

REVIEWED

By SLGFD at 10:30 am, Jul 07, 2022

Town of Speed

Speed, North Carolina

Financial Statements

For The Year Ended June 30, 2021

Town of Speed, North Carolina

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June 30, 2021

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BOARD MEMBERS

J. W. Dickens III

Leroy Candies

Betty Jo Roberson

Kenneth Randolph

Roberta Mercer

MAYOR

Wilbert Lee Harrison

FINANCE OFFICER

Dolores Faison

Flowers & Stanley, L.L.P.

Certified Public Accountants

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American Institute of
Certified Public Accountants

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Speed, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Speed as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the major 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 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The individual budgetary schedules 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 by us. In our opinion, based on our audit, the procedures performed as described above, the budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Flowers & Stanley, LLP

Tarboro, North Carolina
May 31, 2022

Town of Speed

Management's Discussion and Analysis

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

Financial Highlights

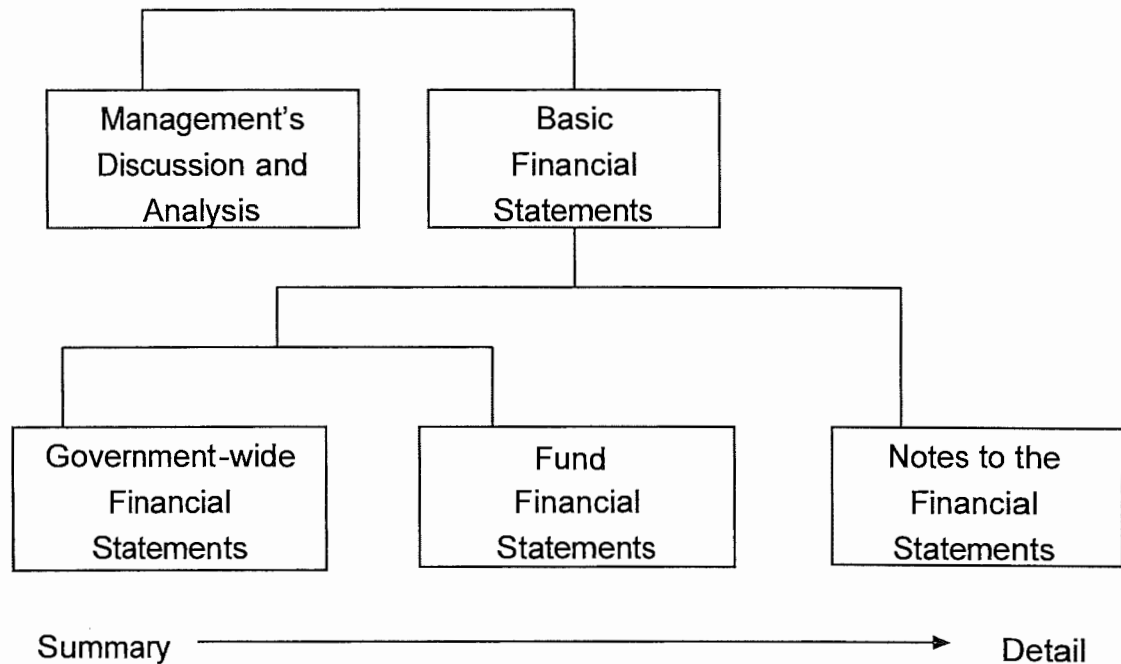
- The assets and deferred outflows of resources of the Town of Speed exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$89,060 (*net position*).
- The government's total net position increased by \$7,224.
- As of the close of the current fiscal year, the Town of Speed's governmental fund reported an ending fund balance of \$46,726, an increase of \$9,156 in comparison with the prior year. \$40,196 is available for spending at the Government's discretion.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Speed'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 Speed.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

The government-wide 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 Speed, 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.

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town's services are accounted for in the governmental fund. This fund focuses 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* that 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 Speed adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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.

Government-Wide Financial Analysis

The Town of Speed's Net Position
Figure 2

	Governmental Activities	
	2021	2020
Current and other assets	\$ 69,987	\$ 58,531
Capital assets	22,308	25,170
Deferred outflows of resources	-	-
Total Assets and Deferred Outflows of Resources	\$ 92,295	\$ 83,701
Long-term liabilities outstanding	\$ -	\$ -
Other Liabilities	3,235	1,865
Deferred inflows of resources	-	-
Total Liabilities and Deferred Inflows of Resources	\$ 3,235	\$ 1,865
Net Position:		
Net invested in capital assets	\$ 22,308	\$ 25,170
Restricted	6,530	3,386
Unrestricted	60,222	53,280
Total Net Position	\$ 89,060	\$ 81,836

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Speed exceeded liabilities and deferred inflows by \$89,060 as of June 30, 2021. The Town's net position increased by \$7,224 for the fiscal year ended June 30, 2021. However, a large portion (25%) reflects the Town's net investment in capital assets (e.g. land and buildings). The Town of Speed uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Of the remaining balance, \$3,925 is restricted for streets, \$2,605 is restricted for stabilization by State statute, and \$60,222 is unrestricted.

Town of Speed Changes in Net Position
Figure 3

Financial Analysis of the Town of Speed's Funds

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

	Governmental Activities	
	2021	2020
Revenues:		
Program Revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	2,930	3,132
General Revenues:		
Property taxes	15,261	15,429
Grants and contributions not restricted to specific programs	26,378	24,111
Unrestricted investment earnings	19	86
Total Revenues	<u>\$ 44,588</u>	<u>\$ 42,758</u>
Expenses:		
General Government	\$ 28,640	\$ 27,632
Transportation	450	13,750
Environmental Protection	8,274	8,039
Total Expenses	<u>\$ 37,364</u>	<u>\$ 49,421</u>
 Increase (Decrease) in Net Position	 \$ 7,224	 \$ (6,663)
 Net Position, July 1	 <u>81,836</u>	 <u>88,499</u>
Net Position, June 30	<u>\$ 89,060</u>	<u>\$ 81,836</u>

Governmental Funds.

The focus of the Town of Speed'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 Speed'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.

Management Discussion and Analysis

Town of Speed

The general fund is the only operating fund of the Town of Speed. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$40,196 while total fund balance was \$46,726. 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.

At June 30, 2021, the governmental funds of the Town of Speed reported a fund balance of \$46,726, an increase of \$9,156 from last year.

General Fund Budgetary Highlights

During the fiscal year, the Town made no budget amendments. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Capital Asset and Debt Administration

Capital assets. The Town of Speed's investment in capital assets as of June 30, 2021, totals \$22,308 (net of accumulated depreciation). These assets include the administrative building and land.

	Governmental Activities	
	2021	2020
Land	\$ 10,000	\$ 10,000
Building	12,308	15,170
Total Capital Assets	<u>\$ 22,308</u>	<u>\$ 25,170</u>

Additional information on the Town's capital assets can be found in note 3 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Town of Speed had no long-term debt outstanding.

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 Dolores Faison, Town of Speed, P. O. Box 327, Speed, N.C. 27881.

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

Exhibit 1

	Governmental Activities
Assets	
Current Assets:	
Cash and cash equivalents	\$ 43,431
Taxes receivable	15,021
Accrued interest receivable on taxes	5,005
Accounts receivable	-
Due from other governments	3,925
Restricted cash and cash equivalents	2,605
Total Current Assets	<u>\$ 69,987</u>
Non-current Assets:	
Capital Assets:	
Land, non-depreciable	\$ 10,000
Building - Administrative, net of depreciation	12,308
Total Capital Assets	<u>\$ 22,308</u>
Total Assets	<u>\$ 92,295</u>
Deferred Outflows of Resources	<u>\$ -</u>
Liabilities	
Current Liabilities:	
Accounts payable	<u>\$ 3,235</u>
Deferred Inflows of Resources	<u>\$ -</u>
Net Position	
Net investment in capital assets	\$ 22,308
Restricted for:	
Stabilization by State Statute	3,925
Transportation	2,605
Unrestricted	60,222
Total Net Position	<u><u>\$ 89,060</u></u>

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

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

				Exhibit 2
				Net (Expense)
				Revenue and
				Change in
				Net Position
				Governmental
				Activities
Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	
		Services	Grants and	
			Contributions	
Governmental Activities:				
General Government	\$ 28,640	\$ -	\$ -	\$ (28,640)
Transportation	450	-	2,930	2,480
Environmental Protection	8,274	-	-	(8,274)
Total Governmental Activities	\$ 37,364	\$ -	\$ 2,930	\$ (34,434)
General Revenues:				
Taxes:				
Property taxes, levied for general purpose				\$ 15,261
Grants and contributions not				
restricted to specific programs				26,378
Other revenues				19
Total General Revenues				<u>\$ 41,658</u>
Change in Net Position				\$ 7,224
Net Position, beginning				81,836
Net Position, ending				<u>\$ 89,060</u>

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

Town of Speed, North Carolina
Balance Sheet
Governmental Fund
June 30, 2021

Exhibit 3

	<u>Major Fund</u> <u>General</u> <u>Fund</u>
Assets	
Cash and cash equivalents	\$ 43,431
Restricted cash	2,605
Receivables:	
Taxes	15,021
Due from other governments	3,925
Total Assets	<u>\$ 64,982</u>
Liabilities	
Accounts payable	<u>\$ 3,235</u>
Deferred Inflows of Resources	
Property taxes receivable	<u>\$ 15,021</u>
Fund Balances	
Restricted	
Stabilization by State Statute	\$ 3,925
Streets	2,605
Unassigned	40,196
Total Fund Balance	<u>\$ 46,726</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 <u>\$ 64,982</u>

(continued)

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

Town of Speed, North Carolina
Balance Sheet
Governmental Fund
June 30, 2021

Exhibit 3

(continued)

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

Total Fund Balance, Governmental Fund	\$ 46,726
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,308
Accrued interest receivable from taxes is not available to pay for current period expenditures and therefore is deferred in the funds.	5,005
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	15,021
Net Position of Governmental Activities	<u>\$ 89,060</u>

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

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

Exhibit 4

	Major Fund
	General
	Fund
Revenues:	
Ad valorem taxes	\$ 14,331
Unrestricted intergovernmental	26,378
Restricted intergovernmental	2,930
Investment earnings	19
 Total Revenues	 <u>\$ 43,658</u>
 Expenditures:	
General Government	\$ 25,778
Transportation	450
Environmental Protection	8,274
 Total Expenditures	 <u>\$ 34,502</u>
 Excess Revenues over (under) Expenditures	 \$ 9,156
 Other Financing Sources:	
Contributed Capital	<u>\$ -</u>
 Net Change in Fund Balance	 \$ 9,156
 Fund Balance:	
Beginning of year	37,570
 End of year	 <u><u>\$ 46,726</u></u>

(continued)

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

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

Exhibit 4

(continued)

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

Net changes in fund balance - total governmental fund	\$	9,156
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense for governmental assets		(615)
Disposition of derelict warehouse.		(2,247)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		930
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Total Changes in Net Position of Governmental Activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">7,224</div>
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The notes to the financial statements are an integral part of this statement.

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

Exhibit 5

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 14,000	\$ 14,000	\$ 14,331	\$ 331
Unrestricted intergovernmental	19,000	19,000	26,378	7,378
Restricted intergovernmental	5,000	5,000	2,930	(2,070)
Investment earnings	100	100	19	(81)
Total Revenues	\$ 38,100	\$ 38,100	\$ 43,658	\$ 5,558
Expenditures:				
General Government	\$ 40,000	\$ 40,000	\$ 25,778	\$ 14,222
Transportation	5,000	5,000	450	4,550
Environmental Protection	9,000	9,000	8,274	726
Total Expenditures	\$ 54,000	\$ 54,000	\$ 34,502	\$ 19,498
Revenues Over (Under) Expenditures	\$ (15,900)	\$ (15,900)	\$ 9,156	\$ 25,056
Other Financing Sources				
Fund balance appropriated	15,900	15,900	-	(15,900)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	\$ 9,156	<u>\$ 9,156</u>
Fund Balance:				
Beginning of year			37,570	
End of year			<u>\$ 46,726</u>	

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

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

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Speed conform to the 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 Speed is a municipal corporation located in the northeastern area of North Carolina. The Town is governed by an elected mayor and a five-member council.

B. Basis of Presentation

Government-wide Statements

The statement of net position and the statement of activities display information about the Town. These statements include the financial activities of the government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements

The fund financial statements provide information about the Town's general fund.

The Town reports the following major governmental fund.

General Fund

The general fund is the general operating fund of the Town. The general fund accounts for all financial resources. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government, street maintenance, and sanitation services.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, the Town's general fund is maintained during the year using the modified accrual basis of accounting.

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

Government-wide Financial Statements

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

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

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for any principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. 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.

**Town of Speed, North Carolina
Notes to the Financial Statements
For the 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. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. 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 Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The Town may designate, as an official depository, any bank or savings association whose principal office is 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 State 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).

Cash and Cash Equivalents

All cash and investments of the Town are essentially demand deposits and are considered cash equivalents.

Restricted Assets

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

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 and penalties do not accrue until the following January 6. The current year's taxes are based on the assessed values as of January 1, 2020.

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

Allowance for Doubtful Accounts

Based on materiality and historical collection rates, no allowance for uncollectible taxes receivable have been established.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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.

Building – 30 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does not have any items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only one item that meets the criterion for this category –property taxes receivable.

Net Position/Fund Balances

Net Position

Net position in government-wide 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 Balance

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

The governmental fund types classify fund balance as follows:

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

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

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

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

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

The Town has no established spending policy for programs with multiple revenue sources. The Finance Officer is directed to expend fund balance with restricted classification first and unassigned fund balance lastly if such is in the best interest of the Town.

The Town has not adopted any minimum fund balance policy for the General Fund.

2. Stewardship, Compliance, and Accountability

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

Noncompliance with North Carolina General Statutes

- The Annual Budget Ordinance did not include the property tax rate.
- LGC Form 203 Report of Cash Investments documentation for certain expenditures were not available for examination.
- The Annual Powell Bill Report was not available for audit.

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

Management will ensure that all statutes will be adhered to.

B. Contractual Provision

The Town is required to submit audited financial statements to the Local Government Commission by October 31 annually. Procedures should be established to ensure timely submission of audited financials in future years. Management agrees but believes personnel and financial constraints of small units and Covid related issues in the current year made timely compliance difficult, if not impossible. Management understands the need for timely financial data and will take steps to allow more timely filing.

3. Detail Notes on all Funds

A. Assets

Deposits

All of the deposits of the Town are either insured or collateralized by using the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in 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 \$46,036 and a bank balance of \$46,036. All of the Town's bank balance was covered by federal depository insurance.

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

Capital Assets

Capital asset activity for the Town for the year ended June 30, 2021, was as follows: The reduction was for a derelict building disposed of.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital Assets Being Depreciated:				
Administrative building	\$ 27,370	\$ -	\$ 3,370	\$ 24,000
Less accumulated depreciation	<u>12,200</u>	<u>615</u>	<u>1,123</u>	<u>11,692</u>
Total Capital Assets being Depreciated, Net	<u>\$ 15,170</u>	<u>\$ (615)</u>	<u>\$ 2,247</u>	<u>\$ 12,308</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,170</u>			<u>\$ 22,308</u>

Depreciation expense was charged to General Government activities. A derelict building was removed during the year.

B. Liabilities

Pension

Town personnel are not covered by an employee retirement/pension plan.

Deferred Outflows and Inflows of Resources

The Town has no deferred outflows of resources at year-end.

Deferred inflows of resources at year-end consists of the following:

Taxes Receivable	<u>\$ 15,021</u>
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Town of Speed, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Town carries commercial insurance for all risks of loss, except for losses from floods for which the town has elected to assume that risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Town Clerk/Finance Officer has an individual Treasurer bond for \$50,000. There is no blanket Public Official Bond.

5. Fund Balance

Total fund balance - General Fund	\$	46,726
Less:		
Stabilization by State Statute		3,925
Streets - Powell Bill		2,605
Remaining Fund Balance (Unassigned)	\$	<u>40,196</u>

6. Significant Effects of Subsequent Events

The Town has 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 auditor's report. The Town has not evaluated subsequent events after that date. There were no material subsequent events during this period that require disclosure.

Town of Speed, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021

Exhibit A-1

	2021		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 13,768	
Interest		563	
Total Ad Valorem Taxes	\$ 14,000	\$ 14,331	\$ 331
Unrestricted Intergovernmental:			
Local option sales taxes		\$ 21,395	
Utility franchise tax		2,653	
Beer and wine tax		330	
Edgecombe County mini-grant		2,000	
Total Unrestricted Intergovernmental	\$ 19,000	\$ 26,378	\$ 7,378
Restricted Intergovernmental:			
Powell Bill allocation	\$ 5,000	2,930	\$ (2,070)
Total Restricted Intergovernmental	\$ 5,000	\$ 2,930	\$ (2,070)
Investment earnings	\$ 100	\$ 19	\$ (81)
Total Revenues	\$ 38,100	\$ 43,658	\$ 5,558

(continued)

Town of Speed, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021

Exhibit A-1

	2021		Variance
	Budget	Actual	Positive (Negative)
Expenditures:			
General Government:			
Payroll expense	\$ 10,600	\$ 8,572	\$ 2,108
Audit	4,000	4,000	-
Insurance and bonds	1,000	450	550
Board of Elections	1,500	-	1,500
Utilities	9,000	7,775	1,225
Other operating expenditures	2,970	4,981	(2,011)
Cost to move modular	10,930	-	10,930
Total General Government	<u>\$ 40,000</u>	<u>\$ 25,778</u>	<u>\$ 14,302</u>
Transportation:			
Cleaning Ditches	<u>5,000</u>	<u>\$ 450</u>	<u>\$ 4,550</u>
Environmental Protection:			
Solid waste	<u>\$ 9,000</u>	<u>\$ 8,274</u>	<u>\$ 726</u>
Total Expenditures	<u>\$ 54,000</u>	<u>\$ 34,502</u>	<u>\$ 19,578</u>
Revenues Over (Under) Expenditures	\$ (15,900)	\$ 9,156	\$ 25,136
Fund balance appropriated	<u>15,900</u>	<u>-</u>	<u>(15,900)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ 9,156</u></u>	<u><u>\$ 9,236</u></u>
Fund Balance:			
Beginning of year		37,570	
End of year		<u><u>\$ 46,726</u></u>	

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

Exhibit B-1

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	14,579.00	12,561	\$ 2,018
2019-2020	\$ 1,810	-	4	\$ 1,806
2018-2019	1,654	-	245	1,409
2017-2018	2,046	-	424	1,622
2016-2017	1,959	-	162	1,797
2015-2016	1,723	-	162	1,561
2014-2015	1,703	-	163	1,540
2013-2014	1,479	-	7	1,472
2012-2013	1,040	-	10	1,030
2011-2012	772	-	6	766
2010-2011	438	-	438	-
Total	\$ 14,624	\$ 14,579	\$ 14,182	\$ 15,021

Reconcilement with Revenues:

Ad valorem taxes - General Fund	<u>\$ 14,331</u>
Reconciling items:	
Interest collected	\$ (563)
Taxes written off	414
Total Reconciling Items	<u>\$ (149)</u>
Total Collections and Credits	<u><u>14,182</u></u>

Town of Speed, North Carolina
Analysis of Current Tax Levy
Town-wide Levy
For the Fiscal Year Ended June 30, 2021

Exhibit B-2

	<u>City-Wide</u>			<u>Property excluding Registered Vehicles</u>	<u>Registered Motor Vehicles</u>
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total</u>		
Original Levy:					
Real and personal property	\$ 4,069,000	0.30	\$ 12,207	\$ 12,207	\$ -
Motor vehicles	\$ 790,667	0.30	2,372	-	2,372
Total Property Valuation	<u>\$ 4,859,667</u>				
Net Levy			\$ 14,579	\$ 12,207	\$ 2,372
Less uncollected taxes at June 30, 2021			\$ 2,018	2,018	-
Current Year's Taxes Collected			<u>\$ 12,561</u>	<u>\$ 10,189</u>	<u>\$ 2,372</u>
Current Levy Collection Percentage			<u>86.16%</u>	<u>83.47%</u>	<u>100.00%</u>