

REVIEWED

By SLGFD at 12:14 pm, Jan 19, 2022

**TOWN OF SCOTLAND NECK
FINANCIAL STATEMENTS
SCOTLAND NECK, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2021**

TOWN OF SCOTLAND NECK
TABLE OF CONTENTS
JUNE 30, 2021

	EXHIBIT	PAGE
FINANCIAL SECTION		
Independent Auditors' Report		7
Management's Discussion and Analysis		10
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	19
Statement of Activities	2	20
Fund Financial Statements:		
Balance Sheets - Governmental Funds	3	21
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	3	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	5	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	6	24
Statement of Net Position - Proprietary Funds	7	25
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	8	26
Statement of Cash Flows - Proprietary Funds	9	27
Notes to the Financial Statements		28

TOWN OF SCOTLAND NECK
TABLE OF CONTENTS
JUNE 30, 2021

	<u>PAGE</u>
REQUIRED SUPPLEMENTAL FINANCIAL DATA	
Schedule of Proportionate Share of the Net Pension Asset - Local Government Employees' Retirement System	49
Schedule of Contributions - Local Government Employees' Retirement System	50
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	51
Schedule of Total Pension Liability as a Percentage of Covered Payroll	52
INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	53
Combining Balance Sheet - Non-major Governmental Funds	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds	57
Balance Sheet - Special Revenue Fund - OCH Grant Project Fund	58
Statement of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Fund - OCH Grant Project Fund	59
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund - OCH Grant Project Fund	60
Balance Sheet - Special Revenue Fund - Marketing Fund	61
Statement of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Fund - Marketing Fund	62
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund - Marketing Fund	63
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Electric Fund	64
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Water and Sewer Fund	65

TOWN OF SCOTLAND NECK
TABLE OF CONTENTS
JUNE 30, 2021

	<u>PAGE</u>
OTHER SCHEDULES	
Schedule of Ad Valorem Taxes Receivable	67
Analysis of Current Tax Levy - Town-Wide Levy	68
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70
Schedule of Findings and Responses	72
Corrective Action Plan	74
Summary of Prior Year Audit Findings	75
Schedule of Expenditures of Federal and State Awards	76

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



PETWAY

MILLS &

PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scotland Neck, 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 Scotland Neck's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental

activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scotland Neck, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 18, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 49 and 50, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 51 and 52, 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 and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2021 on our consideration of the Town of Scotland Neck's internal control over financial reporting and on our tests of its compliance with certain provisions

of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is 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 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 the Town of Scotland Neck's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

October 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Scotland Neck Management's Discussion and Analysis

As management of the Town of Scotland Neck, we offer readers of the Town of Scotland Neck's financial statements this narrative overview and analysis of the financial activities of the Town of Scotland Neck 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 of the Town of Scotland Neck exceeded its liabilities at the close of the fiscal year by \$12,196,276 (*net position*).
- The government's total net position decreased by \$103,118 primarily due to increased costs in the general fund.
- As of the close of the current fiscal year, the Town of Scotland Neck's governmental funds reported combined ending fund balances of \$838,486 with a net change of \$49,102 in fund balance. Approximately 57 percent of this total amount or \$412,151 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, total fund balance for the General Fund was \$720,705 or 38 percent of total general fund expenditures for the fiscal year.
- The Town of Scotland Neck's total debt increased by \$239,888 during the current fiscal year. The key factor in this increase was debt related to the Town's pension liability.

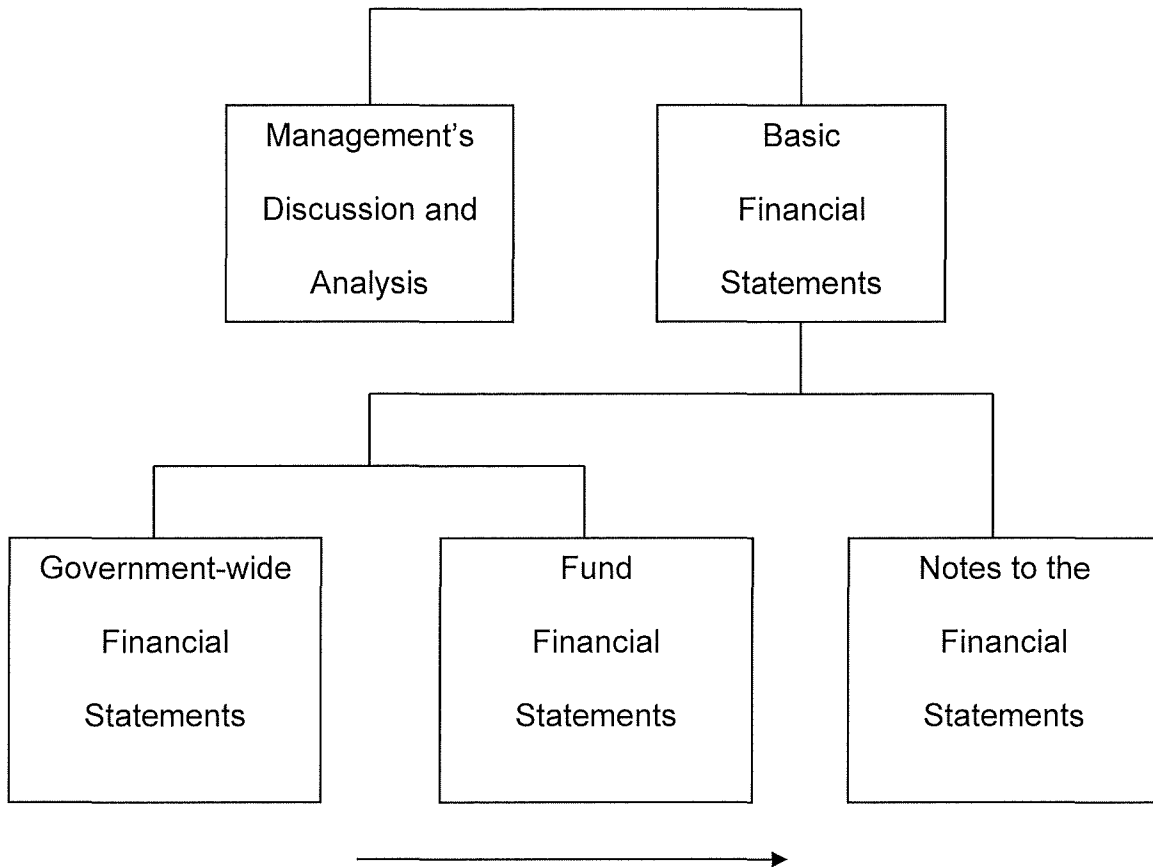
Overview of the Financial Statements

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

Town of Scotland Neck Management's Discussion and Analysis

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 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Town of Scotland Neck

Management's Discussion and Analysis

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net assets and how they have changed. Net assets 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.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric services offered by the Town of Scotland Neck.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Scotland Neck, 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 Town of Scotland Neck can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

The Town of Scotland Neck 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 City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Town of Scotland Neck has two enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Scotland Neck uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Town of Scotland Neck Management's Discussion and Analysis

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Town of Scotland Neck has no fiduciary funds.

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 28 of this report.

Government-Wide Financial Analysis

Town of Scotland Neck's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2019
Current and other assets	\$ 970,766	\$ 945,248	\$ 2,735,120	\$ 2,428,113	\$ 3,705,886	\$ 3,373,361
Capital and non current assets	2,748,441	2,550,317	7,044,320	7,402,126	9,792,761	9,952,443
Total assets	3,719,207	3,495,565	9,779,440	9,830,239	13,498,647	13,325,804
Deferred pension outflows	294,167	141,279	146,320	104,984	440,487	246,263
Long-term liabilities outstanding	481,159	262,757	403,515	382,029	884,674	644,786
Other liabilities	18,833	39,178	878,849	609,261	897,682	648,439
Total liabilities	499,992	301,935	1,282,364	991,290	1,782,356	1,293,225
Pension Deferrals	26,114	33,285	34,388	46,163	60,502	79,448
Net position:						
Net investment in capital assets						
related debt	2,448,441	2,550,317	6,818,320	7,133,126	9,266,761	9,683,443
Property held for resale	300,000	-	-	-	300,000	-
Restricted	426,335	394,245	-	-	426,335	394,245
Unrestricted	312,492	357,062	1,790,688	1,764,644	2,103,180	2,121,706
Total net position	\$ 3,487,268	\$ 3,301,624	\$ 8,609,008	\$ 8,897,770	\$ 12,096,276	\$ 12,199,394

Town of Scotland Neck Management's Discussion and Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of The Town of Scotland Neck exceeded liabilities by \$12,096,276 as of June 30, 2021. The Town's net position decreased by \$103,118 for the fiscal year ended June 30, 2021. However, 77% of the net position reflect the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Scotland Neck uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Scotland Neck's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Scotland Neck's net position, \$426,335 represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,103,180 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.18%. The Town has experienced losses in population over the last several years, consistent with other towns in eastern North Carolina. This migration to more urban areas continues to affect local property values in a significant way.
- Effects of continued depressed economic activity in Eastern North Carolina rural areas.
- The periodic negative effects of weather on the local agricultural economy.
- Depreciation of fixed assets in the water/sewer fund is at a higher amount due to ongoing expenditures in the capital projects fund for sewer improvements.
- Normal periodic retirement of debt issued in prior years.

Town of Scotland Neck Management's Discussion and Analysis

**Town of Scotland Neck
Statement of Activities
Figure 3**

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 246,567	\$ 229,180	\$ 4,839,937	\$ 4,646,089	\$ 5,086,504	\$ 4,875,269
Operating grants and contributions	361,448	1,023,114	-	-	361,448	1,023,114
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	744,985	651,685	-	-	744,985	651,685
Other taxes	497,100	439,863	-	-	497,100	439,863
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	376,893	31,515	-	-	376,893	31,515
Total revenues	<u>2,226,993</u>	<u>2,375,357</u>	<u>4,839,937</u>	<u>4,646,089</u>	<u>7,066,930</u>	<u>7,021,446</u>
Expenses:						
General government	274,351	992,099	-	-	274,351	992,099
Public safety	908,277	862,876	-	-	908,277	862,876
Transportation	453,624	491,446	-	-	453,624	491,446
Environmental protection	147,715	196,034	-	-	147,715	196,034
Economic and physical development	1,351	3,212	-	-	1,351	3,212
Cultural and recreation	275,388	360,188	-	-	275,388	360,188
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	1,702,249	1,753,463	1,702,249	1,753,463
Electric	-	-	3,407,093	2,609,598	3,407,093	2,609,598
Total expenses	<u>2,060,706</u>	<u>2,905,855</u>	<u>5,109,342</u>	<u>4,363,061</u>	<u>7,170,048</u>	<u>7,268,916</u>
Increase/(decrease) in net position	166,287	(530,498)	(269,405)	283,028	(103,118)	(247,470)
Transfers/pmt in lieu	19,357	119,357	(19,357)	(119,357)	-	-
Gain on sale of asset	-	-	-	-	-	-
Increase (decrease) in net position	185,644	(411,141)	(288,762)	163,671	(103,118)	(247,470)
Net position, July 1	<u>3,301,624</u>	<u>3,712,765</u>	<u>8,897,770</u>	<u>8,734,099</u>	<u>12,199,394</u>	<u>12,446,864</u>
Net position, June 30	<u>\$ 3,487,268</u>	<u>\$ 3,301,624</u>	<u>\$ 8,609,008</u>	<u>\$ 8,897,770</u>	<u>\$ 12,096,276</u>	<u>\$ 12,199,394</u>

Governmental activities. Governmental activities increased the Town's net position by \$185,644. Key elements of this increase are the decrease in general government costs from 2021 to 2010.

Business-type activities: Business-type activities decreased the Town of Scotland Neck's net position by \$288,762. Key elements of this decrease are increases in operating expenses.

Town of Scotland Neck Management's Discussion and Analysis

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Scotland Neck'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 Scotland Neck's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Scotland Neck. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$412,151 while total fund balance was \$720,705. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21.7 percent of total General Fund expenditures, while total fund balance represents 37.9 percent of that same amount. At June 30, 2021, the governmental funds of Town of Scotland Neck reported a combined fund balance of \$838,486 with a net increase in fund balance of \$49,102.

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

Revenues were more than budgeted amounts due to unanticipated amounts received from certain services, grant funds, and intergovernmental revenues.

Proprietary Funds. The Town of Scotland Neck's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$211,586 and those for the

Electric Fund amounted to \$1,579,102. The total change in net position for both funds was (\$285,761) and (\$3,001), respectively. This change in net position is primarily the result of depreciation on capital assets in the Water and Sewer Fund and a increase in operating expenses in the Electric Fund.

Capital Asset and Debt Administration

Capital assets. The Town of Scotland Neck's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$9,492,761 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- There were significant improvements to the fixed assets of proprietary funds due to a capital project.
- There were no significant improvements to the fixed assets of the governmental funds.

Additional information on the Town's capital assets can be found beginning on page 35 of the notes to the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Town of Scotland Neck had total bonded debt outstanding of \$226,000. These bonds were used to fund major improvements to the Town's water and sewer fund.

Town of Scotland Neck Management's Discussion and Analysis

Town of Scotland Neck's Outstanding Debt

The Town of Scotland Neck's total debt decreased by \$43,000 during the past fiscal year as the result of normal retirement of the various categories of debt coupled with an increase in accounts payable.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Scotland Neck is \$6,532,218. Additional information regarding the Town of Scotland Neck's long-term debt can be found on page 44-45 of the notes to the financial statements

Economic Factors affecting the Town of Scotland Neck

The Town is located in Halifax County, NC which is a rural agrarian based economy. Unemployment rates are among the highest in the State. This and the lagging economic recovery are having a negative effect on the Town's economic condition as it moves forward in its normal budgetary process. The potential negative effects of weather patterns also have a severe impact on the local agrarian economy. Management continues to assess cost control measures as they begin the budgetary process.

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 Director of Finance, Town of Scotland Neck, PO Box 537, Scotland Neck NC 27874.

**Town of Scotland Neck
Statement of Net Position
June 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 526,159	\$ 1,771,153	\$ 2,297,312
Restricted cash and cash equivalents	203,019	106,476	309,495
Taxes receivables (net)	113,447	-	113,447
Accounts receivable (net) - trade	92,247	596,681	688,928
Due from other governments	13,088	21,226	34,314
Internal balances	22,806	(22,806)	-
Inventories	-	239,584	239,584
Total current assets	970,766	2,712,314	3,683,080
Noncurrent assets:			
Property held for resale	300,000	-	300,000
Capital assets:			
Land, non-depreciable improvements, and construction in progress	348,199	22,043	370,242
Other capital assets, net of depreciation	2,100,242	7,022,277	9,122,519
Total capital assets	2,448,441	7,044,320	9,492,761
Total noncurrent assets	2,748,441	7,044,320	9,792,761
Total assets	3,719,207	9,756,634	13,475,841
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	87,491	53,019	140,510
Pension deferrals	206,676	93,301	299,977
Total deferred outflows of resources	294,167	146,320	440,487
LIABILITIES			
Current liabilities:			
Accounts payable and accruals - trade	18,833	706,567	725,400
Customer deposits	-	106,476	106,476
Current portion of long-term liabilities	-	43,000	43,000
Total current liabilities	18,833	856,043	874,876
Long-term liabilities:			
Net pension liability	277,623	209,435	487,058
Total LEO pension liability	168,974	-	168,974
Compensated absences	34,562	11,080	45,642
Due in more than one year	-	183,000	183,000
Total long-term liabilities	481,159	403,515	884,674
Total liabilities	499,992	1,259,558	1,759,550
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	26,114	4,388	30,502
Unavailable revenue	-	30,000	30,000
Total deferred inflows of resources	26,114	34,388	60,502
NET POSITION			
Net invested in capital assets	2,448,441	6,818,320	9,266,761
Property held for resale	300,000	-	300,000
Restricted for:			
Stabilization by State Statute	105,535	-	105,535
Streets	181,120	-	181,120
Economic Development	117,781	-	117,781
Public Safety	21,899	-	21,899
Unrestricted	312,492	1,790,688	2,103,180
Total net position	\$ 3,487,268	\$ 8,609,008	\$ 12,096,276

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 274,351	\$ -	\$ 63,829	\$ -	\$ (210,522)	\$ -	\$ (210,522)
Public safety	908,277	5,530	130,435	-	(772,312)	-	(772,312)
Transportation	453,624	-	64,173	-	(389,451)	-	(389,451)
Economic and physical development	1,351	-	-	-	(1,351)	-	(1,351)
Environmental protection	147,715	238,217	-	-	90,502	-	90,502
Culture and recreation	275,388	2,820	103,011	-	(169,557)	-	(169,557)
Total governmental activities	2,060,706	246,567	361,448	-	(1,452,691)	-	(1,452,691)
Business-type activities:							
Electric	3,407,093	3,503,449	-	-	-	96,356	96,356
Water and sewer	1,702,249	1,336,488	-	-	-	(365,761)	(365,761)
Total business-type activities	5,109,342	4,839,937	-	-	-	(269,405)	(269,405)
Total primary government	\$ 7,170,048	\$ 5,086,504	\$ 361,448	\$ -	(1,452,691)	(269,405)	(1,722,096)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					744,985	-	744,985
Other taxes					497,100	-	497,100
Unrestricted investment earnings					1,710	-	1,710
Sale of capital assets					31,500	-	31,500
Contributions					300,000	-	300,000
Miscellaneous					43,683	-	43,683
Transfers					19,357	(19,357)	-
Total general revenues and transfers					1,638,335	(19,357)	1,618,978
Change in net position					185,644	(288,762)	(103,118)
Net position, beginning,					3,301,624	8,897,770	12,199,394
Net position, ending					\$ 3,487,268	\$ 8,609,008	\$ 12,096,276

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

**Town of Scotland Neck
Balance Sheets
Governmental Funds
June 30, 2021**

	Major Fund General Fund	Non-major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 419,785	\$ 106,374	\$ 526,159
Restricted cash and cash equivalents	203,019	-	203,019
Taxes receivable (net)	113,447	-	113,447
Accounts receivable (net) - trade	92,247	-	92,247
Due from other funds	11,399	11,407	22,806
Due from other governments	13,088	-	13,088
Total assets	<u>\$ 852,985</u>	<u>\$ 117,781</u>	<u>\$ 970,766</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities - trade	\$ 18,833	\$ -	\$ 18,833
Due to other funds	-	-	-
Total liabilities	<u>18,833</u>	<u>-</u>	<u>18,833</u>
Deferred Inflows of Resources:			
Property taxes receivable	113,447	-	113,447
Fund balances:			
Restricted:			
Stabilization by State Statute	105,535	-	105,535
Streets	181,120	-	181,120
Economic Development	-	117,781	117,781
Public Safety	21,899	-	21,899
Unassigned	412,151	-	412,151
Total fund balances	<u>720,705</u>	<u>117,781</u>	<u>838,486</u>
Total liabilities and fund balances	<u>\$ 852,985</u>	<u>\$ 117,781</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

2,448,441

Investments held for resale used in governmental activities are not financial resources and therefore are not reported in the funds.

300,000

Net pension liability

(446,597)

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position

87,491

Pension related deferrals

180,562

Earned revenues considered deferred inflows of resources in fund statements

113,447

Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

(34,562)

Net position of governmental activities

\$ 3,487,268

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

Town of Scotland Neck
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Fund General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 748,225	\$ -	\$ 748,225
Unrestricted intergovernmental	516,328	-	516,328
Restricted intergovernmental	342,219	-	342,219
Permits, fees, sales, services, and other	288,928	1,320	290,248
Investment earnings	1,653	58	1,711
Total revenues	<u>1,897,353</u>	<u>1,378</u>	<u>1,898,731</u>
EXPENDITURES			
Current:			
General government	143,044	-	143,044
Public safety	857,718	-	857,718
Transportation	432,213	-	432,213
Environmental protection	147,715	-	147,715
Economic and Community Development	-	1,352	1,352
Culture and recreation	255,622	-	255,622
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	62,822	-	62,822
Total expenditures	<u>1,899,134</u>	<u>1,352</u>	<u>1,900,486</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,781)</u>	<u>26</u>	<u>(1,755)</u>
OTHER FINANCING SOURCES (USES)			
Transfer (to) from other funds	19,357	-	19,357
Sale of capital assets	31,500	-	31,500
Total other financing sources (uses)	<u>50,857</u>	<u>-</u>	<u>50,857</u>
Net change in fund balance	49,076	26	49,102
Fund balances, beginning	671,629	117,755	789,384
Fund balances, ending	<u>\$ 720,705</u>	<u>\$ 117,781</u>	<u>\$ 838,486</u>

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

**Town of Scotland Neck
Reconciliation of the
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds	\$ 49,102
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.	(101,876)
Property held for resale	300,000
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	87,491
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in deferred revenue for tax revenues	(3,240)
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.	-
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:	
Pension expense	(144,413)
Compensated absences	(1,420)
Total changes in net position of governmental activities	<u>\$ 185,644</u>

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

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

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 675,300	\$ 675,300	\$ 748,225	\$ 72,925
Unrestricted intergovernmental	441,616	441,616	516,328	74,712
Restricted intergovernmental	288,000	288,000	342,219	54,219
Permits, fees, sales, services and other	265,380	265,380	288,928	23,548
Investment earnings	1,000	1,000	1,653	653
Total revenues	1,671,296	1,671,296	1,897,353	226,057
Expenditures:				
Current:				
General government	153,693	132,270	143,044	(10,774)
Public safety	813,982	821,192	857,718	(36,526)
Transportation	368,030	423,477	432,213	(8,736)
Environmental protection	133,398	145,219	147,715	(2,496)
Culture and recreation	310,853	258,108	255,622	2,486
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	30,000	68,210	62,822	5,388
Total expenditures	1,809,956	1,848,476	1,899,134	(50,658)
Revenues over (under) expenditures	(138,660)	(177,180)	(1,781)	175,399
Other financing sources (uses):				
Appropriated fund balance	4,160	42,680	-	(42,680)
Transfers	134,500	134,500	19,357	(115,143)
Sale of capital assets	-	-	31,500	31,500
Total other financing sources (uses)	138,660	177,180	50,857	(126,323)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	49,076	\$ 49,076
Fund balances, beginning			671,629	
Fund balances, ending			\$ 720,705	

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

**Town of Scotland Neck
Statement of Net Position
Proprietary Funds
June 30, 2021**

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,682,832	\$ 88,321	\$ 1,771,153
Restricted cash and cash equivalents	80,411	26,065	106,476
Accounts receivable (net) - trade	389,970	206,711	596,681
Prepaid expenses	-	-	-
Due from other governments	7,563	13,663	21,226
Due from other funds	-	-	-
Inventories	216,644	22,940	239,584
Total current assets	<u>2,377,420</u>	<u>357,700</u>	<u>2,735,120</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	11,543	10,500	22,043
Other capital assets, net of depreciation	283,313	6,738,964	7,022,277
Capital assets (net)	<u>294,856</u>	<u>6,749,464</u>	<u>7,044,320</u>
Total noncurrent assets	<u>294,856</u>	<u>6,749,464</u>	<u>7,044,320</u>
Total assets	<u>2,672,276</u>	<u>7,107,164</u>	<u>9,779,440</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	32,058	20,961	53,019
Pension deferrals	56,415	36,886	93,301
Total deferred outflows of resources	<u>88,473</u>	<u>57,847</u>	<u>146,320</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities - trade	666,186	40,381	706,567
Due to other funds	3,635	19,171	22,806
Customer deposits	80,411	26,065	106,476
General obligation bonds payable - current	-	43,000	43,000
Total current liabilities	<u>750,232</u>	<u>128,617</u>	<u>878,849</u>
Noncurrent liabilities:			
General obligation bonds payable - noncurrent (net)	-	183,000	183,000
Net pension liability	126,635	82,800	209,435
Compensated absences	7,271	3,809	11,080
Total noncurrent liabilities	<u>133,906</u>	<u>269,609</u>	<u>403,515</u>
Total liabilities	<u>884,138</u>	<u>398,226</u>	<u>1,282,364</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	2,653	1,735	4,388
Unavailable revenue	-	30,000	30,000
Total deferred inflows of resources	<u>2,653</u>	<u>31,735</u>	<u>34,388</u>
NET POSITION			
Net investment in capital assets	294,856	6,523,464	6,818,320
Unrestricted	1,579,102	211,586	1,790,688
Total net position	<u>\$ 1,873,958</u>	<u>\$ 6,735,050</u>	<u>\$ 8,609,008</u>

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

Town of Scotland Neck
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Electricity sales	\$ 3,503,449	\$ -	\$ 3,503,449
Water and sewer charges	-	1,315,539	1,315,539
Other operating revenues	-	20,949	20,949
Total operating revenues	3,503,449	1,336,488	4,839,937
OPERATING EXPENSES			
Electric operations	3,378,624	-	3,378,624
Water treatment distribution	-	1,165,338	1,165,338
Depreciation	28,469	536,129	564,598
Total operating expenses	3,407,093	1,701,467	5,108,560
Operating income (loss)	96,356	(364,979)	(268,623)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	-	-	-
Interest and other charges	-	(10,782)	(10,782)
Miscellaneous	-	10,000	10,000
Total nonoperating revenue (expenses)	-	(782)	(782)
Income (loss) before contributions and transfers	96,356	(365,761)	(269,405)
Grants	-	-	-
Forgiveness of Interfund debt	-	-	-
Transfers (to) from other funds	(99,357)	80,000	(19,357)
Total income (loss) after contributions and transfers	(3,001)	(285,761)	(288,762)
Change in net position	(3,001)	(285,761)	(288,762)
Total net position, beginning	1,876,959	7,020,811	8,897,770
Total net position, ending	\$ 1,873,958	\$ 6,735,050	\$ 8,609,008

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

**Town of Scotland Neck
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021**

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,561,716	\$ 1,377,028	\$ 4,938,744
Cash paid for goods and services	(2,618,328)	(809,594)	(3,427,922)
Cash paid to or on behalf of employees for services	(400,517)	(266,814)	(667,331)
Nonoperating revenues	-	-	-
Net cash provided (used) by operating activities	542,871	300,620	843,491
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund activity	23,693	(135,971)	(112,278)
Transfer (to) / from other funds	(99,357)	80,000	(19,357)
Total cash flows provided (used) by noncapital financing activities	(75,664)	(55,971)	(131,635)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(95,388)	(111,404)	(206,792)
Principal and interest paid on bonds and notes	-	(53,782)	(53,782)
Grants	-	-	-
Net cash provided (used) by capital and related financing activities	(95,388)	(165,186)	(260,574)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	-	-
Net cash provided (used) by investing activities	-	-	-
Net increase in cash and cash equivalents	371,819	79,463	451,282
Balances, beginning	1,391,424	34,923	1,426,347
Balances, ending	\$ 1,763,243	\$ 114,386	\$ 1,877,629
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 96,356	\$ (364,979)	\$ (268,623)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	28,469	536,129	564,598
Pension expense	48,463	31,687	80,150
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	84,479	65,736	150,215
(Increase) decrease in due from other governments	(7,563)	(6,338)	(13,901)
(Increase) decrease in inventory	30,692	814	31,506
(Increase) decrease in prepaid expenses	-	37,839	37,839
(Increase) decrease in deferred outflows of resources - pensions	(2,926)	(38,410)	(41,336)
Increase in net pension liability	15,193	55,726	70,919
Increase (decrease) in deferred inflows of resources - pensions	2,289	(514)	1,775
Increase (decrease) in accounts payable and accrued liabilities	281,003	(1,064)	279,939
Increase (decrease) in customer deposits	(24,299)	(8,858)	(33,157)
Increase (decrease) in unearned revenue	-	(10,000)	(10,000)
Increase (decrease) in compensated absences	(9,285)	2,852	(6,433)
Total adjustments	446,515	665,599	1,112,114
Net cash provided (used) by operating activities	\$ 542,871	\$ 300,620	\$ 843,491

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

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Scotland Neck conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting entity

The Town of Scotland Neck is a municipal corporation which is governed by an elected mayor and a five-member Board of Commissioners.

B. Basis of Presentation-Fund Accounting

Government-wide Statements:

The statement of net position and the statement of activities display information about the government. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the Town. Government activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund financial statements:

The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for service, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

Special Revenue Funds – Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Town maintains two Special Revenue Funds: The OCH Grant Reimbursement Fund and the Marketing Fund.

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

The Town reports the following major enterprise funds:

Electric Fund – This fund is used to account for the Town's electric fund operations.

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations.

The Town reports no non-major enterprise funds.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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.

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 judgment, 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Halifax County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

D. Budgetary Data

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

E. Assets, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

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

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and cash equivalents are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended grant funds of the Capital Projects funds and various grant funds are classified as restricted assets for the Enterprise and General Fund because their use is completely restricted to the purpose for which the funds were originally issued. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit is collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. In addition, public safety funds are also restricted. The funds are only to be expended for public safety related expenditures.

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

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These payments are expensed as items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets consisting of road networks prior to July 1, 2003 have not been recorded as permitted by GASB Statement 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Computer Equipment	3
Furniture and office equipment	10

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items meeting this criterion, contributions made to the

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

pension plan in the 2021 fiscal year and pension deferrals. 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 three items that meet the criterion for this category – property taxes receivable, unavailable revenues, and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety.

Restricted for Economic Development – portion of fund balance restricted by grantors to economic development.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund

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

balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – portion of fund balance that the Town of Scotland Neck intends to use for specific purposes.

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

The Town of Scotland Neck 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.

F. Revenues, Expenditures, and Expenses

1. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Operating transfers-out" in the General Fund and "Operating transfers-in" in the receiving fund.

2. 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 and proprietary funds, an expense and 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

3. Pensions

For purposes of measuring the net pension asset, 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 the Law Enforcement Officer's Separation Allowance (LEO) and additions to/deductions from LGERS' and LEOs' fiduciary net position have been determined on the same basis as they are reported by LGERS and LEO. For this purpose, plan member contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS and LEO. Investments are reported as fair value.

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes
Finding 2021-002 addresses utility records not reconciled to the general ledger.
2. Contractual Violations
None.

B. Deficit in Fund Balance or Net Position of Individual Funds
None.

C. Excess of Expenditures over Appropriations
Finding 2021-001 addresses expenditures in excess of approved budgets.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$2,606,007 and a bank balance of \$2,609,105. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder of \$2,109,105 was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$800.

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the allowance for doubtful accounts. As of June 30, 2021, the General Fund's allowance for doubtful accounts was \$7,500, the Electric Fund's allowance for doubtful accounts was \$39,600, and the Water Sewer Fund's allowance for doubtful accounts was \$22,200.

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

3. Capital Assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land and construction in progress	\$ 348,199	\$ -	\$ -	\$ 348,199
Capital assets being depreciated				
Buildings	3,515,508	-	-	3,515,508
Equipment	512,451	37,822	-	550,273
Infrastructure	34,000	-	-	34,000
Vehicles	2,343,057	25,000	-	2,368,057
Total capital assets being depreciated	6,405,016	62,822	-	6,467,838
Less accumulated depreciation for				
Buildings	1,818,433	88,986	-	1,907,419
Equipment	458,358	10,255	-	468,613
Infrastructure	10,880	680	-	11,560
Vehicles	1,915,227	64,777	-	1,980,004
Total accumulated depreciation	4,202,898	\$ 164,698	\$ -	4,367,596
Total capital assets, depreciated, net	2,202,118			2,100,242
Governmental activity capital assets, net	<u>\$ 2,550,317</u>			<u>\$ 2,448,441</u>

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

General Government	\$ 72,467
Public Safety	51,056
Transportation	21,411
Culture and Recreation	19,764
	<u>\$ 164,698</u>

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

Business-type activity:	Beginning Balance	Increases	Decreases	Ending Balance
Electric Fund				
Capital assets not being depreciated				
Land and construction in progress	\$ 11,543	\$ -	\$ -	\$ 11,543
Capital assets being depreciated				
Plant and distribution systems	619,828	-	-	619,828
Maintenance equipment	750,238	95,388	-	845,626
Vehicles	487,173	-	-	487,173
Total capital assets being depreciated	1,857,239	95,388	-	1,952,627
Less accumulated depreciation for				
Plant and distribution systems	489,714	4,327	-	494,041
Maintenance equipment	676,871	14,730	-	691,601
Vehicles	474,260	9,412	-	483,672
Total accumulated depreciation	1,640,845	\$ 28,469	\$ -	1,669,314
Total capital assets, depreciated, net	216,394			283,313
Electric Fund capital assets, net	<u>\$ 227,937</u>			<u>\$ 294,856</u>
Water and Sewer Fund				
Capital assets not being depreciated				
Land and construction in progress	\$ 10,500	\$ -	\$ -	\$ 10,500
Capital assets being depreciated				
Plant and distribution systems	16,472,210	-	-	16,472,210
Maintenance equipment	423,515	95,388	-	518,903
Vehicles	52,155	16,016	-	68,171
Total capital assets being depreciated	16,947,880	111,404	-	17,059,284
Less accumulated depreciation for				
Plant and distribution systems	9,340,886	524,114	-	9,865,000
Maintenance equipment	391,150	10,680	-	401,830
Vehicles	52,155	1,335	-	53,490
Total accumulated depreciation	9,784,191	\$ 536,129	\$ -	10,320,320
Total capital assets, depreciated, net	7,163,689			6,738,964
Water and Sewer Fund capital assets, net	<u>\$ 7,174,189</u>			<u>\$ 6,749,464</u>
Business-type activities capital assets, net	<u>\$ 7,402,126</u>			<u>\$ 7,044,320</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Scotland Neck is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local 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

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

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 monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, 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 were \$123,301, for the year ended June 30, 2021.

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

Pensions 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 \$487,058 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 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, the Town's proportion was 0.01363%, which was an increase of .00257% from its proportion measured as of June 30, 2019.

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

For the year ended June 30, 2021, the Town recognized pension expense of \$186,397. 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	\$ 61,507	\$ -
Changes of assumptions	36,247	-
Net difference between projected and actual earnings on pension plan investments	68,540	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	50,685	10,204
Employer contributions subsequent to the measurement date	123,301	-
Total	\$ 340,280	\$ 10,204

\$123,301 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Future amortization:

Year Ended June 30:

2022	\$ 63,957
2023	73,303
2024	49,230
2025	20,284
	\$ 206,774

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

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 mortality improvements.

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current ad historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple

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

year horizons. Global public equity return projections are established through analysis of the equity risk premium and fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	<u>100%</u>	

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumption, 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 asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset 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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 988,188	\$ 487,058	\$ 70,584

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 Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Scotland Neck administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service.

The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full time law enforcement officers of the Town. At December 31, 2019, the Separation Allowance's membership consisted of:

Inactive Members Currently Receiving Benefits	-
Active Plan Members	<u>8</u>
Total	<u><u>8</u></u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies*

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

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

3. *Actuarial Assumptions*

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

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factors
Discount rate	1.93 percent

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

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. *Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the

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

Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

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

At June 30, 2021 the Town reported a total pension liability of \$168,974. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$22,132.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,493	\$ 17,102
Changes of assumptions	49,505	3,196
Benefit payments and administrative expenses subsequent to the measurement date	17,209	-
	<u>\$ 100,207</u>	<u>\$ 20,298</u>

\$17,209 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2022	\$ 9,881
2023	10,031
2024	10,061
2025	10,686
2026	11,936
Thereafter	10,105
	<u>\$ 62,700</u>

Sensitivity of the Town's total pension liability to changes in the discount rate.

The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease 0.93%	Discount Rate 1.93%	1% Increase 2.93%
Total pension liability	\$ 190,591	\$ 168,974	\$ 149,889

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

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2021
Beginning balance	\$ 66,092
Service cost	10,096
Interest on the total pension liability	2,155
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	39,298
Changes of assumptions or other inputs	51,333
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 168,974</u>

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

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

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 186,397	\$ 22,132	\$ 208,529
Pension Liability	487,058	168,974	656,032
Proportionate share of the net pension liability	0.01363%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	61,507	33,493	95,000
Changes of assumptions	36,247	49,505	85,752
Net difference between projected and actual earnings on plan investments	68,540	-	68,540
Changes in proportion and differences between contributions and proportionate share of contributions	50,685	-	50,685
Benefit payments and administrative costs paid subsequent to the measurement date	123,301	17,209	140,510
Deferred Inflows of Resources			
Differences between expected and actual experience	-	17,102	17,102
Changes of assumptions	-	3,196	3,196
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,204	-	10,204

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$51,131 which consisted of \$28,377 from the Town and \$22,754 from the law enforcement officers.

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to \$10,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town has two deferred outflows of resources comprised of the following elements:

Contributions to pension plan in current fiscal year	<u>\$ 140,510</u>
Pension deferrals	<u>\$ 299,977</u>

Deferred inflows of resources are comprised of the following elements:

General Fund	
Ad valorem taxes – unavailable	<u>\$ 113,447</u>
Water and Sewer Fund	
Unavailable Revenue	<u>\$ 30,000</u>
Pension deferrals	<u>\$ 30,502</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single

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

occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town does not hold any flood insurance as of June 30, 2021. The Town does not own any buildings that are located in a flood plain and does not believe that flood insurance is a necessity.

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 is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

5. Claims, Judgments and Contingent Liabilities

The Town had no claims, judgments or contingent liabilities as of June 30, 2021.

6. Long-Term Obligations

a. Notes Payable

Business Type Activities

The general obligation direct placement bonds were issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All bonds are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2021 are comprised of the following individual issues:

NC Division of Water Quality-Sewer Improvements Note Payable	
Annual payments of \$20,000 plus interest at 2.66%	\$ 95,000
 \$663,000 1988 sewer bond due in annual variable installments through June 1, 2027 with interest at 5%	 <u>131,000</u>
 Totals at June 30, 2021	 <u><u>\$ 226,000</u></u>

Future maturities of installment debt are as follows:

Year Ending June 30	Total	Principal	Interest
2022	\$ 52,077	\$ 43,000	\$ 9,077
2023	50,372	43,000	7,372
2024	48,666	43,000	5,666
2025	46,961	43,000	3,961
2026	44,750	43,000	1,750
2027	11,550	11,000	550
	<u>\$ 254,376</u>	<u>\$ 226,000</u>	<u>\$ 28,376</u>

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

At June 30, 2021, the Town of Scotland Neck had a legal debt margin of \$6,532,218.

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Compensated Absences	\$ 33,141	\$ 1,421	\$ -	\$ 34,562	\$ -
Net pension liability (LGERS)	163,524	114,099	-	277,623	-
Total pension liability (LEO)	66,092	102,882	-	168,974	-
Governmental Activities	\$ 262,757	\$ 218,402	\$ -	\$ 481,159	\$ -
Business-Type Activities:					
Compensated Absences	\$ 17,513	\$ -	\$ 6,433	\$ 11,080	\$ -
Net pension liability (LGERS)	138,516	70,919	-	209,435	-
Note Payable	269,000	-	43,000	226,000	43,000
Business-Type Activities	\$ 425,029	\$ 70,919	\$ 49,433	\$ 446,515	\$ 43,000

7. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021, consist of the following:

Due to OCH Fund from General Fund	\$ 11,407
Due to General Fund from Electric Fund	3,635
Due to General Fund from Water and Sewer Fund	19,171
Total	\$ 34,213

These funds were used to pay operating costs of the General Fund, Electric Fund and the Water and Sewer Fund.

8. Unavailable Revenue

Unavailable revenue refers to funds received by the Town of Hobgood for capacity in the Town of Scotland Neck's waste water treatment plant. The Town of Hobgood ran a sewer line to the Town of Scotland Neck's plant so that the Town of Scotland Neck could treat the sewer for Hobgood. Hobgood paid \$200,000 in 2004, and \$10,000 of revenue is recognized each year for 20 years.

C. Fund Balance

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

Total fund balance - General Fund	\$ 720,705
Less:	
Restricted:	
Stabilization by State Statute	105,535
Streets	181,120
Public Safety	21,899
Remaining Fund Balance	\$ 412,151

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

The Town of Scotland Neck 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.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several 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 moneys 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 moneys.

COVID-19 Contingencies

During the year ended June 30, 2021, the COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2021, and additional impact on operational and financial performance may occur.

V. Estimates

The management of the Town analyzed its General Government Administration costs for the year and developed several formulas for allocating these costs to the Enterprise funds. The allocations are intended to have all funds participate in the governing body costs based on their usage of administration services.

VI. Jointly Governed Organizations

The Town is a member of the North Carolina Eastern Municipal Power Agency (the Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities through the Agency. The Town receives power from the Agency, and is contractually allocated a .576% interest in the Agency, with the balance being shared by thirty-one other local governments. Each participating government appoints one commissioner to the Agency's governing board. The Town is obligated to purchase all of its power supply requirements from the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2021 were \$2,497,325.

The Town, in conjunction with five counties and thirty other municipalities established the Region L Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board.

VII. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Fireman's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salary and fringe benefits made to members of the Town's fire department by the board of trustees. The participating governments do not have any equity

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

interest in the joint venture, so no equity has been reflected in the financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at Post Office Box 188, Farmville, North Carolina 27828.

VIII. Subsequent Events and Special Items

The Town evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued, which is the date of the independent auditors' report. Subsequent events after that date have not been evaluated. No subsequent events occurred during this period that require disclosure.

IX. Transfers

During the year, the Town transferred \$19,357 from the Electric and Water Funds to the General Fund. All transfers were made to provide financing for operating expenses.

X. Expense Reimbursements

Allocated costs are used to reduce the related in expenses in the Electric Fund and the Water and Sewer fund. Generally, salaries, the related fringes and other operating costs are reimbursed by reducing the related expense accounts.

XI. Powell Bill Funds and Restricted Funds for Streets

Powell Bill funds and other funds were used for streets as follows:

	Powell Bill	Other Funds	Total
Net Position 7/1/2020	\$ 167,157	\$ -	\$ 167,157
Revenues	57,173	-	57,173
Interest income	-	-	-
Expenses	(43,210)	-	(43,210)
Reclassifications	-	-	-
Net position 6/30/2021	\$ 181,120	\$ -	\$ 181,120

**REQUIRED SUPPLEMENTARY STATEMENTS
AND SCHEDULES**

This section contains additional information required by the
Local Government Commission in North Carolina.

Town of Scotland Neck
Town of Scotland Neck's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years *

Local Government Employees' Retirement System								
	2021	2020	2019	2018	2017	2016	2015	2014
Scotland Neck's proportion of the net pension liability (asset) (%)	0.01363%	0.01106%	0.01227%	0.01267%	0.00841%	0.00848%	0.00938%	0.00940%
Scotland Neck's proportion of the net pension liability (asset) (\$)	\$ 487,058	\$ 302,040	\$ 291,086	\$ 193,565	\$ 178,490	\$ 38,059	\$ (55,317)	\$ 113,306
Scotland Neck's covered-employee payroll	\$ 1,087,836	\$ 752,737	\$ 711,501	\$ 711,113	\$ 553,023	\$ 562,446	\$ 568,885	\$ 550,715
Scotland Neck's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.77%	40.13%	40.91%	27.22%	32.28%	6.77%	(9.72%)	20.57%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Town of Scotland Neck
Town of Scotland Neck's Contributions
Required Supplementary Information
Last Eight Fiscal Years *

	Local Government Employees' Retirement System							
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 123,301	\$ 101,256	\$ 58,535	\$ 56,169	\$ 53,389	\$ 38,260	\$ 40,382	\$ 40,515
Contributions in relation to the contractually required contribution	123,301	101,256	58,535	56,169	53,389	38,260	40,382	40,515
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Scotland Neck's covered-employee payroll	\$ 1,175,028	\$ 1,087,836	\$ 752,737	\$ 711,501	\$ 711,113	\$ 553,023	\$ 562,446	\$ 568,885
Contributions as a percentage of covered-employee payroll	10.49%	9.31%	7.78%	7.89%	7.51%	6.92%	7.18%	7.12%

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

	2021	2020	2019	2018	2017
Beginning Balance	\$ 66,092	\$ 63,799	\$ 62,305	\$ 56,594	\$ 51,911
Service cost	10,096	7,182	10,797	9,133	3,940
Interest on the total pension liability	2,155	2,322	1,969	2,185	1,853
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	39,298	(10,967)	(6,198)	(12,449)	-
Changes of assumptions or other inputs	51,333	3,756	(5,074)	6,842	(1,110)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending Balance of the Total Pension Liability	<u>\$ 168,974</u>	<u>\$ 66,092</u>	<u>\$ 63,799</u>	<u>\$ 62,305</u>	<u>\$ 56,594</u>

Town of Scotland Neck
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Total Pension Liability	\$ 168,974	\$ 66,092	\$ 63,799	\$ 62,305	\$ 56,594
Covered Payroll	332,832	341,427	277,306	352,090	149,168
Total Pension Liability as a Percentage of Covered Payroll	50.77%	19.36%	23.01%	17.70%	37.94%

Notes to the schedules:

The Town of Scotland Neck has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**Town of Scotland Neck
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year		\$ 631,817	
Prior years		109,767	
Penalties and interest		6,641	
Total	<u>\$ 675,300</u>	<u>748,225</u>	<u>\$ 72,925</u>
Unrestricted intergovernmental:			
Utility sales tax		149,668	
Beer and wine tax		4,741	
US Cellular water tank		23,430	
Local option sales tax		319,260	
Grant funds		19,229	
Total	<u>441,616</u>	<u>516,328</u>	<u>74,712</u>
Restricted intergovernmental:			
Powell Bill allocation		57,173	
Administration on Aging - Senior Center		98,077	
Grant police funds		16,909	
FEMA reimbursement		3,434	
COVID-19 reimbursement		44,600	
County business horizons/appraisal;		1,500	
County supplement		7,000	
Fire district taxes and supplement		113,526	
Total	<u>288,000</u>	<u>342,219</u>	<u>54,219</u>
Permits, fees, sales, services, and other			
Miscellaneous/refunds/rentals/other		43,681	
Solid waste fees		238,217	
Other fees		7,030	
Total	<u>265,380</u>	<u>288,928</u>	<u>23,548</u>
Investment earnings	<u>1,000</u>	<u>1,653</u>	<u>653</u>
Total revenues	<u>1,671,296</u>	<u>1,897,353</u>	<u>226,057</u>
Expenditures:			
General government and administration:			
Salaries and employee benefits		51,697	
Operating expenses		91,347	
Total	<u>132,270</u>	<u>143,044</u>	<u>(10,774)</u>

**Town of Scotland Neck
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police:			
Salaries and employee benefits		531,621	
Operating expenses		219,098	
Fire and rescue:			
Contract and operating expenses		106,999	
Debt services		-	
Capital outlay		-	
Total	821,192	<u>857,718</u>	<u>(36,526)</u>
Transportation:			
Salaries and employee benefits		283,996	
Operating expenses		142,829	
Powell Bill		5,388	
Debt service		-	
Capital outlay		62,822	
Total	491,687	<u>495,035</u>	<u>(3,348)</u>
Environmental protection:			
Salaries and employee benefits		61,051	
Solid waste fees		70,327	
Operating expenses		16,337	
Total	<u>145,219</u>	<u>147,715</u>	<u>(2,496)</u>
Culture and recreation:			
Salaries and employee benefits		110,806	
Other operating expenditures		144,816	
Capital outlay		-	
Total	<u>258,108</u>	<u>255,622</u>	<u>2,486</u>
Total expenditures	<u>1,848,476</u>	<u>1,899,134</u>	<u>(50,658)</u>
Revenues over (under) expenditures	<u>(177,180)</u>	<u>(1,781)</u>	<u>175,399</u>

**Town of Scotland Neck
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfers	134,500	19,357	(115,143)
Sale of capital assets	-	31,500	31,500
Fund balance appropriated	<u>42,680</u>	<u>-</u>	<u>(42,680)</u>
Total	<u>177,180</u>	<u>50,857</u>	<u>(126,323)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	49,076	<u>\$ 49,076</u>
Fund balances, beginning,		671,629	
Fund balances, ending		<u>\$ 720,705</u>	

**Town of Scotland Neck
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2021**

	OCH Fund	Marketing Fund	Total Non-major Governmental Funds
Assets			
Cash and cash equivalents	\$ 106,347	\$ 27	\$ 106,374
Grants receivable	-	-	-
Due from other funds	11,407	-	11,407
	<u>117,754</u>	<u>27</u>	<u>117,781</u>
Total assets	<u>\$ 117,754</u>	<u>\$ 27</u>	<u>\$ 117,781</u>
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Restricted for			
Economic Development	117,754	27	117,781
	<u>117,754</u>	<u>27</u>	<u>117,781</u>
Total fund balances	<u>117,754</u>	<u>27</u>	<u>117,781</u>
Total liabilities and fund balances	<u>\$ 117,754</u>	<u>\$ 27</u>	<u>\$ 117,781</u>

Town of Scotland Neck
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-major Governmental Funds
June 30, 2021

	OCH Fund	Marketing Fund	Total Non-major Governmental Funds
Revenues			
Program income	\$ -	\$ 1,320	\$ 1,320
Restricted intergovernmental	-	-	-
Interest and economic incentives	58	-	58
	<u>58</u>	<u>-</u>	<u>58</u>
Total revenues	<u>58</u>	<u>1,320</u>	<u>1,378</u>
Expenditures			
Economic and physical development	-	1,352	1,352
Cultural and recreational	-	-	-
Community Development	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>1,352</u>	<u>1,352</u>
Revenues over (under) expenses	58	(32)	26
Other Financing Sources (Uses)			
Operating transfer in/out	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	58	(32)	26
Fund balance, beginning	<u>117,696</u>	<u>59</u>	<u>117,755</u>
Fund balance, ending	<u><u>\$ 117,754</u></u>	<u><u>\$ 27</u></u>	<u><u>\$ 117,781</u></u>

**Town of Scotland Neck
Special Revenue Fund - OCH Grant Project Fund
Balance Sheet
June 30, 2021**

Assets

Cash and cash equivalents	\$ 106,347
Note receivable - local business	-
Due from other funds	<u>11,407</u>
Total assets	<u><u>\$ 117,754</u></u>

Liabilities and Fund Balances

Liabilities	
Due to other funds	\$ -
Unearned revenues	<u>-</u>
Total liabilities	<u>-</u>
Fund balances	
Restricted for Economic Development	<u>117,754</u>
Total fund balances	<u>117,754</u>
Total liabilities and fund balances	<u><u>\$ 117,754</u></u>

Town of Scotland Neck
Special Revenue Fund - OCH Grant Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2021

	<u>Prior Years</u>	<u>June 30, 2021</u>	<u>Total to Date</u>
Revenues			
Payments from local businesses	\$ 749,476	\$ -	\$ 749,476
Interest and economic incentives	233,734	58	233,792
	<u>983,210</u>	<u>58</u>	<u>983,268</u>
Expenditures			
Economic and physical development			
Hospital Heliport	5,000	-	5,000
Public safety - police grant	8,417	-	8,417
Medical Access Plan	7,499	-	7,499
Recreation department	58,903	-	58,903
Business development	445,363	-	445,363
Library expansion	50,000	-	50,000
Community development	388,186	-	388,186
Administration	2,479	-	2,479
	<u>965,847</u>	<u>-</u>	<u>965,847</u>
Revenues over (under) expenses	17,363	58	17,421
Other Financing Sources (Uses)			
Operating transfer in/out	27,000	-	27,000
Excess (deficiency) of revenues over expenditures	<u>\$ 44,363</u>	58	<u>\$ 44,421</u>
Fund balance - beginning of year		<u>117,696</u>	
Fund balance, ending		<u>\$ 117,754</u>	

Town of Scotland Neck
Special Revenue Fund - OCH Grant Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021 and From Inception

		<u>Actual</u>			Variance
	Project	Prior	Current	Total Project	Favorable
	Authorization	Years	Year	To Date	(Unfavorable)
Revenues:					
Payments from local businesses	\$ 692,184	\$ 749,476	\$ -	\$ 749,476	\$ 57,292
Community Development Block Grant	308,524	-	-	-	(308,524)
Interest and other	162,337	233,593	58	233,651	71,314
Total revenues	1,163,045	983,069	58	983,127	(179,918)
Expenditures:					
Economic and physical development					
Hospital Heliport	5,000	5,000	-	5,000	-
Public safety - police grant	8,417	8,417	-	8,417	-
Medical Access Plan	7,499	7,499	-	7,499	-
Recreation department	58,903	58,903	-	58,903	-
Community development	527,476	388,186	-	388,186	139,290
Library expansion	50,000	50,000	-	50,000	-
Business development	523,271	445,363	-	445,363	77,908
Administration	2,479	2,479	-	2,479	-
Total expenditures	1,183,045	965,847	-	965,847	217,198
Excess (Deficit) of revenues over (under) expenditures	(20,000)	17,222	58	17,280	37,280
Other financing sources (uses):					
Transfers	20,000	40,000	-	40,000	20,000
Total other financing sources (uses)	20,000	40,000	-	40,000	20,000
Excess (Deficit) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -	\$ 57,222	58	\$ 57,280	\$ 57,280
Fund balance - beginning of year				117,696	
Fund balance - end of year				<u>\$ 117,754</u>	

**Town of Scotland Neck
Special Revenue Fund - Marketing Fund
Balance Sheet
June 30, 2021**

Assets

Cash and cash equivalents	\$ 27
Note receivable - local business	-
Due from other funds	-
	<hr/>
Total assets	<u><u>\$ 27</u></u>

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities	\$ -
Unearned revenues	-
	<hr/>
Total liabilities	<hr/> -

Fund balances

Restricted for Economic Development	27
	<hr/>
Total fund balances	<hr/> 27

Total liabilities and fund balances	<u><u>\$ 27</u></u>
-------------------------------------	---------------------

**Town of Scotland Neck
Special Revenue Fund - Marketing Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2021**

	<u>Prior Years</u>	<u>June 30, 2021</u>	<u>Total to Date</u>
Revenues			
Grant revenues and town contributions	\$ 541,039	\$ 1,320	\$ 542,359
Interest and economic incentives	<u>78,088</u>	<u>-</u>	<u>78,088</u>
Total revenues	<u>619,127</u>	<u>1,320</u>	<u>620,447</u>
Expenditures			
Economic and physical development			
Marketing/economic incentives	477,706	1,352	479,058
Salary/benefits	131,050	-	131,050
Administration	<u>22,494</u>	<u>-</u>	<u>22,494</u>
Total expenditures	<u>631,250</u>	<u>1,352</u>	<u>632,602</u>
Revenues over (under) expenses	(12,123)	(32)	(12,155)
Other Financing Sources (Uses)			
Operating transfer in/out	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (12,123)</u>	(32)	<u>\$ (12,155)</u>
Fund balance, beginning		<u>59</u>	
Fund balance, ending		<u>\$ 27</u>	

Town of Scotland Neck
Special Revenue Fund - Marketing Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021 and From Inception

	Actual				Variance
	Project	Prior	Current	Total Project	Favorable
	Authorization	Years	Year	To Date	(Unfavorable)
Revenues:					
Grant revenues and town contributic	\$ 598,312	\$ 541,039	\$ 1,320	\$ 542,359	\$ (55,953)
Interest and other revenue	17,487	61,354	-	61,354	43,867
Total revenues	615,799	602,393	1,320	603,713	(12,086)
Expenditures:					
Economic and physical development					
Marketing/Economic incentives	462,255	477,706	1,352	479,058	(16,803)
Salary/benefits	131,050	131,050	-	131,050	-
Administration	22,494	22,494	-	22,494	-
Total expenditures	615,799	631,250	1,352	632,602	(16,803)
Excess (Deficit) of revenues over (under) expenditures	-	(28,857)	(32)	(28,889)	(28,889)
Other financing sources (uses):					
Transfers	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (Deficit) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -	\$ (28,857)	(32)	\$ (28,889)	\$ (28,889)
Fund balance - beginning of the year			59		
Fund balance - end of the year			\$ 27		

**Town of Scotland Neck
Electric Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Electricity sales		\$ 3,503,449	
Other operating revenues		-	
Total operating revenues	<u>\$ 3,701,713</u>	<u>3,503,449</u>	<u>\$ (198,264)</u>
Non-operating revenues:			
Miscellaneous		-	-
Total revenues	<u>3,701,713</u>	<u>3,503,449</u>	<u>(198,264)</u>
Expenditures:			
Electrical operations:			
Salaries and employee benefits		400,517	
Utility purchases/costs		2,497,325	
Supplies		8,135	
Repairs and maintenance		27,211	
Other operating expenditures		391,702	
Total electrical operations	<u>3,506,968</u>	<u>3,324,890</u>	<u>182,078</u>
Capital outlay:			
Equipment purchases		95,388	
Total capital outlay	<u>95,388</u>	<u>95,388</u>	<u>-</u>
Total expenditures	<u>3,602,356</u>	<u>3,420,278</u>	<u>182,078</u>
Revenues over (under) expenditures before other financing sources (uses)	99,357	83,171	(16,186)
Other financing sources (uses):			
Transfers	<u>(99,357)</u>	<u>(99,357)</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (16,186)</u>	<u>\$ (16,186)</u>

Reconciliation of Modified Accrual Basis to Full Accrual Basis

Revenues over (under) expenditures	\$ (16,186)
Reconciling items:	
Capital outlay	95,388
Depreciation	(28,469)
Decrease in compensated absences	9,285
Increase in net pension liability	(15,193)
Increase in deferred outflows of resources - pensions	2,926
Decrease in deferred inflows of resources - pensions	(2,289)
Pension expense	(48,463)
Net Income (Loss)	<u>\$ (3,001)</u>

**Town of Scotland Neck
Water and Sewer Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water and sewer charges		\$ 1,315,539	
Other operating revenues		20,949	
Total operating revenues	\$ 1,352,318	1,336,488	\$ (15,830)
Non-operating revenues:			
Interest on investments			
Miscellaneous		10,000	
Total non-operating revenues	-	10,000	10,000
Total revenues	1,352,318	1,346,488	(5,830)
Expenditures:			
Water and sewer distribution:			
Salaries and employee benefits		266,814	
Purchase of water/operating supplies		379,885	
Maintenance and repairs		86,703	
Other operating expenditures		380,595	
Total water/sewer operations	1,154,043	1,113,997	40,046
Debt service:			
Principal retirement		43,000	
Interest		10,782	
Total debt service	66,871	53,782	13,089
Capital outlay:			
Equipment purchases		95,388	
Vehicle purchases		16,016	
Total capital outlay	111,404	111,404	-
Total expenditures	1,332,318	1,279,183	53,135
Revenues over (under) expenditures before other financing sources (uses)	20,000	67,305	47,305
Other financing sources (uses):			
Forgiveness of interfund debt	-	-	-
Operating transfers to (from) other funds	(20,000)	80,000	100,000
Revenues over (under) expenditures	\$ -	\$ 147,305	\$ 147,305

Reconciliation of Modified Accrual Basis to Full Accrual Basis

Revenues over (under) expenditures	\$ 147,305
Reconciling items:	
Capital outlay	111,404
Depreciation	(536,129)
Increase in compensated absences	(2,852)
Increase in net pension liability	(55,726)
Increase in deferred outflows of resources - pensions	38,410
Increase in deferred inflows of resources - pensions	514
Pension expense	(31,687)
Principal repayments	43,000
Net Income (Loss)	<u>\$ (285,761)</u>

OTHER SCHEDULES

This section contains additional information required
on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

**Town of Scotland Neck
General Fund
Schedule of Ad Valorem Taxes Receivable**

June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Abatements and Adjustments</u>	<u>Uncollected Balance June 30, 2021</u>
2020	\$	\$ 663,150	\$ (637,830)	\$ -	\$ 25,320
2019	27,665	-	(11,766)	-	15,899
2018	14,634	-	(3,824)	-	10,810
2017	11,552	-	(1,918)	-	9,634
2016	10,552	-	(1,506)	-	9,046
2015	10,592	-	(1,547)	-	9,045
2014	12,362	-	(1,301)	-	11,061
2013	8,485	-	(206)	-	8,279
2012	8,839	-	(425)	-	8,414
2011	5,951	-	(12)	-	5,939
	<u>\$ 110,632</u>	<u>\$ 663,150</u>	<u>\$ (660,335)</u>	<u>\$ -</u>	<u>\$ 113,447</u>

Ad valorem taxes receivable	<u>\$ 113,447</u>
-----------------------------	-------------------

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 656,950
Reconciling items:	
Interest collected	6,641
Adjustments	<u>(3,256)</u>
Subtotal	<u>3,385</u>
Total collections and credits	<u>\$ 660,335</u>

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

	Town - Wide Property Valuation	Rate	Total Levy	Total Levy Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 84,477,720	0.7850	\$ 663,150	\$ 578,489	\$ 84,661
Abatements and adjustments			-	-	-
Net levy			663,150	578,489	84,661
Uncollected taxes at June 30, 2021			(25,320)	(25,320)	-
Current year's taxes collected			<u>\$ 637,830</u>	<u>\$ 553,169</u>	<u>\$ 84,661</u>
Current levy collection percentage			<u>96.18%</u>	<u>95.62%</u>	<u>100.00%</u>

COMPLIANCE SECTION



PETWAY

MILLS &

PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

To the Honorable Mayor and Members of the Board of Commissioners
Town of Scotland Neck
Scotland Neck, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scotland Neck, 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 Scotland Neck's basic financial statements, and have issued our report thereon dated October 31, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist there were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses, Findings 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Scotland Neck's financial statements are free of material misstatement, we performed tests of its

compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Findings 2021-001 and 2021-002.

Town of Scotland Neck's Responses to findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

October 31, 2021

**Town of Scotland Neck
Schedule of Findings and Responses
For the Year Ended June 30, 2021**

Section II - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: 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? yes x none reported

Noncompliance material to financial
statements noted x yes no

**Town of Scotland Neck
Schedule of Findings and Responses
For the Year Ended June 30, 2021**

Section II - Financial Statement Findings

**Material Weakness
2021-001**

Expenditures in Excess of Appropriations

Criteria: North Carolina General Statutes require all moneys expended by a local government to be included in the budget.

Condition: The Town's General Fund expenditures exceeded authorized appropriations made by the governing board for, General government by \$10,774, Public Safety by \$36,526, Transportation by \$3,348, and Environmental Protection by \$2,496.

Effect: The Town did not comply with North Carolina General Statutes.

Cause: The Town did not properly budget for expenses. This is mainly due to the Town not budgeting for the grant funding received during the year and the corresponding expenditures.

Recommendation: We recommend that the Town review budget to actual reports regularly and implement procedures to comply with the pre-authorization requirements of North Carolina General Statutes to ensure expenditures are not incurred prior to authorization.

Views of responsible officials and planned corrective actions: The Town of Scotland Neck's Board of Commissioners will review budget to actual statements monthly and when an expenditure is within 5% of the authorized budget, the Board will require budget amendments to be approved before any additional expenditures may be made. Additional meetings of the Town Board of Commissioners will be held to sure the preauthorization process occurs. The Town Board will also perform a second review of budget to actual statements at their regular meetings and will verify actual amounts do not exceeded budgeted amounts.

**Material Weakness
2021-002**

Utility Accounting Records and Reconciliations

Criteria: Financial records are required to be complete and accurate.

Condition: The Town's subsidiary utility records are not reconciled to the Town's general ledger.

Effect: Utility revenues are not properly recorded.

Cause: Lack of training in the application of utility accounting software's capabilities.

Recommendation: We recommend the Town reconcile the utility billing summary report, the open items billing summary grand total report, the utility accounts receivable aging reports and the utility revenue analysis by rate report to the general ledger monthly. Adjustments should be posted to correct the general ledger monthly. A supervisor should review and approve the reconciliations monthly. Further, the accounting staff should obtain additional training in the use of the utility billing software.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. The Town has implemented reconciliation procedures between the utility accounting software and the books that includes posting adjustments to the books to ensure the utility accounting software and the books are in agreement monthly.



TOWN OF SCOTLAND NECK

P.O. Box 537
1310 MAIN STREET
SCOTLAND NECK, NC 27874

Town of Scotland Neck
Corrective Action Plan
For the Year Ended June 30, 2021

Section II - Financial Statement Findings

Material Weakness

2021-001

Contact Person: Nancy Dempsey, Town Administrator

The Town of Scotland Neck's Board of Commissioners will review budget to actual statements monthly and when an expenditure is within 5% of the authorized budget, the Board will require budget amendments to be approved before any additional expenditures may be made. Additional meetings of the Town Board of Commissioners will be held to sure the preauthorization process occurs. The Town Board will also perform a second review of budget to actual statements at their regular meetings and will verify actual amounts do not

Corrective Action: exceed budgeted amounts.

Completion Date: June 30, 2022

Material Weakness

2021-002

Contact Person: Nancy Dempsey, Town Administrator

The Town agrees with this finding. The Town has implemented reconciliation procedures between the utility accounting software and the books that includes posting adjustments to the books to ensure the utility accounting software and the books are in agreement monthly.

Corrective Action:

Completion Date: June 30, 2022

"This Institution is an equal opportunity provider and employer"

www.townofscotlandneck.com

Phone: 252.826.3152 • Fax: 252.826.2107

**Town of Scotland Neck
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2021**

Finding 2020-001 stated the Town's expenditures exceeded budgeted appropriations. In 2021, this was a repeat finding.

Finding 2020-002 stated the Town's bank reconciliations were not prepared monthly and were not agreed to the general ledger monthly. In 2021, this finding was resolved.

Finding 2020-003 stated the Town's subsidiary utility records were not reconciled to the Town's general ledger. In 2021, this was a repeat finding.

**Town of Scotland Neck
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021**

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Total
FEDERAL AWARDS					
U.S. Department of Health & Human Services					
Passed-through Upper Coastal Plain Council of Governments					
In-Home Services					
90% State Funds		N/A	\$ -	\$ 16,200	\$ 16,200
Title II-B	93.044		4,533	222	4,755
Total In-Home Services			4533	16422	20955
Access					
90% State Funds		N/A	-	4,321	4,321
Title II-B	93.044		23,519	1,383	24,902
Total Access			23519	5704	29223
Home-Delivered Meals					
90% State Funds		N/A	-	6,695	6,695
Title III-C2	93.045		6,829	402	7,231
Total Home-Delivered Meals			6829	7097	13926
Congregate Nutrition					
Title III-C1	93.045		13,033	767	13,800
Total Congregate Nutrition			13033	767	13800
Total U.S. Department of Health & Human Services					
Fan/Heat Program		N/A	-	475	475
Families First Congregate Meals	93.045		5,461	-	5,461
Families First Home Delivered Meals	93.045		2,245	-	2,245
Senior Center Development		N/A	-	3,133	3,133
Total U.S. Department of Health & Human Services			7706	3608	11314
U.S. Department of Agriculture					
Passed-through Upper Coastal Plain Council of Governments					
NSIP Supplement	93.053		4,250	-	4,250
Total U.S. Department of Agriculture			4250	0	4250
U.S. Department of Interior					
Passed-through NC Governor's Crime Commission					
Byrne Justice Assistance Grant		16.738	16,909	-	16,909
Total U.S. Department of Interior			16909	0	16909
U.S. Department of Treasury					
Passed-through the Office of State Budget and Management:					
NC Pandemic Recovery Office					
Passed-through Halifax County:					
Coronavirus Relief Fund		21.019	44,600	-	44,600
Total U.S. Department of Interior			44600	0	44600
TOTAL FEDERAL AWARDS			121379	33598	154977

The accompanying notes are an integral part of this schedule.

**Town of Scotland Neck
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021**

STATE AWARDS

NC Department of Transportation				
Powell Bill	DOT-4	0	43210	43210
NC Department of Commerce				
Disaster Recovery Funds	N/A	0	3434	3434
TOTAL STATE AWARDS		0	46644	46644
TOTAL FEDERAL AND STATE AWARDS		<u>\$ 121,379</u>	<u>\$ 80,242</u>	<u>\$ 201,621</u>

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 includes the Federal and State grant activity of the Town under the programs of the Federal government and the State of North Carolina for the year ended June 30, 2021. Because the Schedule of Expenditures of Federal and State Awards presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the Schedule of Expenditures of Federal and State Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for the Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3: Indirect Costs

The Town of Scotland Neck has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.