<u>2,212,957</u>	<u>2,212,957</u>
Total primary government	<u>\$ 1,395,762</u>	<u>\$ 142,866</u>	<u>\$ 779,094</u>	<u>\$ 2,686,760</u>	<u>\$ 2,212,957</u>	<u>\$ 2,212,957</u>
General revenues:						
Taxes:						
Property taxes, levied for general purpose					\$ 296,631	\$ 296,631
Other taxes					662,311	662,311
Unrestricted investment earnings					1,388	1,388
Miscellaneous					<u>27,310</u>	<u>27,310</u>
Total general revenues					<u>987,640</u>	<u>987,640</u>
Change in net position					<u>3,200,598</u>	<u>3,200,598</u>
Net position, beginning					4,696,338	4,696,338
Restatement					<u>(2,751)</u>	<u>(2,751)</u>
Net position, beginning, as restated					<u>4,693,587</u>	<u>4,693,587</u>
Net position, ending					<u>\$ 7,894,185</u>	<u>\$ 7,894,185</u>

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	Major Funds
	General
ASSETS	
Cash and cash equivalents	\$ 1,791,564
Restricted cash and cash equivalents	662,312
Receivables, net:	
Property taxes	171,226
Other taxes	132,220
Due from other governments	<u>1,656,276</u>
<i>Total assets</i>	<u>4,413,598</u>
LIABILITIES	
Accounts payable and accrued liabilities	623,834
Deferred grants	<u>16,620</u>
<i>Total liabilities</i>	<u>640,454</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	<u>171,226</u>
FUND BALANCES	
Restricted For:	
Stabilization by State Statute	1,788,496
Streets	105,382
State Appropriations Grant	91,163
Insurance Proceed-Capital Outlay	441,509
Park	5,590
Human Service Grant NCCF	16,700
Human Services Grant United Way	500
Economic Development	1,468
Unassigned	<u>1,151,110</u>
<i>Total fund balances</i>	<u>3,601,918</u>
<i>Total liabilities and fund balances</i>	<u>\$ 4,413,598</u>

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

Exhibit 3 (continued)

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$ 3,601,918
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,733,147
Receivables that do not meet the current financial resources	628,642
Deferred outflows of resources related to pensions are not reported in the funds	64,222
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(15,989)
Net pension liability	(110,776)
Some liabilities are not due and payable in the current period and therefore not reported in the fund statements.	(2,000,000)
Deferred inflows of resources related to pensions are not reported in the funds	(6,978)
Net position of governmental activities	<u><u>\$ 7,894,186</u></u>

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Major Funds</u>
	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 297,153
Other taxes and licenses	5,580
Unrestricted intergovernmental	656,731
Restricted intergovernmental	2,901,524
Permits and fees	2,570
Sales and services	140,296
Investment earnings	1,651
Miscellaneous	<u>11,295</u>
<i>Total revenues</i>	<u>4,016,800</u>
EXPENDITURES	
Current:	
General government	1,488,430
Public safety	76,117
Transportation	535,497
Economic and physical development	250,628
Environmental protection	1,009,087
Culture and recreation	38,159
Human Service	<u>1,074,642</u>
<i>Total expenditures</i>	<u>4,472,560</u>
Excess (deficiency) of revenues over expenditures	<u>(455,760)</u>
OTHER FINANCING SOURCES (USES)	
Installment purchase obligations issued	1,575,000
Sale of capital assets	<u>13,576</u>
Total other financing sources (uses)	<u>1,588,576</u>
Net change in fund balance	1,132,816
Fund balance, beginning, as restated	<u>2,469,102</u>
Fund balances, ending	<u><u>\$ 3,601,918</u></u>

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Major Funds</u>
	<u>General Fund</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ 1,132,816
Change in fund balance due to change in reserve for inventory	
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	3,191,287
Capital outlay expenditures which were capitalized	
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	18,413
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
FEMA revenue that does not meet current measurement focus	565,984
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,575,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(4,349)
Pension expense	<u>(41,538)</u>
Total changes in net position of governmental activities	<u><u>\$ 3,287,613</u></u>

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

GENERAL FUND

Exhibit 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 203,000	\$ 203,000	\$ 296,631	\$ 93,631
Other taxes and licenses	45,650	45,650	6,102	(39,548)
Unrestricted intergovernmental	475,053	475,053	656,731	181,678
Restricted intergovernmental	5,655,610	5,655,610	2,901,524	(2,754,886)
Permits and fees	-	-	2,570	2,570
Sales and services	90,000	90,000	140,296	51,096
Investment earnings	-	-	1,651	1,651
Miscellaneous	<u>686,878</u>	<u>686,878</u>	<u>11,295</u>	<u>(675,583)</u>
Total revenues	<u>7,156,191</u>	<u>7,156,191</u>	<u>4,016,800</u>	<u>(3,139,391)</u>
Expenditures:				
Current:				
General government	1,715,098	1,715,098	1,488,430	226,668
Public safety	98,510	98,510	76,117	22,393
Transportation	75,020	75,020	535,497	(460,477)
Economic and Physical development	3,731,977	3,731,977	250,627	3,481,350
Environmental protection	1,032,599	1,032,599	1,009,087	23,512
Cultural and recreation	348,828	348,828	38,160	310,668
Human Services	<u>127,869</u>	<u>127,869</u>	<u>1,074,642</u>	<u>(946,773)</u>
Total expenditures	<u>7,129,901</u>	<u>7,129,901</u>	<u>4,472,560</u>	<u>2,657,341</u>
Revenues over (under) expenditures	<u>26,290</u>	<u>26,290</u>	<u>(455,760)</u>	<u>482,050</u>

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Other financing sources (uses):				
Sales of capital assets	-	-	13,576	13,576
Revolving loan	-	-	1,575,000	1,575,000
Total other financing sources (uses)	-	-	1,588,576	1,588,576
Revenues over (under) expenditures and other sources	(26,290)	(26,290)	1,132,816	(1,159,106)
Fund balance appropriated	26,290	26,290	-	26,290
Revenues and appropriated fund balance over (under) expenditures and other sources	-	-	1,132,816	1,132,816
Fund balance, beginning of year as previously reported			2,471,853	
Prior period adjustment			(2,751)	
Fund balance, beginning of year, as restated			2,469,102	
Fund balance, end of year			\$ 3,601,918	

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note I. Summary of Significant Accounting Policies

The accounting policies of the Town of Princeville and no component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Town of Princeville (the “Town”) is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town as required by accounting principles generally accepted in the United States of America

Basis of Presentation

Government-wide 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.

The two government-wide statements report on the Town’s net position and how they have changed. 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 and net position are the difference between the Town’s total assets and total liabilities. Measuring net assets is one way to gauge the Town’s financial condition.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. They include most of the Town’s basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

Fund Financial Statements: The fund financial statements provide information about the Town’s funds, including the fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services. Under GASB 54 guidance the Economic Development Fund is consolidated in the General Fund. The budgetary comparison for the Economic Development Fund has been included in the supplemental information.

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting.

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

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

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2021** ***(Continued)***

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivables 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 receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Princeville because the tax is levied by Edgecombe 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

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. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town's Council Board must approve any revisions that alter the total expenditures of any department. The budget ordinance must be adopted by July 1, of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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 in North Carolina. Also, the Town may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

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 reported at fair value.

The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term portfolio has a duration of .11 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.

Cash and Cash Equivalents - The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

Restricted Assets - Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Money in the Economic Development Fund is classified as restricted assets because its use is restricted to the Economic Development Fund per NC G.S. Chapter 159, Article 3, Part 2. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Historical Society funds are also classified as restricted cash because they can be expended only for the purpose provided.

Town of Princeville Restricted Cash

Governmental Activities

General Fund

Streets	\$	105,382
State Appropriations		91,163
Insurance Proceeds- Capital Outlay		441,509
Park Grant		5,590
United Way COVID-19 Grant		500
NCCF Grant		16,700
Economic Development		<u>1,468</u>
Total governmental activities	\$	<u>662,312</u>

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2021** *(Continued)*

Ad Valorem Taxes Receivable - In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. 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.

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.

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 of more than two years. Minimum capitalization costs is \$1,000. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings and system	30
Infrastructure	40
Equipment and furniture	10
Vehicles and motorized equipment	6
Computer equipment	3
Computer software	5
Other improvements	25

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 (1) 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 one (1) item that meets this criterion and pension deferrals.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2021** *(Continued)*

Long-Term Obligations

In the government-wide financial statements, 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.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days' earned vacation leave with such leave being fully vested when earned. For the Town's government-wide fund, 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 portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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 taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

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

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.

Fund Balance

The governmental fund types classify fund balance as follows:

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2021** ***(Continued)***

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” is \$1,788,496.

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. As of June 30, 2021, the amount was \$105,382.

Restricted for State Appropriations Grant – portion of fund balance that is restricted for State Appropriations Grant is \$91,163.

Restricted for Park Grants - portion of fund balance that is restricted for Park Grants is \$5,590.

Restricted for Capital Outlay-Insurance – portion of fund balance portion of fund balance that is restricted for Capital Outlay-Insurance is \$441,509.

Restricted for Human Services- portion of fund balance that is restricted for Human Services Grant is from United Way is \$500.

Restricted for Human Services -portion of fund balance that is restricted for Human Services Grant from NCCF is \$16,700.

Restricted for Economic Development -portion of fund balance that is restricted for Economic Development from SB 363 interest is \$1,468.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds is \$1,151,110.

The Town of Princeville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

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 Princeville’s employer contributions are recognized when due and the Town of Princeville 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.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2021** ***(Continued)***

Use of Estimates

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

Note 2: Stewardship, Compliance, and Accountability

Budget ordinance

An annual budget ordinance is required to be passed authorizing all financial transactions of the local government. The budget ordinance passed by the Town does not contain sufficient information to appropriate funds without utilizing supplementary documentation. Additionally, expenditures in various categories exceeded budgeted appropriations.

Timeliness of annual audit

Each unit of local government is required to have its accounts audited each fiscal year and to submit a copy of the audit report to the Secretary of the Local Government Commission as soon as possible after the close of the fiscal year, typically by October 31st. The audit for the fiscal year ended June 30, 2021 was not completed on a timely basis.

Solicitation requirements

North Carolina General Statute 143-129 requires each unit of local government to comply with bid solicitation requirements based upon estimated expenditures. Change orders are permitted as long as the additional work fits within the scope of the original project and the change was unanticipated or unforeseen at the time the original contract was awarded. The Town conducted a bid solicitation for a paving project receiving an initial bid of approximately \$167,000. A total of approximately \$619,000 was completed and paid without an additional bid solicitation. The additional work included additional streets not included on the initial solicitation.

Federal data collection form

A federal data collection form (SF-SAC) must be completed each year and submitted to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditors report or nine months after the end of the audit period. Audited financial information for the period ending June 30, 2021 were not submitted to the federal government within the required time-frame.

Note 3: Detailed Notes on All Funds

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 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 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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

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. 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.

On June 30, 2021, the Town's deposits had a carrying amount of \$2,429,651 and a bank balance of \$2,463,302. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. On June 30, 2021, the Town's did not operate a petty cash fund.

Investments

On June 30, 2021, the Town's investment balances were as follows:

Cash and Cash Equivalent	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	\$ 24,225	N/A	AAAm

On June 30, 2021, the Town of Princeville had \$24,225 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's.

Interest Rate Risk. The Town has no formal investment policy regarding credit risk, interest rate risk or custodial credit risk.

Receivables

At June 30, 2021, funds due from other governmental agencies consisted of the following:

Due from Other Governments	
	Governmental Activities
NCCOR Grant	\$ 269,082
ARP	350
State of NC - Senate Bill 363	240,252
FEMA	1,078,554
CDBG	68,038
Total	<u>\$ 1,656,276</u>

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

At June 30, 2021 the Town had a property tax receivable in the amount of \$171,226 and other taxes in the amount of \$132,220.

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 \$ 10,000

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/ Transfers</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,455,334	\$ 25,000	\$ -	\$ 1,480,334
Construction in progress	745,791	2,217,995	467,633	2,496,153
Total capital assets not being depreciated	2,201,125	2,242,995	467,633	3,976,487
Capital assets being depreciated:				
Park Improvements	349,063	1,102,685	-	1,451,748
Equipment and furniture	148,810	192,510	-	341,320
Vehicles and motorized equipment	76,656	174,266	-	250,922
Total capital assets being depreciated	574,529	1,469,461	-	2,043,990
Less accumulated depreciation for:				
Park Improvements	33,116	56,012	-	89,128
Equipment and furniture	66,392	37,420	-	103,812
Vehicles and motorized equipment	47,271	47,119	-	94,390
Total accumulated depreciation	146,779	140,551	-	287,330
Total capital assets being depreciated, net	427,750	1,328,910	-	1,756,660
Governmental activity capital assets, net	\$ 2,628,875	\$ 3,571,905	\$ 467,633	\$ 5,733,147

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

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

General government	\$	9,208
Public safety		10,939
Transportation		98,314
Environmental protection		11,521
Cultural and recreational		10,569
Total depreciation expense	\$	<u>140,551</u>

Construction commitments

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

<u>Project</u>	<u>Spent to Date</u>	<u>Left to be Spent</u>	<u>Total Project</u>
Town Hall	\$ 823,272	\$ 151,728	\$ 975,000
Senor Center	1,336,958	63,042	1,400,000
Museum	242,010	515,990	758,000
Farmers Market	25,875	51,625	77,500
Floodgates	68,038	741,962	810,000
	<u>\$ 2,496,153</u>	<u>\$ 1,524,347</u>	<u>\$ 4,020,500</u>

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2021** *(Continued)*

B. Liabilities

Pension Plan and Postemployment Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Princeville 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 of participating local governmental 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 serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at 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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Princeville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Princeville's contractually required contribution rate for the year ended June 30, 2021, was 10.90% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Princeville were \$18,413 for the year ended June 30, 2021.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2021** *(Continued)*

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 \$110,776 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, 2019. 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 0.00310%, which was a decrease of 0.00006% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$41,538. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,989	\$ -
Changes of assumptions	8,244	-
Net difference between projected and actual earnings on pension plan investments	15,589	-
Changes in proportion and differences between City contributions and proportionate share of contributions	7,987	6,978
City contributions subsequent to the measurement date	18,413	
Total	\$ 64,222	\$ 6,978

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2021** *(Continued)*

\$18,413 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2022	\$ (12,220)
2023	(12,589)
2024	(9,409)
2025	(4,613)
2026	-
	<u>\$ (38,831)</u>

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	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2021** *(Continued)*

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, 2011, through December 31, 2015.

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 returns 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, 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	100%	

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 3.05%. All rates of return and inflation are annualized.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2021** *(Continued)*

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>
Town's proportionate share of the net pension liability (asset)	\$ 224,753	\$ 110,776	\$ 16,054

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.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

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

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

	LGERS
Pension Expense	\$ 41,538
Pension Liability	110,776
Proportionate share of the net pension liability	0.00310%
Deferred of Outflows of Resources	
Differences between expected and actual experience	13,989
Changes of assumptions	8,244
Net difference between projected and actual earnings on plan investments	15,589
Changes in proportion and differences between contributions and proportionate share of contributions	7,987
Benefit payments and administrative costs paid subsequent to the measurement date	18,413
Deferred of Inflows of Resources	
Changes in proportion and differences between contributions and proportionate share of contributions	6,978

Healthcare Benefits

Plan Description. The Town provides group health and hospitalization insurance programs for full-time, permanent employees. Employees may purchase family coverage through the Town.

Information concerning costs and benefits shall be available to all employees from the Human Resources Office. All employees who separate from Town employment are eligible for Cobra at their expense.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

Group Life Insurance

The Town provides group life insurance for each employee subject to the stipulations of the insurance contract. Life insurance will be provided by the Town in an amount approved by the Town, subject to appropriation.

Benefits Provided. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates.

Membership of the HCB Plan consisted of the following at December 31, 2020.

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>5</u>
Total	<u>5</u>

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 insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town has \$5,000,000 in coverage. The Town also is eligible to and has purchased commercial flood insurance for another \$500,000 deductible per building and \$500,000 per contents.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

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 \$15,000.

Accounts Payable

Accounts payable and accrued expenses at the government-wide level at June 30, 2021 consists of \$623,834 due to vendors.

Deferred Grants

The balance in deferred grants at year-end is composed of \$16,620 in state grants for which eligibility requirements other than time requirements have not been met.

Revolving Loan

In February 2020, the Town entered into a revolving loan agreement with the North Carolina Department of Public Safety, Office of Recovery and Resiliency to aid in cash flow for capital projects approved by FEMA. The total amount to be disbursed under the loan is \$2,000,000. As of June 30, 2020, \$2,000,000 had been disbursed. The loan does not carry any interest charges or administrative fees, and is payable within 5 business days of receipt of federal FEMA reimbursement.

Long-Term Obligations

Governmental Activities:	Balance Balance July 1, 2020	Increases	Decreases	Balance Balance June 30, 2021	Current Maturities
Revolving Loan	\$ 425,000	\$ 1,575,000	\$ -	\$ 2,000,000	\$ 656,610
Net pension liability (LGRS)	86,297	24,479	-	110,776	-
Compensated Absences	11,642	5,554	1,206	15,990	1,655
Total governmental activities	<u>\$ 522,939</u>	<u>\$ 1,605,033</u>	<u>\$ 1,206</u>	<u>\$ 2,126,766</u>	<u>\$ 658,265</u>

C. Extraordinary Event

In October 2016, Princeville experienced another severe flood because of Hurricane Matthew. The long-term impact of the flood has yet to be determined, in part because the Federal and State governments are taking a more comprehensive approach in identifying long-term solutions to the issues that the Town is facing. Financially, the Town has received substantial amounts of aid from the State and Federal governments, as well as insurance proceeds for its physical structures that were damaged- Town Hall, the Senior Center, the museum, and the storage facility. As a result of the flood, property tax revenue was impacted through the FEMA buy-back program whereby families opt to sell their property to the government. The population did experience a decline and the Town is in the recovery stages as buildings are under reconstruction. During fiscal years 2021 construction for the Town Hall, Senior Center, the museum, and flood gates, and park and pavilion were under construction. The storm drainage project was completed in 2021.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)

D. Fund Balance

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

<i>Total fund balance-General Fund</i>	\$ 3,601,918
Less:	
Restricted: Stabilization by State Statute	1,788,496
Streets-Powell Bill	105,382
State Appropriations Grant	91,163
Insurance Proceeds - capital outlay	441,509
Park Grant	5,590
United Way Covid-19 Grant Human Services	500
Economic Development	1,468
NCCF Grant - Human Services	16,700
Remaining Fund Balance	<u>\$ 1,151,110</u>

The Town of Princeville has not adopted a minimum fund balance policy for the General Fund.

Note 4: Jointly Governed Organization

The Town, in conjunction with other municipalities established the North Carolina League of Municipalities. (League). The League is a member-driven organization representing the interests of cities and towns in the state. Through their collective efforts, League member cities and towns better serve their residents and improve their quality of life.

Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$200 to the League during fiscal year ending June 30, 2021.

Note 5: Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

On August 4, 2015, the Town resumed financial control from the Local Government Commission, with the Commission providing limited accounting assistance. The 2019 financials were not readily available to be audited. The Town contracted during FY2021 an accounting firm to perform the reconstruction of the nine years 2013-2021 financial records so that audits could be performed by the independent auditors. As a result of the FY2019 audit not being completed by the State regulated due date, the Office of State Budget Management (OSBM) maintains control of the \$6,000,000 Senate Bill 363 funds awarded to the Town and continues to provide direct payments to all vendors until all outstanding audits are completed and corrective action plan satisfied.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2021** *(Continued)*

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant funds to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant funds.

Note 6: Subsequent Events

On November 3, 2021, the Town received a state grant from the North Carolina Office of Recovery and Resiliency in the amount of \$500,000 to cover (1) non-disaster related operating expenses; (2) disaster-related expenses denied by the federal government for reimbursement and (3) disaster recovery capacity building expenses listed in Recipients grant application.

On December 28, 2021, the Town was awarded a CDBG-DR Infrastructure Recovery Program grant in the amount of \$3,152,363 from the North Carolina Office of Recovery and Resiliency to develop infrastructure for 53 acres to later provide low-and middle-income housing. The State OSBM has also committed an additional \$1,500,000 to the project.

On July 23, 2021, the Town received \$306,906 in American Rescue Plan grant funds.

Note 7: Prior Period Adjustments

During the year ended June 30, 2021, the Town reported certain prior period adjustments for the General Fund and governmental activities. A certain payable in the amount of \$101,691 and a certain unrelated receivable in the amount of \$98,940 were determined to be understated as of June 30, 2020. The correction of these errors decreased fund balance for the General Fund and net position for governmental activities by \$2,751.

Supplemental Schedules

TOWN OF PRINCEVILLE, NORTH CAROLINA

Town of Princeville's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016
Princeville's proportion of the net pension liability (asset) (%)	0.00310%	0.00316%	0.00176%	0.00340%	0.00160%	0.00292%
Princeville's proportion of the net pension liability (asset) (\$)	\$ 110,776	\$ 86,297	\$ 41,753	\$ 51,943	\$ 33,957	\$ 2,468
Princeville's covered payroll	\$ 205,073	\$ 161,738	\$ 131,807	\$ 225,398	\$ 150,241	\$ 50,439
Princeville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.02%	53.36%	31.68%	23.05%	22.60%	4.89%
Plan fiduciary net position as a percentage of the total pension liability	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

This schedule is required supplementary information.

TOWN OF PRINCEVILLE, NORTH CAROLINA
Town of Princeville's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 18,413	\$ 18,354	\$ 12,541	\$ 9,886	\$ 16,341
Contributions in relation to the contractually required contribution	18,413	18,354	12,541	9,886	16,341
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Princeville's covered payroll	\$ 181,409	\$ 205,073	\$ 161,738	\$ 131,807	\$ 225,398
Contributions as a percentage of covered payroll	10.15%	8.95%	7.75%	7.50%	7.25%
	2016	2015			
Contractually required contribution	\$ 10,021	\$ 3,566			
Contributions in relation to the contractually required contribution	10,021	3,566			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
Princeville's covered payroll	\$ 150,241	\$ 50,439			
Contributions as a percentage of covered payroll	6.67%	7.07%			

This schedule is required supplementary information.

**TOWN OF PRINCEVILLE
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	\$ 46,003,607	0.61	\$ 280,622	\$ 226,083	\$ 54,539
Discoveries - current and prior years	50,492		308	308	-
Releases	<u>(58,525)</u>		<u>(357)</u>	<u>(357)</u>	<u>-</u>
Total property valuation	<u>\$ 45,995,574</u>				
Net levy:			280,573	226,034	54,539
Uncollected taxes at June 30, 2021			<u>32,067</u>	<u>32,067</u>	<u>-</u>
Current year's taxes collected			<u>\$ 248,506</u>	<u>\$ 193,967</u>	<u>54,539</u>
Current levy collection percentage			88.57%	85.81%	100.00%

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 280,622	\$ 248,506	\$ 32,067
2019-2020	42,050	-	18,257	23,842
2018-2019	26,839	-	8,213	18,626
2017-2018	19,075	-	4,650	14,425
2016-2017	24,413	-	3,701	20,712
2015-2016	18,403	-	2,430	15,973
2014-2015	17,625	-	2,883	14,742
2013-2014	17,694	-	2,550	15,144
2012-2013	16,525	-	2,335	14,190
2011-2012	13,203	-	1,699	11,504
2010-2011	11,697	-	11,697	-
	<u>\$ 207,525</u>	<u>\$ 280,622</u>	<u>\$ 306,922</u>	181,225
Less: allowance for doubtful accounts: General Fund				<u>10,000</u>
Ad valorem taxes receivable - net				<u>\$ 171,225</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 297,153
Reconciling items:				
Interest				(522)
Taxes written off				<u>10,291</u>
Total collections and credits				<u>\$ 306,922</u>

**TOWN OF PRINCEVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPEDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 202,000	\$ 296,631	\$ 94,631
Interest	<u>1,000</u>	<u>522</u>	<u>(478)</u>
Total ad valorem	<u>203,000</u>	<u>297,153</u>	<u>94,153</u>
Other taxes and licenses:			
Motor vehicle taxes	<u>45,650</u>	<u>5,580</u>	<u>(40,070)</u>
Unrestricted intergovernmental:			
Local option sales taxes	425,000	602,592	177,592
Telecommunications sales tax	-	11,077	11,077
Utilities sales tax	48,178	24,931	(23,247)
Video franchise fee	-	6,943	6,943
Beer and wine tax	1,875	9,313	7,438
ABC profit distribution	<u>-</u>	<u>1,875</u>	<u>1,875</u>
Total unrestricted intergovernmental	<u>475,053</u>	<u>656,731</u>	<u>181,678</u>
Restricted intergovernmental:			
Powell Bill allocation	59,000	56,059	(2,941)
State Appropriation Grant	218,750	175,000	(43,750)
Senate Bill 363	5,373,710	905,591	(4,468,119)
FEMA	-	1,406,754	1,406,754
Region L- Senior Center	2,900	2,488	(412)
Edgecombe Co. Covid Grant	-	16,408	16,408
NCCOR Grant	-	269,082	269,082
CDBG DR1 Flood Gates Grant	-	68,038	68,038
ARP Grant	-	450	450
Solid waste disposal tax	<u>1,250</u>	<u>1,654</u>	<u>404</u>
Total restricted intergovernmental	<u>5,655,610</u>	<u>2,901,524</u>	<u>(2,754,086)</u>
Permits and fees:			
Building permits	-	610	610
Business registration fee	<u>-</u>	<u>1,960</u>	<u>1,960</u>
Total permits and fees	<u>-</u>	<u>2,570</u>	<u>2,570</u>
Sales and services:			
Princeville Special Revenue	-	3,114	3,114
Museum Revenue	-	15	15
Rental Income	-	8,961	8,961
Christmas Parade	-	204	204
Garbage Disposal Fees	<u>90,000</u>	<u>128,002</u>	<u>38,002</u>
Total sales and services	<u>90,000</u>	<u>140,296</u>	<u>50,296</u>
Investment earnings	<u>-</u>	<u>1,651</u>	<u>1,651</u>
Miscellaneous:			
Special Revenue	12,751	-	(12,751)
Insurance Proceeds	669,390	-	(669,390)
Miscellaneous Revenues	<u>4,737</u>	<u>11,295</u>	<u>6,558</u>
Total miscellaneous	<u>686,878</u>	<u>11,295</u>	<u>(675,583)</u>
Total revenues	<u>7,156,191</u>	<u>4,016,800</u>	<u>(3,139,391)</u>

TOWN OF PRINCEVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPEDITURES AND
CHANGES IN FUND BLANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Administration:			
Salaries and employee benefits	196,420	164,260	32,160
Other Operating Expenses	141,565	245,433	(103,868)
FEMA-Capital Outlay	-	647,461	(647,461)
SB 363 Other Operating Expenses	665,423	350,187	315,236
Capital outlay	5,000	6,585	(1,585)
Insurance -Other Operating Expenditures	682,141	2,397	679,744
Insurance -Town Hall Capital Outlay	-	53,577	(53,577)
Governing Board			
Salaries and employee benefits	18,369	16,794	1,575
Membership dues	3,000	445	2,555
Other operating expenditures	<u>3,180</u>	<u>1,291</u>	<u>1,889</u>
Total general government	<u>1,715,098</u>	<u>1,488,430</u>	<u>226,668</u>
Public safety:			
Police:			
Other operating expenditures	63,000	46,117	16,883
Fire:			
Other operating expenditures	<u>35,510</u>	<u>30,000</u>	<u>5,510</u>
Total public safety	<u>98,510</u>	<u>76,117</u>	<u>22,393</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	28,500	103	28,397
Contracted services	29,000	110	28,890
Other operating expenditures	1,500	250,181	(248,681)
OSBM- SB 363 Capital Outlay	15,572	15,572	-
OSBM- SB 363 Other Operating	448	448	-
Capital Outlay-NCCOR Grant	-	269,083	(269,083)
Total transportation	<u>75,020</u>	<u>535,497</u>	<u>(460,477)</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits	56,024	33,047	22,977
Vehicle maintenance	5,000	1,356	3,644
FEMA-Drainage Capital Outlay	-	425,938	(425,938)
CDBG-DR1 Flood Gates	-	68,038	(68,038)
OSBM State Appropriations-Salaries and employee	164,015	80,139	83,876
OSBM State Appropriations Other Operating	54,735	34,596	20,139
OSBM SB363 Capital Outlays	530,060	177,308	352,752
OSBM SB 363 Other Operating	13,643	13,665	(22)
ARP	-	350	(350)
Edge. CO. Covid Operating Expense	16,408	16,408	-
Other operating expenditures	<u>192,714</u>	<u>158,242</u>	<u>34,472</u>
Total environmental protection	<u>1,032,599</u>	<u>1,009,087</u>	<u>23,512</u>

TOWN OF PRINCEVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPEDITURES AND
CHANGES IN FUND BLANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Culture and recreation:			
Parks and recreation:			
FEMA- Capital Outlay Museum	-	5,068	(5,068)
OSBM SB363 Capital Outlay	247,478	19,831	227,647
OSBM SB 363 Other Operating	101,350	9,193	92,157
Other operating expenditures	-	4,068	(4,068)
Total culture and recreation	<u>348,828</u>	<u>38,160</u>	<u>310,668</u>
Economic and Physical Development			
OSBM SB 363 Capital Outlay	290,413	81,347	209,066
OSBM SB 363 Other Operating	3,440,564	169,280	3,271,284
Other operating expenditures	<u>1,000</u>	-	<u>1,000</u>
Total economic and physical development	<u>3,731,977</u>	<u>250,627</u>	<u>3,481,350</u>
Human Services:			
Contracted Services	38,762	2,074	36,688
FEMA Human Service Capital Outlay	-	1,002,864	(1,002,864)
OSBM SB363 Capital Outlay	68,759	68,759	-
Other operating expenditures	<u>20,348</u>	<u>945</u>	<u>19,403</u>
Total human services	<u>127,869</u>	<u>1,074,642</u>	<u>(946,773)</u>
Contingency	<u>26,290</u>	-	<u>26,290</u>
Total expenditures	<u>7,156,191</u>	<u>4,472,560</u>	<u>2,683,631</u>
Revenues over (under) expenditures	-	(455,760)	(455,760)
Other financing sources (uses):			
Sale of capital assets	-	13,576	13,576
Revolving Loan	-	1,575,000	1,575,000
Total	-	<u>1,588,576</u>	<u>1,588,576</u>
Net change in fund balance	<u>\$ -</u>	1,132,816	<u>\$ 1,132,816</u>
Fund balances, beginning, as previously reported		<u>2,471,853</u>	
Prior period adjustment		(2,751)	
Fund balance, beginning, as restated		<u>2,469,102</u>	
Fund balance, ending		<u>\$ 3,601,918</u>	



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

**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 AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, and each major fund of the Town of Princeville, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Princeville, North Carolina's basic financial statements and have issued our report thereon dated January 12, 2024.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the Town of Princeville, North Carolina, we considered the Town of Princeville, North Carolina's internal control over financial reporting (internal control) as a basis for designing 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 the Town of Princeville's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Princeville's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses: 21-03, 21-04, 21-05, 21-06, 21-07, 21-08, 21-10, 21-11, 21-12, 21-13, 21-14, and 21-15.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged

with governance. We identified a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 21-01, 21-02, and 21-09.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of Town of Princeville, North Carolina, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items: 21-10, 21-11, 21-12, 21-13, 21-14, and 21-15.

Town of Princeville's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Princeville's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. Town of Princeville's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Anderson Smith & Wike PLLC

*January 12, 2024
Elon, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Report On Compliance for Each Major Federal Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit
Implementation Act

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

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited the Town of Princeville, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Town of Princeville, North Carolina's major federal programs for the year ended June 30, 2021. The Town of Princeville, North Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion of Federal Emergency Management Agency (FEMA) Public Assistance (PA) Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Town of Princeville, North Carolina complied, in all material respects, with the compliance requirements referred to above that have a direct and material effect on the Federal Emergency Management Agency (FEMA) Public Assistance (PA) Grant for the year ended June 30, 2021.

Basis for Qualified Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Princeville, North Carolina and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Princeville, North Carolina's compliance with the compliance requirements referred to above.

Matter giving rise to Qualified Opinion on the Federal Emergency Management Agency (FEMA) Public Assistance (PA) Grant

As described in the accompanying schedule of findings and questioned costs, the Town of Princeville, North Carolina did not comply with the requirements regarding Assistance Listing No 97.036 as described in Finding 21-10 for Reporting Requirements.

Compliance with such requirement is necessary, in our opinion for the Town of Princeville, North Carolina to comply with the requirements applicable to this program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Princeville, North Carolina's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Princeville, North Carolina's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Princeville, North Carolina's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Princeville, North Carolina's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Princeville, North Carolina's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Town of Princeville, North Carolina's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Princeville's response to the noncompliance findings identified in our audit described in the

accompanying schedule of findings and questioned costs. The Town of Princeville's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 21-10 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Princeville's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town of Princeville's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

January 12, 2024
Elon, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Report On Compliance for Each Major State Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit
Implementation Act

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

Report on Compliance for Each Major State Program

Qualified Opinion

We have audited the Town of Princeville, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Town of Princeville, North Carolina's major state programs for the year ended June 30, 2021. The Town of Princeville, North Carolina's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on 2019 Disaster Recovery Act Grant (SL 2019-224)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Town of Princeville, North Carolina complied, in all material respects, with the compliance requirements referred to above that have a direct and material effect on the 2019 Disaster Recovery Act Grant (SL 2019-224) for the year ended June 30, 2021.

Basis for Qualified Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Princeville, North Carolina and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Town of Princeville, North Carolina's compliance with the compliance requirements referred to above.

Matter giving rise to Qualified Opinion on the 2019 Disaster Recovery Act Grant (SL 2019-224)

As described in the accompanying schedule of findings and questioned costs, the Town of Princeville, North Carolina did not comply with the requirements regarding 2019 Disaster Recovery Act Grant (SL 2019-224) as described in Finding 21-12 for Reporting Requirements. The Town of Princeville, North Carolina did not comply with the requirements regarding 2019 Disaster Recovery Act Grant (SL 2019-224) as described in Finding 21-14 for Allowable Cost Requirements. The Town of Princeville, North Carolina did not comply with the requirements regarding 2019 Disaster Recovery Act Grant (SL 2019-224) as described in Finding 21-15 for Procurement, Suspension and Debarment Requirements.

Matter giving rise to Qualified Opinion on the Federal Emergency Management Agency (FEMA) Public Assistance (PA) Grant.

As described in the accompanying schedule of findings and questioned costs, the Town of Princeville, North Carolina did not comply with the requirements regarding Federal Emergency Management Agency (FEMA) Public Assistance (PA) Grant as described in Finding 21-10 for Reporting Requirements.

Compliance with such requirements is necessary, in our opinion for the Town of Princeville, North Carolina to comply with the requirements applicable to this program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Princeville, North Carolina's State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Princeville, North Carolina's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Princeville, North Carolina's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Princeville, North Carolina's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Princeville, North Carolina's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in

accordance with the Uniform Guidance, and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Town of Princeville, North Carolina's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 21-11 and 21-13. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Princeville's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town of Princeville's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 21-10, 21-11, 21-12, 21-13, 21-14, and 21-15 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Princeville's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town of Princeville's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

*January 12, 2024
Elon, North Carolina*

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes ___no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: reported X yes ___none

Noncompliance material to financial statements noted X yes ___no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? X yes ___no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: reported ___yes X none

Type of auditors' report issued on compliance for major federal programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes ___no

Identification of major federal program:

<u>Assistance Listing Number</u>	<u>Name of federal program or cluster</u>
97.036	Federal Emergency Management Agency (FEMA) Public Assistance (PA)

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as a low-risk auditee? ___yes X no

State Awards

Internal control over major state program:

- Material weakness(es) identified? X yes ___no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: reported ___yes X none

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Type of auditors' report issued on compliance for major State programs: Qualified

Any audit findings disclosed that are required to be reported
in accordance with the State Single Audit Implementation Act X yes no

Identification of major State program:

Program Name

Senate Bill 363

NCCOR – State Revolving Loan

Federal Emergency Management Agency (FEMA) Public Assistance (PA) – State Match

Section II. Financial Statement Findings

Finding 21-01

SIGNIFICANT DEFICIENCY

Federal Audit Clearinghouse Submission

Criteria: A federal data collection form (SF-SAC) must be completed each year and submitted to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period.

Condition: Audited financial information for the period ending June 30, 2021 were not submitted to the federal government within the required time-frame.

Effect: The submission of the federal data collection form is late thus eliminating the potential for the Town to be considered a low-risk auditee.

Cause: Oversight.

Identification of a Repeat Finding: This is not a repeat finding from the immediate previous audit.

Recommendation: Management should implement procedures to ensure compliance with all requirements relating to the submission of the federal data collection form.

Management Response: The Council agrees with this finding and recommendation.

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding 21-02

SIGNIFICANT DEFICIENCY

Pre-Audit

Criteria: North Carolina State Law requires all contractual agreements and expenditures be pre-audited by the finance officer to ensure that funds are available prior to the contracts becoming binding.

Condition: The Town's contracts and expenditures were not consistently pre-audited by the finance officer as required, which is in violation of North Carolina General Statutes.

Effect: The Town's actual expenditures exceeded the budget approved by the Council, and contracts could be considered invalid.

Cause: Oversight.

Identification of a Repeat Finding: This is a similar finding from the immediate previous audit, Finding 20-07.

Recommendation: We recommend that management ensure all contracts and expenditures have appropriate pre-audit certifications.

Management Response: The Council agrees with this finding and recommendation.

Finding 21-03

MATERIAL WEAKNESS

Budget

Criteria: North Carolina general statute 159-13 requires that an annual budget ordinance is passed authorizing all financial transactions of the local government.

Condition: The budget ordinance passed by the Town does not contain sufficient information to appropriate funds without utilizing supplementary documentation.

Effect: Additional documentation was necessary to review for the preparation of budget reports in the financial statements and in creation of any budget reports by the Town.

Cause: The budget ordinance was not carefully reviewed.

Identification of a Repeat Finding: This is not a repeat finding from the immediate previous audit.

Recommendation: We recommend that management closely monitor budget ordinances and ensure all sufficient information is included and in the proper format.

Management Response: The Council agrees with this finding and recommendation.

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding 21-04

MATERIAL WEAKNESS

Budget

Criteria: North Carolina State Law requires that expenditures do not exceed amounts appropriated.

Condition: The Town needs to strengthen the internal control structure to ensure expenditures are appropriately monitored compared to the Town's budget.

Effect: Utilizing the budget ordinance passed by the Town and supplementary documentation provided, actual expenditures exceeded the budgeted appropriations, which is in violation of North Carolina General Statutes.

Cause: Budget oversight by management was not sufficient.

Identification of a Repeat Finding: This is a similar finding from the immediate previous audit, Finding 20-04.

Recommendation: We recommend that management closely monitor expenditures as compared to the budget.

Management Response: The Council agrees with this finding and recommendation.

Finding 21-05

MATERIAL WEAKNESS

Fixed Assets

Criteria: The Town is required to maintain accurate records of the balances of its accounts

Condition: A fixed asset schedule was not being maintained.

Effect: Fixed asset schedule needed significant updates across multiple years, which needed done by the consultant hired to re-construct the general ledger.

Cause: Oversight.

Identification of a Repeat Finding: This is a similar finding from the immediate previous audit, Finding 20-05.

Recommendation: Fixed asset schedule has already been updated.

Management Response: The Council agrees with this finding and recommendation.

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding 21-06

MATERIAL WEAKNESS

Internal Controls over Retirement Reporting

Criteria:	The Town is required to accurately report employee data to the Local Government Employee Retirement System.
Condition:	The Town did not correctly report detailed employee wages, or pay correct withholdings and Town retirement contributions to the Local Government Employee Retirement System.
Effect:	Employee retirement accounts have not been properly credited for service.
Cause:	Oversight.
Identification of a Repeat Finding:	This is a similar finding from the immediate previous audit, Finding 20-06.
Recommendation:	The Town immediately take necessary steps to ensure employee retirement accounts are properly credited for service.
Management Response:	The Council agrees with this finding and recommendation.

Finding 21-07

MATERIAL WEAKNESS

Internal Controls over Retirement Reporting

Criteria:	North Carolina Retirement Systems law requires employees to become contributing members of the Local Government Employees' Retirement System (LGERS) if the employee is employed by a participating LGERS employer in a position that requires at least 1,000 hours of work in a calendar year.
Condition:	The Town did not enroll an employee in the Local Government Employee's Retirement System (LGERS) that worked in excess of 1,000 hours and was employed greater than 12 months.
Effect:	Employee has not been properly credited for service.
Cause:	Oversight.
Identification of a Repeat Finding:	This is not a repeat finding from the immediate previous audit.
Recommendation:	The Town immediately take necessary steps to ensure employee retirement accounts are created and properly credited for service.
Management Response:	The Council agrees with this finding and recommendation.

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding 21-08

MATERIAL WEKANESS

Prior Period Adjustment

Criteria: Accurate records relating to the reporting of the Town's assets and liabilities are required in order for an entity to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition:

- The Town received a reimbursement from FEMA for \$101,691 in October 2018 for expenditures that the Town of Princeville Fire Department incurred. The Town did not record the liability to remit payment to the Town of Princeville Fire Department.
- The Town did not properly classify administrative expenditures or record fiscal year 2020 receivables related to Disaster Recovery Act grant administrative expenditures in the amount of \$98,940.

Effect:

- FEMA – Liabilities, fund balance, and net position were incorrectly reported in the June 30, 2019 and June 30, 2020 financial statements.
- Disaster Recovery Grant – Grant expenditures, administrative expenditures, receivables, fund balance, and net position were incorrectly reported in the June 30, 2020 financial statements.

Cause: Oversight.

Identification of a Repeat Finding: This is not a repeat finding from the immediate previous audit.

Recommendation: Management should closely review all account balances at year end, and ensure timely payment of liabilities

Management Response: The Council agrees with this finding and recommendation and remitted payment to the Town of Princeville Fire Department in June 2023.

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding 21-09

SIGNIFICANT DEFICIENCY

Segregation of Duties

Criteria: Segregation of duties provides checks and balances to reduce possibilities for misstatements resulting from errors and judgement, dishonesty, personal carelessness, distraction and fatigue.

Condition: The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.

Effect: Potential misstatement of financial statements.

Cause: The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.

Identification of a Repeat Finding: This is not a repeat finding from the immediate previous audit.

Recommendation: Management should continually keep in mind that internal controls are limited due to the size of the Town's staff.

Management Response: The Council agrees with this finding and recommendation.

Finding 21-10

See Federal award findings section III

Finding 21-11

See State award findings section IV

Finding 21-12

See State award findings section IV

Finding 21-13

See State award findings section IV

Finding 21-14

See State award findings section IV

Finding 21-15

See State award findings section IV

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section III. Federal Award Findings and Questioned Costs

Finding: 21-10

U.S. Department of Homeland Security
Program Name: Federal Emergency Management (FEMA) Public Assistance (PA)
Assistance Listing #: 97.036

MATERIAL NON-COMPLIANCE AND MATERIAL WEAKNESS

Reporting - Final Reporting

Criteria:	The Town is required to submit a final report within 90 days of approved period of performance.
Condition:	<p>The Town did not submit timely final reports for the following projects:</p> <ul style="list-style-type: none">• Senior Center where the period of performance ended September 21, 2021 and the final report was not submitted until June 25, 2023.• Park and playground equipment where the period of performance ended February 1, 2022 and the final report was not submitted until April 6, 2023.• Drainage system where the period of performance ended June 1, 2021 and the final report was not submitted until March 3, 2022.
Effect:	The Town was not in compliance with FEMA grant guidelines. Delays in submitting reports beyond 1 year can cause FEMA to administratively close out grants with the information available leaving the Town at risk for not receiving all unsubmitted reimbursements.
Cause:	Insufficient monitoring and oversight of the financial activities.
Identification of a Repeat Finding:	This is not a repeat finding from the immediate previous audit.
Questioned Cost:	None due to the nature of the finding.
Recommendation:	The Town ensures all reporting is submitted on a timely basis.
Management Response:	The Council agrees with this finding.

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section IV. State Award Findings and Questioned Costs

Finding 21-10

U.S. Department of Homeland Security

Program Name: Federal Emergency Management (FEMA) Public Assistance (PA) – State Match

See Federal award findings section III

Finding 21-11

NC. Department of Public Safety

N.C. Office of Recovery and Resiliency

Program Name: NCCOR – State Revolving Loan (TCALG-012)

NON-COMPLIANCE AND MATERIAL WEAKNESS

Cash Management & Reporting - Compliance with loan terms

Criteria: The Town has an outstanding revolving loan for \$2,000,000 from North Carolina Office of Recovery and Resiliency for the purpose of providing cash flow for expenditures eligible for reimbursement by FEMA. The Town is required to make payments on the loan within 5 days of FEMA reimbursement and submit quarterly reports to NCORR.

Condition: The Town received approximately \$570,000 in FEMA reimbursement during the fiscal year, however did not remit any payments to North Carolina Office of Recovery and Resiliency for the loan. Additionally, the Town did not submit timely quarterly reports, and the April 2022 report did not include all expenditures charged to the grant as of that date.

Effect: The Town is not in compliance with the revolving loan agreement, and NCORR could require immediate payment for the balance of the loan.

Cause: Oversight.

Identification of a

Repeat Finding: This is not a repeat finding from the immediate previous audit.

Recommendation: We recommend the Town remit payments on a timely basis.

Management Response: The Council agrees with this finding and recommendation, and remitted \$1,000,000 in June 2023.

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding: 21-12

N.C. Office of State Budget Management
Program Name: 2019 Disaster Recovery Act Grant (SL 2019-224)

MATERIAL NON-COMPLIANCE AND MATERIAL WEAKNESS

Reporting - Modified Accrual Basis of Accounting

Criteria: The Town is required to maintain its accounting records on a modified accrual basis of accounting, with grant funds accounted for in a separate fund and accounting structure.

Condition: The Town did not maintain adequate accounting records. The Town's records were in a condition such that the Town hired a consultant to re-construct their general ledger in order for an audit to be completed. Upon re-construction additional adjustments between grants were required.

Effect: Town management and Council did not have adequate information in order to make decisions on a timely basis. Additional expenditures were incurred by the Town due to the need to re-construct the general ledger. The consultant had to change trial balance revenue by approximately \$252,000, expenditures by \$305,000, assets by \$377,000, and liabilities by \$457,000.

Cause: This is a similar finding from the immediate previous audit, Finding 20-01.

Identification of a Repeat Finding: This is not a repeat finding from the immediate previous audit.

Questioned Cost: None due to the nature of the finding.

Recommendation: The Town have a qualified finance director oversee accounting processes and records.

Management Response: The Council agrees with this finding and has hired a consultant to assist in training and overseeing the general ledger.

Finding: 21-13

N.C. Office of State Budget Management
Program Name: 2019 Disaster Recovery Act Grant (SL 2019-224)

NON-COMPLIANCE AND MATERIAL WEAKNESS

Reporting – Timeliness of Audit

Criteria: NC General Statute 159-34 requires each unit of local government to have its accounts audited each fiscal year and to submit a copy of the audit report to the Secretary of the Local Government Commission as soon as possible after the close of the fiscal year, typically by October 31st.

Condition: The Town did not complete their June 30, 2021 audit on a timely basis.

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding: 21-13 (Continued)

Effect: Town management and Council did not have audited financial statements in order to make decisions on a timely basis and was in violation of General Statute 159-34.

Cause: Insufficient monitoring and oversight of the financial activities.

Identification of a Repeat Finding: This is a similar finding from the immediate previous audit, Finding 20-02.

Questioned Cost: None due to the nature of the finding.

Recommendation: The Town complete audits on a timely basis.

Management Response: The Council agrees with this finding and recommendation.

Finding: 21-14

N.C. Office of State Budget Management
Program Name: 2019 Disaster Recovery Act Grant (SL 2019-224)

MATERIAL NON-COMPLIANCE AND MATERIAL WEAKNESS

Allowable Costs – Administrative Expenditures

Criteria: The Town is required to maintain all accounting records supporting the administrative costs charged to the grant over the life of the grant.

Condition: The Town did not maintain detailed records of approximately \$171,000 in administrative expenditures charged to the grant during the fiscal year.

Effect: When the Town was requested to provide supporting documentation, it was not available, and was subsequently compiled.

Cause: Insufficient monitoring and oversight of the financial activities.

Identification of a Repeat Finding: This is a similar finding from the immediate previous audit, Finding 20-03.

Questioned Cost: \$171,158

Recommendation: The Town ensure proper documentation is maintained for all expenditures, including administrative costs.

Management Response: The Council agrees with this finding and recommendation.

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding: 21-15

N.C. Office of State Budget Management
Program Name: 2019 Disaster Recovery Act Grant (SL 2019-224)

MATERIAL NON COMPLIANCE AND MATERIAL WEAKNESS

Procurement, Suspension and Debarment

Criteria: NC General Statute 143-129 requires each unit of local government to comply with bid solicitation requirements based upon estimated expenditures. Change orders are permitted as long as the additional work fits within the scope of the original project and the change was unanticipated or unforeseen at the time the original contract was awarded.

Condition: The Town conducted a bid solicitation for a paving project receiving an initial bid of approximately \$167,000. A total of approximately \$619,000 was completed and paid without an additional bid solicitation. The additional work included additional streets not included on the initial solicitation. A total of \$101,867 was paid from Disaster Recover Grant Funds, \$267,682 from NCORR grant, and \$249,791 from Powell Bill.

Effect: Town management and Council did not comply with procurement requirements.

Cause: Insufficient monitoring and oversight of the procurement activities.

Identification of a Repeat Finding: This is not a repeat finding from the immediate previous audit.

Questioned Cost: \$619,341

Recommendation: The Town comply with all procurement requirements.

Management Response: The Council agrees with this finding and recommendation.



CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2021

Section V. Financial Statement Findings

Finding: 21-01

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will ensure future timely submissions of federal data collection form (SF-FAC)

Anticipated Completion Date: As soon as possible.

Finding: 21-02

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will ensure that all invoices and contracts are pre-audited by the Finance Officer.

Anticipated Completion Date: Management will implement the above procedure immediately.

Finding: 21-03

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management and the Council will ensure that budget ordinances are prepared with complete information.

Anticipated Completion Date: Management and the Council will implement the above procedure immediately.

Finding: 21-04

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will review a budget-to-actual report prepared by finance at each council meeting, and budget amendments will be made as necessary.

Anticipated Completion Date: Management will implement the above procedures immediately.

**CORRECTIVE ACTION PLAN (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Finding: 21-05

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will update and maintain a detailed fixed asset schedule.

Anticipated Completion Date: Management has already implemented.

Finding: 21-06

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will reconcile, update, and pay any variances in wages and retirement earned to LGERS, and ensure that monthly reporting to LGERS reconciles to payroll records.

Anticipated Completion Date: Management will implement the above procedures immediately.

Finding: 21-07

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will review employees for LGERS eligibility and ensure all eligible employees are receiving proper credits.

Anticipated Completion Date: Management will implement the above procedure immediately.

Finding: 21-08

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will ensure expenditures, assets, and liabilities are properly recorded and payments are remitted on a timely basis.

Anticipated Completion Date: Management will implement the above procedure immediately.

Finding: 21-09

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: The council will continually keep in mind that internal controls are limited due to the size of the Town's staff and monitor accordingly.

Anticipated Completion Date: Management will implement the above procedure immediately.

**CORRECTIVE ACTION PLAN (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Section VI. Federal Award Findings and Questioned Costs

Finding: 21-10

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will ensure that remaining FEMA projects are closed out on a timely basis.

Anticipated Completion Date: Management will implement the above procedure immediately.

Section VII. State Award Findings and Questioned Costs

Finding: 21-11

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will review FEMA reimbursements and ensure proper payments are made and reports are filed to NCORR on a timely basis.

Anticipated Completion Date: Management will implement the above procedures immediately.

Finding: 21-12

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will ensure financial records are accurately maintained on the accrual basis of accounting.

Anticipated Completion Date: Management will implement the above procedure immediately.

Finding: 21-13

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: The Council should ensure audits are completed on a timely basis.

Anticipated Completion Date: As soon as possible.

Finding: 21-14

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will ensure documents are maintained and accessible according to the document retention policies.

Anticipated Completion Date: Management will implement the above procedure immediately.

**CORRECTIVE ACTION PLAN (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Finding: 21-15

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: The Council will comply with all procurement laws and ensure large projects are properly solicited.

Anticipated Completion Date: Management will implement the above procedure immediately.

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding: 20-01

Status: Not corrected. See Finding 21-12

Finding: 20-02

Status: Not corrected. See Finding 21-13

Finding: 20-03

Status: Not corrected. See Finding 21-14

Finding: 20-04

Status: Not corrected. See Finding 21-04

Finding: 20-05

Status: Not corrected. See Finding 21-05

Finding: 20-06

Status: Not corrected. See Finding 21-06

Finding: 20-07

Status: Not corrected. See Finding 21-02

**TOWN OF PRINCEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing No.	STATE/Pass-through Grantor's Number	Expenditures
<u>FEDERAL AWARDS-</u>			
<u>U.S. Department of Homeland Security</u>			
Passed through N.C. Department of Public Safety			
Disaster Grants -Public Assistance	97.038	FEMA-4285-DR-NC	\$ 1,560,998
Passed through Edgecombe County			
Emergency Management Performance Grant	97.042		16,408
<u>U. S. Housing and Urban Development</u>			
Passed through N.C. Department of Public Safety			
North Carolina Office of Recovery and Resiliency			
CDBG-DR Infrastructure Recovery Program- Floodgates	14.228	FEMA-4285-DR-NC	68,038
<u>U.S. Department of the Treasury</u>			
Cononavirus state and local fiscal recovery funds	21.027		<u>350</u>
<i>Total Federal Expenditures</i>			<u>\$ 1,645,794</u>
<u>STATE AWARDS</u>			
<u>U.S. Department of Homeland Security</u>			
Passed through N.C. Department of Public Safety			
Disaster Grants -Public Assistance - State Match		FEMA-4285-DR-NC	\$ 520,333
<u>N.C Department of Transportation</u>			
Powell Bill			250,394
<u>N.C. Office of State Budget Management</u>			
State Appropriatons Grant		57603-B	114,734
Senate Bill 363		SL2019-244L	905,591
<u>N.C. Department of Public Safety</u>			
N.C. Office of Recovery and Resiliency			
NCCOR Grant		FDLG-035	269,082
NCCOR- State Revolving Loan		TCALG-012	<u>1,575,000</u>
Total N.C. Department of Public Safety			<u>1,844,082</u>
<i>Total State Expenditures</i>			<u>3,635,134</u>
<i>Total Expenditures of Federal and State Grant Awards</i>			<u>\$ 5,280,928</u>

**TOWN OF PRINCEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Princeville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Town of Princeville, it is not intended to and does not present the financial position, changes in net assets or cash flows of Town of Princeville.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Town of Princeville has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Loan Balance

The Town of Princeville had the following loan balance outstanding at June 30, 2021:

<u>Program Title</u>	<u>Amount Outstanding</u>
NCCOR - State Revolving Loan	\$ 2,000,000