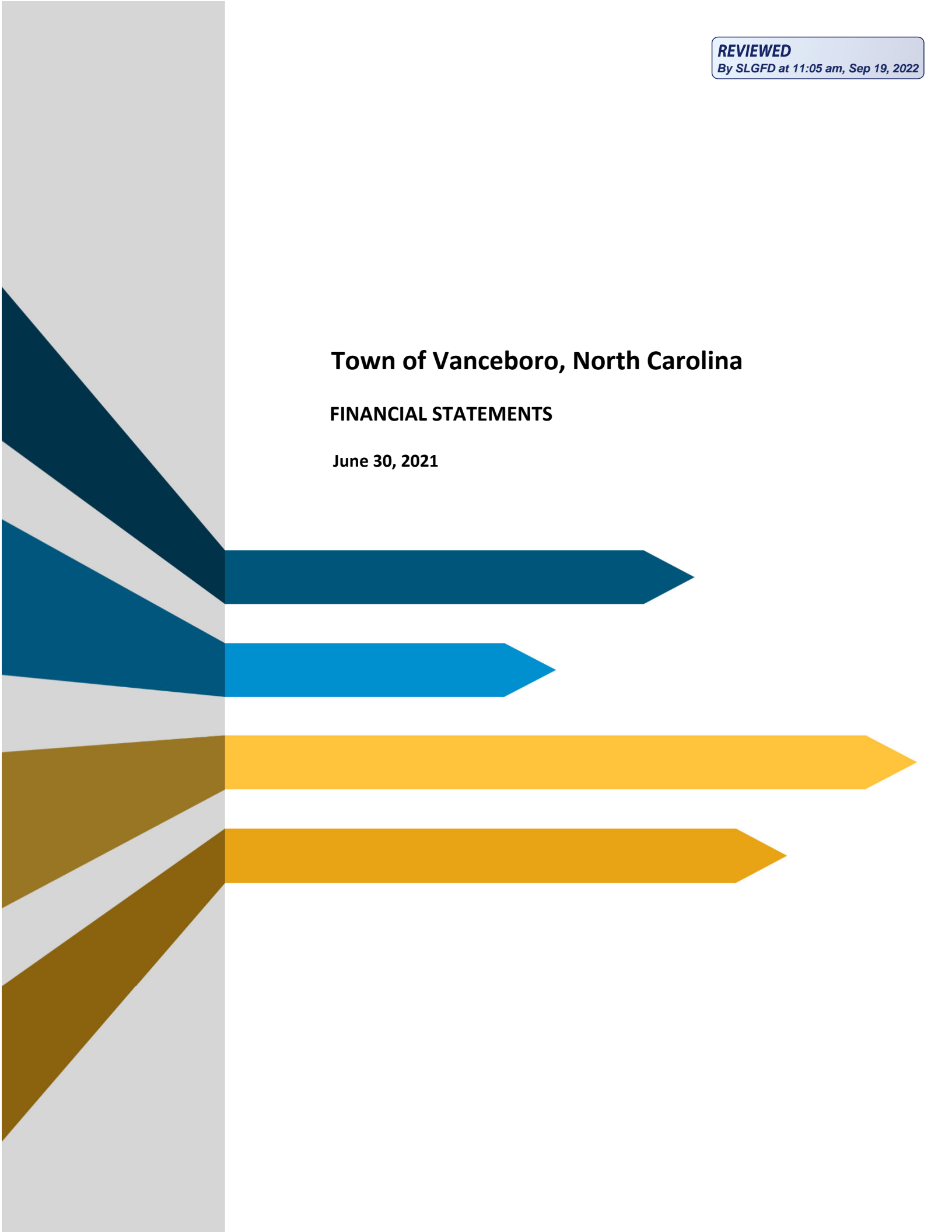


Town of Vanceboro, North Carolina

FINANCIAL STATEMENTS

June 30, 2021





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FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Aldermen
Town of Vanceboro, 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 Vanceboro, North Carolina, (the "Town") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 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 auditors' 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 auditors consider 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 as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows 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.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the Town recorded restatements within the governmental activities and the general fund. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedule of the Town's Proportionate Share of Net Pension Liability (Asset) and Schedule of Town Contributions, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, as listed within the table of contents, 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 opinions on the financial statements that collectively comprise the basic financial statements of the Town. The individual fund financial statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules, and other 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. In our opinion, based on our audit, the individual fund financial statements, budgetary schedules, and other schedules 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 August 31, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Vanceboro's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, P.L.L.C.

CARR, RIGGS & INGRAM, P.L.L.C.

Goldsboro, North Carolina

August 31, 2022

Town of Vanceboro, North Carolina Management's Discussion and Analysis

As management of the Town of Vanceboro, North Carolina (the "Town") we offer readers of the Town of Vanceboro's financial statements this narrative overview and analysis of the financial activities of the Town of Vanceboro for the 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 Vanceboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,453,786 (net position).
- The government's total net position decreased by \$51,180, due to decreases in business-type activities net position, primarily related to depreciation of water and sewer fund capital assets.
- As of close of the current fiscal year, the Town of Vanceboro's governmental funds reported combined ending fund balances of \$1,024,321 an increase of \$34,998 in comparison with the prior year. Approximately 80% of this total amount, or \$815,522, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund of \$815,522, represented 99% of total general fund expenditures for the fiscal year.
- The Town of Vanceboro's total debt decreased by \$41,830 during the current fiscal year. The key factors in this decrease were principal payments of \$77,701 on general obligation bonds and a note payable to the North Carolina Department of Environmental Quality for rehabilitation of the Town's sewer lines. The Town financed the purchase of a 2016 Chevrolet Silverado for the Police Department with a note payable of \$35,871 due in 3 annual payments of \$13,126.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Vanceboro'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. 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 Vanceboro.

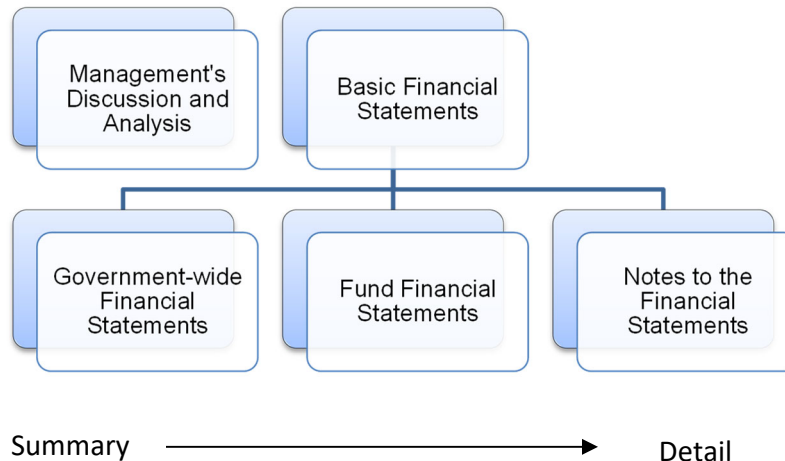
Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statement; and 3) the proprietary fund statements.

Town of Vanceboro, North Carolina Management's Discussion and Analysis

Required Components of an Annual Financial Report



The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Required Supplemental Information** provides information on the Town's proportionate share of the LGERS net pension liability and the total LEOSA pension liability. **Supplemental Information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements. In addition, information regarding property taxes is included within this section.

Government-wide Financial Statements

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

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

The government-wide statements are divided into 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, streets, cemetery 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 services offered by the Town of Vanceboro.

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

Town of Vanceboro, North Carolina Management's Discussion and Analysis

Fund Financial Statements

The fund financial statements 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 Vanceboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Vanceboro can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. The 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 governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Town of Vanceboro 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.

Proprietary Funds – The Town of Vanceboro has only one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Vanceboro uses enterprise funds to account for its water and sewer 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.

Notes to the Financial Statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on pages 25 of this report.

Town of Vanceboro, North Carolina Management's Discussion and Analysis

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Vanceboro's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 65 of this report. In addition, the Town presents other supplementary information relating to its individual fund schedules and property tax schedules that can be found beginning on page 69.

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

Government-Wide Financial Analysis

Figure 1
Town of Vanceboro, North Carolina
Condensed Statement of Net Position
June 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,085,318	\$ 1,054,507	\$ 98,641	\$ 96,086	\$ 1,183,959	\$ 1,150,593
Capital assets	341,013	280,953	3,020,568	3,188,346	3,361,581	3,469,299
Deferred outflows of resources	94,745	70,742	32,901	31,242	127,646	101,984
Total assets and deferred outflows of resources	1,521,076	1,406,202	3,152,110	3,315,674	4,673,186	4,721,876
Current liabilities	60,032	53,974	147,205	156,788	207,237	210,762
Long-term liabilities	195,575	121,242	801,585	872,981	997,160	994,223
Deferred inflows of resources	11,943	9,636	3,060	2,289	15,003	11,925
Total liabilities and deferred inflows of resources	267,550	184,852	951,850	1,032,058	1,219,400	1,216,910
Net Position						
Net investment in capital assets	305,142	280,953	2,199,051	2,289,128	2,504,193	2,570,081
Restricted	208,799	571,150	-	-	208,799	571,150
Unrestricted (deficit)	739,585	369,247	1,209	(5,512)	740,794	363,735
Total net position	\$ 1,253,526	\$ 1,221,350	\$ 2,200,260	\$ 2,283,616	\$ 3,453,786	\$ 3,504,966

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 resources of the Town of Vanceboro exceed liabilities and deferred inflows of resources by \$3,453,786 as of June 30, 2021. The Town's net position decreased by \$51,180 for the fiscal year ended June 30, 2021. The largest portion, 73%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, equipment, and construction in progress), less any related debt still outstanding that was issued to acquire those items. The Town of Vanceboro uses these capital assets to provide services to citizens; consequently, these assets are

Town of Vanceboro, North Carolina Management's Discussion and Analysis

not available for future spending. Although the Town of Vanceboro'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 Vanceboro's net position represents resources that are subject to external restrictions on how they may be used. \$83,289 (2%) of net position is restricted for cemetery, and \$125,510 (4%) is restricted by state statute. The remaining balance of \$740,794 (21%) is unrestricted.

Figure 2
Town of Vanceboro, North Carolina
Condensed Statement of Revenue, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 134,848	\$ 134,087	\$ 582,617	\$ 540,914	\$ 717,465	\$ 675,001
Operating grants and contributions	121,563	107,390	28,000	62,500	149,563	169,890
Capital grants and contributions	15,000	44,390	-	-	15,000	44,390
General revenues:						
Property taxes	301,209	291,018	-	-	301,209	291,018
Other taxes	1,480	2,070	-	-	1,480	2,070
Grants and contributions not restricted to specific programs	241,260	219,838	-	-	241,260	219,838
Other	9,987	19,528	-	-	9,987	19,528
Total revenues	825,347	818,321	610,617	603,414	1,435,964	1,421,735
Expenses:						
General government	282,906	303,845	-	-	282,906	303,845
Public safety	287,476	267,986	-	-	287,476	267,986
Transportation	120,514	84,725	-	-	120,514	84,725
Environmental protection	95,838	91,365	-	-	95,838	91,365
Cultural and recreational	4,795	10,451	-	-	4,795	10,451
Interest on long-term debt	1,642	-	-	-	1,642	-
Water and sewer	-	-	693,973	859,434	693,973	859,434
Total expenses	793,171	758,372	693,973	859,434	1,487,144	1,617,806
Change in net position	32,176	59,949	(83,356)	(256,020)	(51,180)	(196,071)
Net position, beginning	1,221,350	1,168,901	2,283,616	2,539,636	3,504,966	3,708,537
Restatement	-	(7,500)	-	-	-	(7,500)
Net position, ending	\$ 1,253,526	\$ 1,221,350	\$ 2,200,260	\$ 2,283,616	\$ 3,453,786	\$ 3,504,966

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.01%. The statewide average in fiscal year 2021 was 98.78%.
- Increased sales tax revenues of approximately \$17,894 due to economic growth in the Town.
- Property tax revenues increased by \$14,731 over the previous year.

Town of Vanceboro, North Carolina Management's Discussion and Analysis

Governmental activities

Revenues for general governmental functions (General Fund and Cemetery Fund) amounted to \$820,974 for the year ended June 30, 2021. Revenues from various sources and increases and decreases in relation to prior year's revenues are shown in the following table:

Figure 3
Town of Vanceboro, North Carolina
Summary of Revenues – Governmental Funds
For the Fiscal Years Ended June 30, 2021 and 2020

Revenue Source	Year Ended June 30, 2021		Year Ended June 30, 2020	
	% of Total	Amount	% of Total	Amount
Ad valorem taxes	36.55%	\$ 300,035	35.02%	\$ 285,304
Other taxes and licenses	0.18%	1,480	0.25%	2,070
Unrestricted intergovernmental	29.39%	241,260	26.98%	219,838
Restricted intergovernmental	14.49%	118,963	18.31%	149,196
Permits and fees	0.64%	5,285	1.85%	15,084
Sales and services	15.87%	130,314	14.86%	121,082
Investment earnings	0.08%	666	0.81%	6,576
Miscellaneous	0.65%	5,371	1.59%	12,952
Contributions	2.14%	17,600	0.32%	2,584
Total	100.00%	\$ 820,974	100.00%	\$ 814,686

Assessed valuation of all taxable property in the Town is \$56,095,094 compared to \$54,896,604 for the previous fiscal year. Assessed property values increased \$1,198,490 (2.18%). The Town of Vanceboro's property tax rate for the fiscal year ended June 30, 2021 was \$0.53 per \$100 of assessed valuation, the same tax rate as the previous year. This resulted in a net increase of \$14,731 (5.16%) in ad valorem tax revenues due to an increase in prior year tax collections.

Restricted intergovernmental revenues decreased by \$30,233. The Town received a CARES ACT grant from Craven County of \$16,550 for COVID 19 relief fund expenditures. The Town received \$49,500 from Craven County Schools to reimburse the Town for salaries and benefits of a School Resource Officer. The Town also received reimbursements of \$22,368 from the Federal Emergency Management Agency for damages related to Hurricane Isaias in the current year. The Town received a grant of \$15,000 from the Harold Bate Foundation for the purchase of playground equipment for the Richard W. Bowers' Park.

Expenditures for general government purposes (General Fund) for the year ended June 30, 2021 totaled \$825,797. Total expenditures increased by \$97,404 (13.37%) from the previous year. Transportation expenditures increased by \$56,062 due to the expenditure of Powell Bill and Town funds in the current year for street repairs and the purchase of a Ford F150 truck. Public Safety expenditures increased by \$29,730 due to the purchase of a new vehicle for the Police Department. Cultural and recreation expenditures increased by \$26,303 due to the purchase of playground equipment of \$33,641 for Bowers' Park. Increases and decreases in relation to prior year's expenditures by major functions of the Town are shown in the following table:

Town of Vanceboro, North Carolina Management's Discussion and Analysis

Figure 4
Town of Vanceboro, North Carolina
Summary of Expenditures by Function – Governmental Funds
For the Fiscal Years Ended June 30, 2021 and 2020

Expenditure Function	Year Ended June 30, 2021		Year Ended June 30, 2020	
	% of Total	Amount	% of Total	Amount
General government	33.09%	\$ 273,215	40.14%	\$ 292,379
Public safety	34.42%	284,260	34.94%	254,530
Transportation	16.65%	137,508	11.18%	81,446
Environmental protection	11.61%	95,838	12.54%	91,365
Cultural and recreational	4.24%	34,976	1.19%	8,673
Total	100.00%	\$ 825,797	100.00%	\$ 728,393

Fund Balance in the General Fund at June 30, 2021 was \$941,032, an increase of \$34,448 from the previous fiscal year, due primarily to increases in unrestricted intergovernmental revenues and property taxes mentioned above. Fund Balance continues to remain at a level that compliments the Town's financial position, maintains credit worthiness, and provides a resource for unforeseen emergencies.

Business-type activities

The Town's enterprise operations consist of water and sewer utilities. The Water/Sewer net position at June 30, 2021 was \$2,200,260 compared to \$2,283,616 the preceding year. Operations after depreciation resulted in a net loss of (\$83,356) for the year ended June 30, 2021, compared to a net loss of (\$256,020) for the year ended June 30, 2020. Depreciation expense for the current year was \$167,778 compared to \$167,778 for the previous fiscal year. The net loss is due to depreciation expense and increases in repairs and maintenance in the water and sewer fund.

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town of Vanceboro'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 Vanceboro'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 Vanceboro. At the end of the current fiscal year, the Town of Vanceboro's fund balance available in the General Fund was \$815,522, while total fund balance was \$941,032. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available

Town of Vanceboro, North Carolina Management's Discussion and Analysis

fund balance represents approximately 103% of total General Fund expenditures less proceeds of long-term debt, while total fund balance represents approximately 119% of that same amount.

At June 30, 2021, the governmental funds of the Town of Vanceboro reported a combined fund balance of \$1,024,321 with a net increase in fund balance of \$34,998.

General Fund Budgetary Highlights: During the fiscal year, the Town made various revisions to its original budget. These changes are shown in Exhibit 5. 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. Actual revenues exceeded budgeted revenues by \$12,691, and total actual expenditures exceeded budgeted expenditures by \$2,329.

Proprietary Funds: The Town of Vanceboro'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 \$1,209. The total change in net position for the Water and Sewer Funds was a decrease of \$83,356.

Capital Asset and Debt Administration

Capital Assets: The Town of Vanceboro's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$3,361,581 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, streets and infrastructure and construction in progress.

Figure 5
Town of Vanceboro, North Carolina
Condensed Statement of Capital Assets (net of depreciation)
June 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 138,544	\$ 138,544	\$ 43,517	\$ 43,517	\$ 182,061	\$ 182,061
Improvements	69,888	74,016	-	-	69,888	74,016
Streets and infrastructure	-	-	2,962,712	3,125,702	2,962,712	3,125,702
Equipment	56,377	34,899	14,339	19,127	70,716	54,026
Vehicles	76,204	33,494	-	-	76,204	33,494
Total	\$ 341,013	\$ 280,953	\$ 3,020,568	\$ 3,188,346	\$ 3,361,581	\$ 3,469,299

Major capital asset transactions during the year include the following:

- \$39,856 to purchase a 2021 Chevrolet Silverado for the Police Department.
- \$24,654 to purchase a 2019 Ford F150 for the Street Department.
- \$33,641 to purchase playground equipment for Richard W. Bowers' Park.

Town of Vanceboro, North Carolina Management's Discussion and Analysis

Additional information on the Town's capital assets can be found in Note 6 of the Notes to the Financial Statements.

Long-term Debt: As of June 30, 2021 the Town of Vanceboro had total debt outstanding of \$857,338. \$246,939 of this debt is backed by the full faith and credit of the Town. The notes payable of \$610,449 are backed by security interest in the vehicles and property for which it was issued.

Figure 6
Town of Vanceboro, North Carolina
Condensed Statement of Outstanding Liabilities
June 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ 246,939	\$ 283,598	\$ 246,939	\$ 283,598
Note payable	35,871	-	574,578	615,620	610,449	615,620
Compensated absences	8,827	10,627	5,243	4,934	14,070	15,561
Net pension liability NCLGERS	137,131	104,472	59,050	51,464	196,181	155,936
Net pension liability LEOSSA	33,936	16,770	-	-	33,936	16,770
Total	\$ 215,765	\$ 131,869	\$ 885,810	\$ 955,616	\$ 1,101,575	\$ 1,087,485

The Town of Vanceboro's total debt decreased by \$41,830 (4.65%) during the past fiscal year. North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Vanceboro is \$4,451,737.

Additional information regarding the Town of Vanceboro's long-term debt can be found in Note 12 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Vanceboro has a population of 979.
- The Town's tax collection rates for property excluding motor vehicles and registered motor vehicles are 96.55% and 100.00%, respectively.
- Sales tax revenues for the current year increased by \$17,894 (11.71%) over the previous year.
- Craven County's unemployment rate was 4.9% for the month of June, 2021 compared to the average unemployment for the State of North Carolina of 4.9%

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The property tax rate will remain at \$0.53 per \$100 of assessed property value. Total budgeted expenditures in the General Fund are expected to decrease to \$737,500. Garbage collection fees will remain the same at \$18 per month. Town employees will receive a 2%

Town of Vanceboro, North Carolina Management's Discussion and Analysis

cost of living adjustment in compensation. The budget for fiscal year 2022 does not include any appropriation of fund balance.

Business-type Activities: The water and sewer consumption rates in the Town will remain the same. However, the minimum (base rate) charge for water will increase by \$3.50 per month. Sewer rates will remain the same as the previous year. Total budgeted expenditures in the Water and Sewer Fund are expected to decrease to \$753,870. The budget for fiscal year 2022 does not include any appropriation of fund balance.

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 Town Administrator, Town of Vanceboro, North Carolina, 7905 Main Street, P. O. Box 306, Vanceboro, NC 28586. One can also call (252) 244-0919 or visit our website <http://www.vanceboronc.com> for more information.

Town of Vanceboro, North Carolina
Statement of Net Position
June 30, 2021
Exhibit 1

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 460,966	\$ 72,906	\$ 533,872
Investments	393,293	-	393,293
Receivables, net	22,260	30,173	52,433
Due from other governments	68,432	7,189	75,621
Internal balances	57,078	(57,078)	-
Restricted cash and cash equivalents	83,289	45,451	128,740
Total current assets	1,085,318	98,641	1,183,959
Noncurrent assets:			
Capital assets:			
Land and construction in progress	138,544	43,517	182,061
Other capital assets, net of depreciation	202,469	2,977,051	3,179,520
Total capital assets	341,013	3,020,568	3,361,581
Total assets	1,426,331	3,119,209	4,545,540
Deferred Outflows of Resources			
Pension deferrals	94,745	32,901	127,646
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	39,842	17,529	57,371
Payable from restricted assets	-	45,451	45,451
Compensated absences	8,827	5,243	14,070
Current portion of long-term liabilities	11,363	78,982	90,345
Total current liabilities	60,032	147,205	207,237
Noncurrent liabilities:			
Net pension liability NCLGERS	137,131	59,050	196,181
Total pension liability LEOSA	33,936	-	33,936
Bonds and notes payable	24,508	742,535	767,043
Total liabilities	255,607	948,790	1,204,397
Deferred Inflows of Resources			
Prepaid taxes	537	-	537
Pension deferrals	11,406	3,060	14,466
Total deferred inflows of resources	11,943	3,060	15,003
Net Position			
Net investment in capital assets	305,142	2,199,051	2,504,193
Restricted for:			
Stabilization by state statute	125,510	-	125,510
Cemetery maintenance	83,289	-	83,289
Unrestricted	739,585	1,209	740,794
Total net position	\$ 1,253,526	\$ 2,200,260	\$ 3,453,786

The accompanying notes are an integral part of these financial statements.

Town of Vanceboro, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2021
Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 282,906	\$ -	\$ -	\$ -	\$ (282,906)	\$ -	\$ (282,906)
Public safety	287,476	5,285	91,018	-	(191,173)	-	(191,173)
Transportation	120,514	-	29,812	-	(90,702)	-	(90,702)
Environmental protection	95,838	129,563	733	-	34,458	-	34,458
Cultural and recreational	4,795	-	-	15,000	10,205	-	10,205
Interest on long-term debt	1,642	-	-	-	(1,642)	-	(1,642)
Total governmental activities	793,171	134,848	121,563	15,000	(521,760)	-	(521,760)
Business-type activities:							
Water and sewer	693,973	582,617	28,000	-	-	(83,356)	(83,356)
Total primary government	\$ 1,487,144	\$ 717,465	\$ 149,563	\$ 15,000			
General revenues:							
Property taxes, levied for general purpose					301,209	-	301,209
Other taxes and licenses					1,480	-	1,480
Grants and contributions not restricted to specific program					241,260	-	241,260
Unrestricted investment earnings					666	-	666
Unrestricted miscellaneous revenue					5,371	-	5,371
Gain (loss) on sale of capital assets					3,950	-	3,950
Total general revenues					553,936	-	553,936
Change in net position					32,176	(83,356)	(51,180)
Net position, beginning of year, previously reported					1,228,850	2,283,616	3,512,466
Restatement					(7,500)	-	(7,500)
Net position, beginning of year, as restated					1,221,350	2,283,616	3,504,966
Net position, end of year					\$ 1,253,526	\$ 2,200,260	\$ 3,453,786

The accompanying notes are an integral part of these financial statements.

Town of Vanceboro, North Carolina
Balance Sheet –Governmental Funds
June 30, 2021
Exhibit 3

	Major	Non-major	
	General Fund	Cemetery Fund	Total
Assets			
Cash and cash equivalents	\$ 460,966	\$ -	\$ 460,966
Investments	393,293	-	393,293
Receivables, net:			
Taxes	14,613	-	14,613
Accounts	7,647	-	7,647
Due from other governments	68,432	-	68,432
Due from Water and Sewer Fund	57,078	-	57,078
Restricted cash and cash equivalents	-	83,289	83,289
Total assets	\$ 1,002,029	\$ 83,289	\$ 1,085,318
Liabilities			
Accounts payable and accrued liabilities	\$ 38,200	\$ -	\$ 38,200
Deferred Inflows of Resources			
Property taxes receivable, net	14,613	-	14,613
Prepaid taxes	537	-	537
Sanitation receivables, net	7,647	-	7,647
Total deferred inflows of resources	22,797	-	22,797
Fund Balances			
Restricted:			
Stabilization by state statute	125,510	-	125,510
Cemetery maintenance	-	83,289	83,289
Unassigned	815,522	-	815,522
Total fund balances	941,032	83,289	1,024,321
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,002,029	\$ 83,289	\$ 1,085,318

The accompanying footnotes are an integral part of these financial statements.

Town of Vanceboro, North Carolina
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
June 30, 2021
Exhibit 3

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

Total fund balances - governmental funds	\$ 1,024,321
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Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:

Gross capital assets at historical cost	5,772,575	
Accumulated depreciation	<u>(5,431,562)</u>	341,013

Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and therefore are not reported in the fund statements:

Accrued interest	(1,642)	
Long-term Debt	(35,871)	
Compensated absences	(8,827)	
Net pension liability NCLGERS	(137,131)	
Total pension liability LEOSSA	(33,936)	

Liabilities for earned revenues considered deferred inflows of resources in governmental funds

Property taxes receivable, net	14,613	
Sanitation receivables, net	<u>7,647</u>	22,260

Pension related deferrals

Deferred outflows of resources related to pensions are not reported in the funds	94,745	
Deferred inflows of resources related to pensions are not reported in the funds	(11,406)	

Net position of governmental activities	<u>\$ 1,253,526</u>
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The accompanying footnotes are an integral part of these financial statements.

Town of Vanceboro, North Carolina
Statement of Revenues, Expenditures, and Changes in
Fund Balance –Governmental Funds
For the Fiscal Year Ended June 30, 2021
Exhibit 4

	Major General Fund	Non-major Cemetery Fund	Total
Revenues			
Ad valorem taxes	\$ 300,035	\$ -	\$ 300,035
Other taxes and licenses	1,480	-	1,480
Unrestricted intergovernmental	241,260	-	241,260
Restricted intergovernmental	118,963	-	118,963
Permits and fees	5,285	-	5,285
Sales and services	130,314	-	130,314
Investment earnings	116	550	666
Miscellaneous	5,371	-	5,371
Contributions	17,600	-	17,600
Total revenues	820,424	550	820,974
Expenditures			
Current:			
General government	273,215	-	273,215
Public safety	284,260	-	284,260
Transportation	137,508	-	137,508
Environmental protection	95,838	-	95,838
Cultural and recreational	34,976	-	34,976
Debt service	-	-	-
Total expenditures	825,797	-	825,797
Revenues over (under) expenditures	(5,373)	550	(4,823)
Other Financing Sources (Uses)			
Proceeds of long-term debt	35,871	-	35,871
Sale of capital assets	3,950	-	3,950
Total other financing sources (uses)	39,821	-	39,821
Net change in fund balance	34,448	550	34,998
Fund balances, beginning of year, previously reported	914,084	82,739	996,823
Restatement	(7,500)	-	(7,500)
Fund balances, beginning of year, as restated	906,584	82,739	989,323
Fund balances, end of year	\$ 941,032	\$ 83,289	\$ 1,024,321

The accompanying footnotes are an integral part of these financial statements.

Town of Vanceboro, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2021
Exhibit 4

**Amounts reported for governmental activities in the
Statement of Activities (Exhibit 2) are different because:**

Net change in fund balances- total governmental funds	\$	34,998
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized	98,151	
Depreciation expense	(38,091)	

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		35,886
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The issuance of long-term debt proceeds 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:

Installment purchase proceeds		(35,871)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds:

Change in unavailable tax revenue	1,174	
Change in unavailable sanitation revenue	(751)	423

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:

Accrued interest	(1,642)	
Pension expense	(63,478)	
Compensated absences	1,800	(63,320)
Total changes in net position of governmental activities	\$	32,176

The accompanying footnotes are an integral part of these financial statements.

Town of Vanceboro, North Carolina
General Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance –Budget to Actual
For the Fiscal Year Ended June 30, 2021
Exhibit 5

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues				
Ad valorem taxes	\$ 284,000	\$ 284,000	\$ 300,035	\$ 16,035
Other taxes and licenses	1,650	1,650	1,480	(170)
Unrestricted intergovernmental	215,950	215,950	241,260	25,310
Restricted intergovernmental	81,500	81,500	118,963	37,463
Permits and fees	14,500	14,500	5,285	(9,215)
Sales and services	120,133	120,133	130,314	10,181
Investment earnings	-	-	116	116
Miscellaneous	7,500	67,500	5,371	(62,129)
Contributions	22,500	22,500	17,600	(4,900)
Total revenues	747,733	807,733	820,424	12,691
Expenditures				
Current:				
General government	264,979	275,089	273,215	1,874
Public safety	244,644	269,234	284,260	(15,026)
Transportation	130,845	141,145	137,508	3,637
Environmental protection	119,000	119,000	95,838	23,162
Cultural and recreational	4,000	19,000	34,976	(15,976)
Total expenditures	763,468	823,468	825,797	(2,329)
Revenues over (under) expenditures	(15,735)	(15,735)	(5,373)	10,362
Other Financing Sources (Uses)				
Proceeds of long-term debt	-	-	35,871	35,871
Sale of capital assets	-	-	3,950	3,950
Total other financing sources (uses)	-	-	39,821	39,821
Fund balance appropriated	15,735	15,735	-	(15,735)
Net change in fund balance	\$ -	\$ -	34,448	\$ 34,448
Fund balance, beginning of year, previously reported			914,084	
Restatement			(7,500)	
Fund balance, beginning of year, as restated			906,584	
Fund balance, end of year			\$ 941,032	

The accompanying footnotes are an integral part of these financial statements.

Town of Vanceboro, North Carolina
Statement of Net Position – Proprietary Fund
June 30, 2021
Exhibit 6

	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 72,906
Accounts receivables, net	30,173
Due from other governments	7,189
Restricted cash and cash equivalents	45,451
Total current assets	155,719
Noncurrent assets:	
Capital assets:	
Land and construction in progress	43,517
Other capital assets, net of depreciation	2,977,051
Total capital assets	3,020,568
Total noncurrent assets	3,020,568
Total assets	3,176,287
Deferred Outflows of Resources	
Pension deferrals	32,901
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	17,529
Compensated absences	5,243
Due to General Fund	57,078
General obligation bonds - current	37,941
Note payable - current	41,041
Liabilities payable from restricted assets	
Customer deposits	45,451
Total current liabilities	204,283
Noncurrent liabilities:	
Net pension liability	59,050
General obligation bonds - noncurrent	208,998
Note payable - noncurrent	533,537
Total noncurrent liabilities	801,585
Total liabilities	1,005,868
Deferred Inflows of Resources	
Pension deferrals	3,060
Net Position	
Net investment in capital assets	2,199,051
Unrestricted	1,209
Total net position	\$ 2,200,260

The accompanying footnotes are an integral part of these financial statements.

Town of Vanceboro, North Carolina
Statement of Revenues, Expenses, and Changes in
Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2021
Exhibit 7

	Water and Sewer Fund
Operating Revenues	
Charges for services	\$ 582,617
Operating Expenses	
Water operations	273,699
Sewer operations	242,419
Depreciation	167,778
Total operating expenses	683,896
Operating loss	(101,279)
Nonoperating revenues (expenses)	
Federal and state grants	28,000
Interest and fees	(10,077)
Total nonoperating revenues (expenses)	17,923
Change in net position	(83,356)
Net position, beginning of year	2,283,616
Net position, end of year	\$ 2,200,260

The accompanying footnotes are an integral part of these financial statements.

Town of Vanceboro, North Carolina
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2021
Exhibit 8

	Water and Sewer Fund
<hr/>	
Cash Flows From Operating Activities	
Cash received from customers	\$ 582,897
Cash paid for goods and services	(378,714)
Cash paid to employees for services	(142,892)
Customer deposits received	5,150
Customer deposits returned	(1,325)
<hr/>	
Net cash provided by operating activities	65,116
<hr/>	
Cash Flows From Noncapital Financing Activities	
Increase (decrease) in due to other funds	(371,633)
<hr/>	
Cash Flows From Capital and Related Financing Activities	
Federal and state grants	28,000
Principal paid on debt maturities	(77,701)
Interest paid on debt maturities	(10,181)
<hr/>	
Net cash used by capital and related financing activities	(59,882)
<hr/>	
Net increase (decrease) in cash and cash equivalents	(366,399)
<hr/>	
Cash and cash equivalents, beginning of year	484,756
<hr/>	
Cash and cash equivalents, end of year	\$ 118,357
<hr/>	
Unrestricted cash and cash equivalents	\$ 72,906
Restricted cash and cash equivalents	45,451
Total cash and cash equivalents	\$ 118,357
<hr/>	

The accompanying footnotes are an integral part of these financial statements.

Town of Vanceboro, North Carolina
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2021
Exhibit 8 (continued)

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (101,279)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	167,778
Changes in assets, liabilities and deferred inflows and outflows of resources:	
(Increase) decrease in accounts receivable	280
(Increase) decrease in due from other governments	2,399
Increase (decrease) in accounts payable and accrued liabilities	(14,894)
Increase (decrease) in customer deposits	3,825
(Increase) decrease in deferred outflows of resources for pensions	(1,659)
Increase (decrease) in deferred inflows of resources for pensions	771
Increase (decrease) in net pension liability	7,586
Increase (decrease) in compensated absences payable	309
Total adjustments	166,395
Net cash provided by operating activities	\$ 65,116

The accompanying footnotes are an integral part of these financial statements.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a five-member board. As required by generally accepted accounting principles, these financial statements include all funds of the Town.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the 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 funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, 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 result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

Town of Vanceboro, North Carolina Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Town reports the following major governmental funds:

General Fund – This fund is the Town's primary operating fund. 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, cemetery, and sanitation services.

The Town reports the following non-major governmental funds:

Cemetery Fund – This fund is used to account for the expenditures required to maintain the Town's two cemeteries.

The Town reports the following major enterprise funds:

Water and Sewer Fund – This fund is used to account for the water and sewer operations of the Town.

Measurement Focus, 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, entitlements, 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, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services.

Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. 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 property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30th, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance 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 and certain intergovernmental revenues, such as franchise taxes, 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 Craven County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting (continued)

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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for any Capital Project Fund. The Water and Sewer Capital Project Fund is consolidated with the Water and Sewer Fund for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the line item level for all annually budgeted funds and at the project level for the multi-year funds. The Town's finance officer is authorized by the budget ordinance to transfer appropriations between line item areas within a fund up to \$2,500; however, any revisions that alter the total expenditures of any fund or change functional appropriations by more than \$2,500 must be approved by the governing board. The Town must adopt an interim budget that covers that time until the annual ordinance can be adopted.

A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- | | |
|------------|--|
| April 30 - | Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year. |
| June 1 - | The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time. |
| July 1 - | The budget ordinance shall be adopted by the governing board. |

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments

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

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 NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

The Town pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town Council considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents. Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Town's access to 100 percent of their account value in either external investment pool.

Use of Estimates

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

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. As of June 30, 2021, the Town has expended all of its Powell Bill funds. All funds in the Cemetery Fund are restricted per the agreement between the Town and the cemetery's previous owner. As a condition of the cemetery donation, the Town agreed to restrict the funds for cemetery maintenance and upkeep expenditures. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Restricted cash and cash equivalents at June 30, 2021 consists of the following:

Governmental Activities:

Cemetery Fund:

Cemetery maintenance and upkeep	\$	83,289
Total governmental activities	\$	83,289

Business-type Activities:

Water and Sewer Fund:

Customer deposits	\$	45,451
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Total Restricted Cash	\$	128,740
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Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes levied are based on the assessed values as of January 1, 2020.

Allowance 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.

Prepaid items

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 and expensed as the items are used.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; equipment and furniture, \$1,000; vehicles and motorized equipment, \$5,000; computer software and computer equipment \$1,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the time of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Town are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Water and sewer plant	20-50 years
Water and Sewer system	20-50 years
Infrastructure	40 years
Machinery and equipment	5-10 years
Automobiles and light trucks	5-10 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 so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – prepaid taxes and pension deferrals.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term Obligations (continued)

Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt. In the 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.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position / Fund Balances

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

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

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.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position / Fund Balances (continued)

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

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

Restricted for Cemetery Maintenance – portion of fund balance that is restricted by the contributor and may only be used for cemetery maintenance and upkeep expenditures.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – portion of fund balance that the Town 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.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position / Fund Balances (continued)

The Town 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Vanceboro's employer contributions are recognized when due and the Town of Vanceboro has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Recently Issued Financial Accounting Standards

GASB Statement No. 83, Certain Asset Retirement Obligations

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

GASB Statement No. 84, Fiduciary Activities

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Financial Accounting Standards (continued)

GASB Statement No. 84, Fiduciary Activities (continued)

Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

GASB Statement No. 87, Leases

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been postponed by 18 months.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Board is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

Town of Vanceboro, North Carolina Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Financial Accounting Standards (continued)

GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

GASB Statement No. 91, Conduit Debt Obligations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Financial Accounting Standards (continued)

GASB Statement No. 91, Conduit Debt Obligations (continued)

This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

GASB Statement No. 92, Omnibus 2020

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68, as amended*, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

Town of Vanceboro, North Carolina Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Financial Accounting Standards (continued)

GASB Statement No. 92, Omnibus 2020 (continued)

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Earlier application is encouraged and is permitted by topic. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

GASB Statement No. 93, Replacement of Interbank Offered Rates

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

Town of Vanceboro, North Carolina Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Financial Accounting Standards (continued)

GASB Statement No. 93, Replacement of Interbank Offered Rates (continued)

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Financial Accounting Standards (continued)

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated). The Town is currently reviewing this statement to determine the effect on its financial statements.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Financial Accounting Standards (continued)

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (continued)

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The Town is currently reviewing this statement to determine the effect on its financial statements.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Town does not anticipate this Statement affecting its financial reporting or financial operations.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Financial Accounting Standards (continued)

GASB Statement No. 98, The Annual Comprehensive Financial Report

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The Town implemented this statement for the year ended June 30, 2021, which did not have any affect on the Town's financial reporting for June 30, 2021.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Violation of State Statute

The Town is in violation of N.C.G.S. 159-34(a) and 159-33.1 which states that each local government shall have its accounts audited as soon as possible after the close of each fiscal year. The Town's annual audit was submitted late due to change of auditor from prior year. The Town will continue to review their procedures and policies to ensure the annual audit is submitted in a timely manner in the future.

The Town did not document expenditures were pre-audited in the manner required by the Local Government Budget & Fiscal Control Act as required by NCGS 159-28.

Excess of Expenditures over Appropriations

Budgets are adopted at the line item level. The Budget Officer is authorized to transfer appropriations within a fund in amounts not to exceed \$2,500 of the appropriated monies for the line item whose allocation is reduced. Any revisions that alter total expenditures of any fund must be approved by the governing board. For the fiscal year ended June 30, 2021, the following expenditures exceeded the authorized appropriations made by the governing board. Management and the Board will more closely review the budget reports to ensure compliance in future years.

General Fund:

General Government:

Public Safety	\$	15,026
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Cultural Recreation:

Parks and Recreation	\$	15,976
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Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS

All of the Town's deposits 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 agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in 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 amount of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$662,482 and a bank balance of \$666,193. Of the bank balance \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method as detailed above. At June 30, 2021, Town of Vanceboro had \$130 cash on hand.

NOTE 4 – INVESTMENTS

At June 30, 2021 the Town had \$393,293 invested with the North Carolina Capital Management Trust's Governmental Portfolio which carried a rating of AAAM by Standard and Poor's and is categorized as Level 1. The Town has no policy regarding credit risk.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. The Town does not have a formal investment policy.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits at least half of the Town's investment portfolio to maturities of less than 12 months. Also, the Town's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Town of Vanceboro, North Carolina
Notes to Financial Statements

NOTE 4 – INVESTMENTS (continued)

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the North Carolina Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2021. The Town's investment in the North Carolina Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

NOTE 5 - RECEIVABLES

Receivables at the government-wide level at June 30, 2021 were as follows:

	Accounts Receivable	Taxes Receivable	Total
Governmental Activities:			
General Fund	\$ 11,347	\$ 17,917	\$ 29,264
Allowance for doubtful accounts	(3,700)	(3,304)	(7,004)
Total governmental activities	\$ 7,647	\$ 14,613	\$ 22,260
Business-type Activities:			
Water and Sewer Fund	\$ 44,773	\$ -	\$ 44,773
Allowance for doubtful accounts	(14,600)	-	(14,600)
Total business-type activities	\$ 30,173	\$ -	\$ 30,173

Due from other governments at June 30, 2021 Town consist of the following:

	Governmental Activities	Business-type Activities	Total
State of North Carolina:			
Local option sales taxes	\$ 47,156	\$ -	\$ 47,156
Excise and franchise taxes	12,736	-	12,736
Solid waste disposal taxes	182	-	182
Sales and use tax refund	3,983	7,189	11,172
Total	64,057	7,189	71,246
Craven County, North Carolina:			
Ad valorem taxes	4,375	-	4,375
Total due from other governments	\$ 68,432	\$ 7,189	\$ 75,621

Town of Vanceboro, North Carolina
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS

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

Governmental Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 138,544	\$ -	\$ -	\$ 138,544
Capital assets being depreciated:				
Buildings	237,308	-	-	237,308
Improvements	125,022	-	-	125,022
Streets and infrastructure	5,000,000	-	-	5,000,000
Equipment	92,845	33,641	-	126,486
Vehicles	124,855	64,510	(44,150)	145,215
Total capital assets being depreciated	5,580,030	98,151	(44,150)	5,634,031
Less accumulated depreciation for:				
Buildings	237,308	-	-	237,308
Improvements	51,006	4,128	-	55,134
Streets and infrastructure	5,000,000	-	-	5,000,000
Equipment	57,946	12,163	-	70,109
Vehicles	91,361	21,800	(44,150)	69,011
Total accumulated depreciation	5,437,621	38,091	(44,150)	5,431,562
Total capital assets being depreciated, net	142,409	60,060	-	202,469
Total governmental activities capital assets, net	\$ 280,953	\$ 60,060	\$ -	\$ 341,013

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

General government	\$ 2,766
Public safety	26,206
Transportation	5,659
Cultural and recreational	3,460
Total	\$ 38,091

Town of Vanceboro, North Carolina
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (continued)

Business-type Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Water and Sewer Fund:</i>				
Capital assets not being depreciated:				
Land	\$ 43,517	\$ -	\$ -	\$ 43,517
Total capital assets not being depreciated	43,517	-	-	43,517
Capital assets being depreciated:				
Plant and distribution systems	6,416,245	-	-	6,416,245
Water tank	436,679	-	-	436,679
Equipment	85,604	-	-	85,604
Vehicles	64,374	-	(12,406)	51,968
Total capital assets being depreciated	7,002,902	-	(12,406)	6,990,496
Less accumulated depreciation for:				
Plant and distribution systems	3,364,039	153,191	-	3,517,230
Water tank	363,183	9,799	-	372,982
Equipment	66,477	4,788	-	71,265
Vehicles	64,374	-	(12,406)	51,968
Total accumulated depreciation	3,858,073	167,778	(12,406)	4,013,445
Total capital assets being depreciated, net	3,144,829	(167,778)	-	2,977,051
Total business-type activities capital assets, net	\$ 3,188,346	\$ (167,778)	\$ -	\$ 3,020,568

NOTE 7 – PAYABLES

Accounts payable and accrued expenses at the government-wide level at June 30, 2021, were as follows:

	Vendors	Payroll and Employee Benefits	Accrued Interest	Total
Governmental Activities:				
General Fund	\$ 29,786	\$ 8,413	\$ 1,643	\$ 39,842
Business-type Activities:				
Water and Sewer Fund	\$ 14,444	\$ 2,381	\$ 704	\$ 17,529

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 8 – PENSION PLAN OBLIGATIONS

Local Governmental Employees' Retirement System

Plan Description: The Town of Vanceboro 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 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 8 – PENSION PLAN OBLIGATIONS (continued)

Local Governmental Employees' Retirement System (continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Vanceboro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Vanceboro's contractually required contribution rate for the year ended June 30, 2021, was 10.90% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Vanceboro were \$35,886 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.

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

At June 30, 2021, the Town reported a liability of \$196,181 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00549%, which was a decrease of 0.00022% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$28,831. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Vanceboro, North Carolina
Notes to Financial Statements

NOTE 8 – PENSION PLAN OBLIGATIONS (continued)

Local Governmental Employees' Retirement System (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 24,774	\$ -
Changes of assumptions	14,600	-
Net difference between projected and actual earnings on pension plan investments	27,607	-
Changes in proportion and difference between Town contributions and proportionate share of contributions	6,440	10,167
Town contributions subsequent to the measurement date	35,886	-
Total	\$ 109,307	\$ 10,167

\$35,886 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2022	\$ 17,753
2023	22,972
2024	14,360
2025	8,169
2026	-
Thereafter	-
	<u><u>\$ 63,254</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension investment expense, including inflation

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 8 – PENSION PLAN OBLIGATIONS (continued)

Local Governmental Employees' Retirement System (continued)

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 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 and 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 year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by 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	<u>6.0%</u>	4.0%
Total	<u><u>100.0%</u></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.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 8 – PENSION PLAN OBLIGATIONS (continued)

Local Governmental Employees' Retirement System (continued)

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability (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)	\$ 398,030	\$ 196,181	\$ 28,430

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR for the State of North Carolina.

Law Enforcement Officers Special Separation Allowance

Plan Description: The Town of Vanceboro 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 .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.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 8 – PENSION PLAN OBLIGATIONS (continued)

Law Enforcement Officers Special Separation Allowance (continued)

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	3
Total	3

A separate report was not issued for the plan.

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 the 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:

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 included in the measurement:

Inflation	2.50 percent
Projected salary increases	3.25 to 7.75 percent, including inflation and productivity factor
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. Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions: The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned 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 Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

Town of Vanceboro, North Carolina
Notes to Financial Statements

NOTE 8 – PENSION PLAN OBLIGATIONS (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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 \$33,936. 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 \$5,459.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,588	\$ 3,856
Changes of assumptions	13,751	443
Town benefit payments and administrative expenses made subsequent to the measurement date	-	-
Total	\$ 18,339	\$ 4,299

\$0 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2022	\$ 2,345
2023	2,345
2024	2,345
2025	2,046
2026	1,570
Thereafter	3,389
	<u><u>\$ 14,040</u></u>

Town of Vanceboro, North Carolina
Notes to Financial Statements

NOTE 8 – PENSION PLAN OBLIGATIONS (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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%)
Town's proportionate share of the net pension liability (asset)	\$ 37,734	\$ 33,936	\$ 30,447

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

	<u>2021</u>
Beginning balance	\$ 16,770
Changes for the year	
Service Cost	2,567
Interest	547
Change in benefit terms	-
Difference between expected and actuarial experience in the measurement of the total pension liability	(234)
Changes in assumptions or other inputs	14,286
Benefit payments	-
Other changes	-
Net changes	<u>17,166</u>
Ending balance of the total pension liability	<u><u>\$ 33,936</u></u>

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

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

Town of Vanceboro, North Carolina
Notes to Financial Statements

NOTE 8 – PENSION PLAN OBLIGATIONS (continued)

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 28,831	\$ 5,459	\$ 34,290
Pension liability	196,181	33,936	230,117
Proportionate share of the net pension liability	0.00549%	N/A	
Deferred outflows of resources			
Difference between expected and actual experience	24,774	4,588	29,362
Changes of assumptions	14,600	13,751	28,351
Net difference between expected and actual earnings on plan investments	27,607	-	27,607
Change in proportion and difference between contributions and proportionate share of contributions	6,440	-	6,440
Benefit payments and administrative costs paid subsequent to the measurement date	35,886	-	35,886
Totals	<u>109,307</u>	<u>18,339</u>	<u>127,646</u>
Deferred inflows of resources			
Difference between expected and actual experience	-	3,856	3,856
Changes of assumptions	-	443	443
Net difference between expected and actual earnings on plan investments	-	-	-
Change in proportion and difference between contributions and proportionate share of contributions	10,167	-	10,167
Benefit payments and administrative costs paid subsequent to the measurement date	-	-	-
Totals	<u>10,167</u>	<u>4,299</u>	<u>14,466</u>

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 Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 8 – PENSION PLAN OBLIGATIONS (continued)

Supplemental Retirement Income Plan for Law Enforcement Officers (continued)

The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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. The law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$8,003, which consisted of \$7,913 from the Town and \$90 from law enforcement officers and other employees. No amounts were forfeited.

Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Town has implemented Government Auditing Standards Board Statement No. 32 relating to the reporting of this information.

Other Employment Benefits

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 the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 8 – PENSION PLAN OBLIGATIONS (continued)

Other Employment Benefits (continued)

For the fiscal year ended June 30, 2021, the Town made contributions to the State for death benefits of \$200. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.14% of covered payroll, respectively. The Town considers these contributions to be immaterial.

NOTE 9 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources at June 30, 2021 are comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions		
Difference between expected and actual experience	\$ 29,362	\$ 3,856
Changes of assumptions	28,351	443
Net difference between projected and actual earnings on pension plan investments	27,607	-
Change in proportion and difference between employer contributions and proportionate share of contributions	6,440	10,167
Contributions to pension plan in the current fiscal year	35,886	-
Benefit payments and administrative expenses for LEOSSA	-	-
Prepaid taxes not yet earned (General)	-	537
Total - Exhibit 1 Statement of Net Position	\$ 127,646	\$ 15,003
Taxes receivable, net, less penalties (General)	\$ -	\$ 14,613
Sanitation accounts receivable (General)	-	7,647
Prepaid taxes not yet earned (General)	-	537
Total - Exhibit 3 Balance Sheet Governmental Funds	\$ -	\$ 22,797

NOTE 10 - COMMITMENTS

The Town has contracted with the North Carolina Department of Corrections to provide water to, and to treat wastewater from the Eastern Processing Center. The rate charged to the Processing Center is two and two-thirds (2 2/3) times the rate being charged to Vanceboro residents. The Town will receive a minimum monthly charge of \$14,433 based on water usage of 76,000 gallons per day. The total amount charged to the Eastern Processing Center was \$173,192 for the year ended June 30, 2021.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 10 – COMMITMENTS (continued)

The Town has 2 maintenance contracts with Utility Service Co., Inc. for repairs, maintenance and inspection of the Town's 2 elevated water storage tanks. The Town also leases a postage meter for \$60 per month under an operating lease expiring May 21, 2023. The Town leases a copier for \$62 per month under an operating lease effective July 1, 2019 through June 30, 2024. The expenses under these agreements for fiscal year 2021 were \$104,459. Annual payments due under the terms of the contracts are as follows:

Fiscal Year	Water Tank 1	Water Tank 2	Copier	Postage Meter	Total
2022	\$ 43,269	\$ 59,726	\$ 744	\$ 720	\$ 104,459
2023	-	-	744	720	1,464
2024	-	-	744	-	744
Total	\$ 43,269	\$ 59,726	\$ 2,232	\$ 1,440	\$ 106,667

NOTE 11 – 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 a self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town has worker's compensation coverage of \$1,000,000 per occurrence. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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 \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

The Town carries commercial coverage for all other risks of loss. There has been no significant reduction 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 carry flood insurance.

Town of Vanceboro, North Carolina
Notes to Financial Statements

NOTE 12 – LONG-TERM OBLIGATIONS

General Obligation Indebtedness

The Town's general obligation bonds serviced by the Water and Sewer Fund 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 general obligation bonds are collateralized by the full 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:

Serviced by the Water and Sewer Fund:

\$532,109, Refunding Bond Series 2012, dated June 19, 2012, due in annual installments beginning June 1, 2013 of \$27,596 and increasing periodically thereafter with a final payment of \$44,363 on June 1, 2027, interest at a rate of 3.59 percent. \$ 246,939

Annual debt service payments to maturity of the general obligation bonds as of June 30, 2021, including interest of \$31,834, are as follows:

Year Ending June 30,	Principal	Interest
2022	\$ 37,941	\$ 8,865
2023	39,223	7,503
2024	40,543	6,095
2025	41,792	4,639
2026	43,077	3,139
2027	44,363	1,593
Totals	\$ 246,939	\$ 31,834

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

Serviced by the General Fund:

Note Payable – Sparta Commercial Services

\$35,871 Note payable to Sparta Commercial Services payable in 3 annual installments of \$13,126 including interest at 4.71% beginning July 10, 2021 and ending July 10, 202 secured by 2021 Chevrolet Silverado. \$ 35,871

Town of Vanceboro, North Carolina
Notes to Financial Statements

NOTE 12 – LONG-TERM OBLIGATIONS (continued)

Annual debt service payments for the note payable as of June 30, 2021, including interest of \$3,508, are as follows:

Year Ending June 30,	Principal	Interest
2022	\$ 11,363	\$ 1,763
2023	11,972	1,154
2024	12,536	591
Totals	\$ 35,871	\$ 3,508

Serviced by the Water and Sewer Fund:

Note Payable – North Carolina Department of Environment and Natural Resources

\$820,826 Note payable to the North Carolina Department of Environmental Quality payable in 20 annual installments of \$41,042 without interest beginning May 1, 2016 and ending May 1, 2035.

\$ 574,578

Annual debt service payments for the note payable as of June 30, 2021, including interest of \$0, are as follows:

Year Ending June 30,	Principal	Interest
2022	\$ 41,041	\$ -
2023	41,041	-
2024	41,041	-
2025	41,041	-
2026	41,041	-
2027-2031	205,207	-
2032-2035	164,166	-
Totals	\$ 574,578	\$ -

At June 30, 2021, the Town of Vanceboro had a legal debt margin of \$4,451,737.

Town of Vanceboro, North Carolina
Notes to Financial Statements

NOTE 12 – LONG-TERM OBLIGATIONS (continued)

Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balances
Governmental Activities:					
Compensated absences	\$ 10,627	\$ -	\$ 1,800	\$ 8,827	\$ 8,827
Net pension liability NCLGERS	104,472	32,659	-	137,131	-
Total pension liability LEOSSA	16,770	17,166	-	33,936	-
Note payable	-	35,871	-	35,871	11,363
Total	\$ 131,869	\$ 85,696	\$ 1,800	\$ 215,765	\$ 20,190
Business-type Activities:					
Compensated absences	\$ 4,934	\$ 309	\$ -	\$ 5,243	\$ 5,243
Net pension liability NCLGERS	51,464	7,586	-	59,050	-
General obligation bonds	283,598	-	36,659	246,939	37,941
Note payable	615,620	-	41,042	574,578	41,041
Total	\$ 955,616	\$ 7,895	\$ 77,701	\$ 885,810	\$ 84,225

Compensated absences for governmental activities have typically been liquidated in the General Fund.

NOTE 13 – LEASE INCOME

On December 8, 2020, the Town entered into a lease agreement with Craven County for a building located within the Town's premises. The agreement provides for a rental fee of \$100 for the entire term of the lease, beginning on the commencement date and the agreement shall end December 31, 2070.

NOTE 14 – INTERFUND BALANCES AND ACTIVITY

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

Receivable Fund	Payable Fund	Total
General Fund	Water and Sewer Fund	\$ 57,078

The General Fund has advanced monies to the Water and Sewer Fund for operating purposes. As excess operating funds are received in the Water and Sewer Fund, the outstanding balance will be repaid. The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Town of Vanceboro, North Carolina
Notes to Financial Statements

NOTE 15 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets at June 30, 2021 consist of the following:

	Governmental Activities	Business-type Activities	Total
Capital assets, net of depreciation	\$ 341,013	\$ 3,020,568	\$ 3,361,581
Less: General obligation debt	-	(246,939)	(246,939)
Note payable	(35,871)	(574,578)	(610,449)
Net investment in capital assets	\$ 305,142	\$ 2,199,051	\$ 2,504,193

NOTE 16 – 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	\$ 941,032
Less:	
Stabilization by state statute	125,510
Remaining Fund Balance	\$ 815,522

NOTE 17 – JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with nine counties and thirty-eight other municipalities, established the East Carolina 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. The Town paid membership fees of \$348 to the Council during the fiscal year ended June 30, 2021.

NOTE 18 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2021, the Town engaged in a related party transaction with a business owned by the Mayor's family. The Town purchased supplies and groceries from Kite's Red & White Supermarket totaling \$8,729 during the fiscal year ended June 30, 2021. As of June 30, 2021, the Town had accounts payable to Kite's Red & White Supermarket of \$357.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 19 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 31, 2022, the date which the financial statements were available to be issued.

COVID-19

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, certain operations of the Town have been affected. The ability of some residents to make tax and/or utility payments has and may at times be impacted by the effects of the pandemic, as well as, state shared revenues, local, state and federal grant funding. In response to this event, the Town, through Executive Order of the Governor, suspended its cut-off policies for non-payment of utilities and/or extended due dates and payment options of utilities and property taxes for residents. Continued effects of the pandemic may result in uncertainties and a negative impact on operating activities and results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

American Rescue Plan Grant

Subsequent to June 30, 2021, the Town received \$153,772 from the United States Department of the Treasury from the American Rescue Plan in fiscal year 2022. The Town will receive an equal additional grant in fiscal year 2023. American Rescue Plan grant funds must be obligated by December 31, 2024 and expended by December 31, 2026. Grant funds can be expended for the following purposes:

- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

Town of Vanceboro, North Carolina

Notes to Financial Statements

NOTE 20 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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 monies.

Unemployment Taxes

The Town elected to pay the direct cost of employment security benefits in lieu of state unemployment payroll taxes. A liability for benefit payments could accrue in the year following discharge of an employee.

NOTE 21 – RESTATEMENTS

Prior Period Adjustment

During the fiscal year ended June 30, 2021, the Town determined that the ending balance of cash as of June 30, 2020 had been overstated. Therefore, an adjustment to beginning fund balance has been recorded to reduce the balance of cash, the net effect of which decreased beginning fund balance in the General Fund and net position of the Governmental Activities by \$7,500.

Town of Vanceboro, North Carolina
Local Government Employees' Retirement System
Required Supplementary Information
Schedule of the Town's Proportionate Share of the
Net Pension Liability (Asset)
Last Eight Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) %	0.00549%	0.00571%	0.00434%	0.00533%	0.00418%	0.00548%	0.00575%	0.00400%
Town's proportion of the net pension liability (asset) \$	\$ 196,181	\$ 155,936	\$ 102,960	\$ 81,428	\$ 88,714	\$ 24,594	\$ (33,910)	\$ 48,215
Town's covered-employee payroll	\$ 319,093	\$ 308,404	\$ 298,137	\$ 269,768	\$ 248,984	\$ 238,034	\$ 265,064	\$ 265,064
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	61.48%	50.56%	34.53%	30.18%	35.63%	10.33%	-12.79%	18.19%
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%

Notes to schedule:

* The amounts presented for each 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.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Vanceboro, North Carolina
Local Government Employees' Retirement System
Required Supplementary Information
Schedule of Town Contributions
Last Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 35,886	\$ 29,469	\$ 24,797	\$ 23,049	\$ 20,125	\$ 16,923	\$ 17,068	\$ 18,740
Contributions in relation to the contractually required contribution	35,886	29,469	24,797	23,049	20,125	16,923	17,068	18,740
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 343,864	\$ 319,093	\$ 308,404	\$ 298,137	\$ 269,768	\$ 248,984	\$ 238,034	\$ 265,064
Contributions as a percentage of covered-employee payroll	10.44%	9.24%	8.04%	7.73%	7.46%	6.80%	7.17%	7.07%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Vanceboro, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Changes in Total Pension Liability
For the Fiscal Year Ended June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 16,770	\$ 11,526	\$ 15,912	\$ 5,359	\$ 4,708
Changes for the year					
Service Cost	2,567	2,470	1,724	1,670	701
Interest	547	420	503	207	168
Change in benefit terms	-	-	-	-	-
Difference between expected and actuarial experience in the measurement of the total pension liability	(234)	1,697	(6,019)	7,007	-
Changes in assumptions or other inputs	14,286	657	(594)	1,669	(218)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Net changes	<u>17,166</u>	<u>5,244</u>	<u>(4,386)</u>	<u>10,553</u>	<u>651</u>
Ending balance of the total pension liability	<u>\$ 33,936</u>	<u>\$ 16,770</u>	<u>\$ 11,526</u>	<u>\$ 15,912</u>	<u>\$ 5,359</u>

The amounts presented for each fiscal year were determined as of the prior year ending December 31.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Vanceboro, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Total Pension Liability as a Percentage of Covered Payroll
For the Fiscal Year Ended June 30, 2021

	2021	2020	2019	2018	2017
Total pension liability	\$ 33,936	\$ 16,770	\$ 11,526	\$ 15,912	\$ 5,359
Town's covered-employee payroll	\$ 123,681	\$ 126,205	\$ 85,361	\$ 85,376	\$ 44,904
Total pension liability as a percentage of covered payroll	27.44%	13.29%	13.50%	18.64%	11.93%

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Vanceboro, North Carolina
General Fund Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2021
Exhibit A-1

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes:			
Taxes	\$ 284,000	\$ 297,645	\$ 13,645
Penalties and interest	-	2,390	2,390
Total	284,000	300,035	16,035
Other taxes and licenses:			
Business registration fees	1,650	1,480	(170)
Total	1,650	1,480	(170)
Unrestricted Intergovernmental :			
Local option sales taxes	149,300	170,699	21,399
Motor fuel tax refund	2,400	2,537	137
Franchise taxes	60,000	59,182	(818)
ABC profit distribution	-	4,753	4,753
Beer and wine taxes	4,250	4,089	(161)
Total	215,950	241,260	25,310
Restricted Intergovernmental:			
Solid waste disposal tax	-	733	733
State Grants	50,000	-	(50,000)
County Grants	-	66,050	66,050
Federal Emergency Management Agency	-	22,368	22,368
Powell Bill allocation	31,500	29,812	(1,688)
Total	81,500	118,963	37,463
Permits and fees:			
Officer fees	500	614	114
Police department fees	14,000	4,671	(9,329)
Total	14,500	5,285	(9,215)
Sales and services:			
Sanitation revenues	104,633	102,606	(2,027)
Cemetery sales	15,500	27,708	12,208
Total	120,133	130,314	10,181
Investment earnings	-	116	116
Miscellaneous:			
Insurance proceeds	-	1,250	1,250
Other revenues	67,500	4,121	(63,379)
Total	67,500	5,371	(62,129)
Contributions:			
Harold Bate Foundation Grant	20,000	15,000	(5,000)
National Night Out - Police Department	2,500	2,600	100
Total	22,500	17,600	(4,900)
Total revenues	807,733	820,424	12,691

Town of Vanceboro, North Carolina
General Fund Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2021
Exhibit A-1 (continued)

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
<u>General Government:</u>			
Governing Body:			
Mayor and Aldermen	20,111	20,094	17
Total	20,111	20,094	17
Administration:			
Salaries and employee benefits	160,654	153,668	6,986
Repairs and maintenance	5,750	2,465	3,285
Other operating expenditures	88,574	96,988	(8,414)
Total	254,978	253,121	1,857
Total general government	275,089	273,215	1,874
<u>Public Safety:</u>			
Police:			
Salaries and employee benefits	205,994	198,284	7,710
Repairs and maintenance	8,000	6,552	1,448
Other operating expenditures	55,150	39,567	15,583
Capital outlay	90	39,857	(39,767)
Total public safety	269,234	284,260	(15,026)
<u>Transportation:</u>			
Streets:			
Salaries and employee benefits	31,990	30,382	1,608
Repairs and maintenance	58,155	56,754	1,401
Other operating expenditures	51,000	25,718	25,282
Capital outlay	-	24,654	(24,654)
Total transportation	141,145	137,508	3,637
<u>Environmental Protection:</u>			
Sanitation:			
Contracted services	89,000	84,003	4,997
Total	89,000	84,003	4,997
Cemetery:			
Operating expenditures	30,000	11,835	18,165
Total environmental protection	119,000	95,838	23,162

Town of Vanceboro, North Carolina
General Fund Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2021
Exhibit A-1 (continued)

	Final Budget	Actual	Variance Positive (Negative)
<u>Cultural and Recreational:</u>			
Library:			
Building repairs	2,000	485	1,515
Other operating expenditures	2,000	-	2,000
Total	4,000	485	3,515
 Parks and Recreation:			
Capital outlay	15,000	34,491	(19,491)
Total cultural and recreational	19,000	34,976	(15,976)
Total expenditures	823,468	825,797	(2,329)
Revenues over (under) expenditures	(15,735)	(5,373)	10,362
 Other Financing Sources (Uses)			
Proceeds of long-term debt	-	35,871	35,871
Sale of capital assets	-	3,950	3,950
Total other financing sources (uses)	-	39,821	39,821
 Fund balance appropriated	15,735	-	(15,735)
Net change in fund balance	<u>\$ -</u>	34,448	<u>\$ 34,448</u>
Fund balance, beginning of year, previously reported		914,084	
Restatement		<u>(7,500)</u>	
Fund balance, beginning of year		<u>906,584</u>	
 Fund balance, end of year		<u>\$ 941,032</u>	

Town of Vanceboro, North Carolina
Cemetery Fund Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2021
Exhibit A-2

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ -	\$ 550	\$ 550
Total revenues	-	550	550
Expenditures			
Environmental protection Cemetery	-	-	-
Revenues over (under) expenditures	<u>\$ -</u>	550	<u>\$ 550</u>
Fund balance, beginning of year		<u>82,739</u>	
Fund balance, end of year		<u>\$ 83,289</u>	

Town of Vanceboro, North Carolina
Water and Sewer Fund Schedules of Revenues and
Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021
Exhibit B-1

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues:			
Charges for services:			
Water charges	\$ 200,040	\$ 200,396	\$ 356
Sewer charges	206,700	205,654	(1,046)
Water and sewer taps/reconnections	8,500	3,375	(5,125)
Operation and maintenance	184,000	173,192	(10,808)
Total charges for services	599,240	582,617	(16,623)
Other operating revenues	2,000	-	(2,000)
Total operating revenues	601,240	582,617	(18,623)
Nonoperating revenues:			
State grants	-	28,000	28,000
American Rescue Plan Grant	140,000	-	(140,000)
Total nonoperating revenues	140,000	28,000	(112,000)
Total revenues	741,240	610,617	(130,623)
Expenditures			
Water operations:			
Salaries and employee benefits	103,532	99,486	4,046
Repairs and maintenance	18,150	20,225	(2,075)
Water tank maintenance	166,555	102,995	63,560
Other operating expenditures	140,175	44,102	96,073
Total	428,412	266,808	161,604
Sewer operations:			
Salaries and employee benefits	52,490	50,976	1,514
Repairs and maintenance	71,990	54,079	17,911
Other operating expenditures	131,770	137,248	(5,478)
Total	256,250	242,303	13,947
Debt service:			
Debt principal		77,701	
Interest and fees		10,181	
Total	87,950	87,882	68
Total expenditures	772,612	596,993	175,619
Revenues over (under) expenditures	(31,372)	13,624	44,996
Fund Balance Appropriated	31,372	-	(31,372)
Revenues and fund balance appropriated over (under) expenditures	\$ -	\$ 13,624	\$ 13,624

Town of Vanceboro, North Carolina
Water and Sewer Fund Schedules of Revenues and
Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021
Exhibit B-1 (continued)

	Final Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other financing sources over (under)			
expenditures and other financing uses		\$ 13,624	
Reconciling items:			
Debt principal		77,701	
(Increase) decrease in accrued interest payable		104	
Increase (decrease) in deferred outflows - pensions		1,659	
(Increase) decrease in deferred inflows - pensions		(771)	
(Increase) decrease in net pension liability		(7,586)	
(Increase) decrease in accrued compensated absences		(309)	
Depreciation		(167,778)	
Total reconciling items		(96,980)	
Change in net position		\$ (83,356)	

Town of Vanceboro, North Carolina
Schedule 1 - Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 298,852	\$ 289,912	\$ 8,940
2019-2020	8,118	-	6,047	2,071
2018-2019	4,678	-	1,076	3,602
2017-2018	644	-	143	501
2016-2017	600	-	56	544
2015-2016	350	-	48	302
2014-2015	317	-	52	265
2013-2014	731	-	49	682
2012-2013	593	-	72	521
2011-2012	537	-	48	489
2010-2011	353	-	353	-
	<u>\$ 16,921</u>	<u>\$ 298,852</u>	<u>\$ 297,856</u>	<u>17,917</u>
Less allowance for uncollectible ad valorem taxes receivable				(3,304)
Ad valorem taxes receivable, net				<u>\$ 14,613</u>
<u>Reconciliation with revenues:</u>				
Total ad valorem taxes - General Fund			\$	300,035
Penalties and interest, net of discounts				(2,390)
Refunds				(127)
Amounts written off for prior year taxes and releases				338
Total collections and credits			\$	<u>297,856</u>

Town of Vanceboro, North Carolina
Schedule 2 - Analysis of Current Tax Levy – Town-Wide Levy
For the Fiscal Year Ended June 30, 2021

	Town-wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 54,290,189	\$ 0.53	\$ 287,738	\$ 247,811	\$ 39,927
Penalties			1,548	1,548	-
Discoveries	2,190,755	\$ 0.53	11,611	11,611	-
Releases	(377,170)	\$ 0.53	(1,999)	(1,872)	(127)
Write-offs	(8,679)	\$ 0.53	(46)	(46)	-
Total property valuation	<u>\$ 56,095,094</u>				
Net levy			298,852	259,052	39,800
Uncollected taxes at June 30, 2021			(8,940)	(8,940)	-
Current year's taxes collected			\$ 289,912	\$ 250,112	\$ 39,800
Current levy collection percentage			97.01%	96.55%	100.00%

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 Aldermen
Town of Vanceboro, North Carolina

We have audited, in accordance with the 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, 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 Vanceboro, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Vanceboro, North Carolina's basic financial statements, and have issued our report thereon dated August 31, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Vanceboro, North Carolina'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 Vanceboro, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Vanceboro, North Carolina's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-001, 2018-002 and 2018-003 to be material weaknesses.

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 attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as items 2018-005, 2018-006, 2020-001 and 2021-001 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Vanceboro, North Carolina's financial statements are free from 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 matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-005, 2018-006 and 2020-001.

Town of Vanceboro's Response to Findings

The Town of Vanceboro North Carolina's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 result 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.

Carr, Riggs & Ingram, P.L.L.C.

CARR, RIGGS & INGRAM, P.L.L.C.

Goldsboro, North Carolina
August 31, 2022

Town of Vanceboro, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

Finding 2018-001 (Repeat) Financial Statement Preparation Knowledge

Criteria:	Auditing Standards Board AU-C Section 265 requires auditors to disclose for reports substantially drafted by external auditors whether or not the entity's institutional experience, background and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the entity from preparing the financial statements internally including full note disclosures as required by those standards.
Perspective / Condition:	The external auditors' assistance was necessary to prepare the financial statements including note disclosures in accordance with generally accepted accounting principles.
Effect:	The finding could adversely affect the Town's ability to internally prepare financial statements in accordance with generally accepted accounting principles.
Cause:	There are no Town personnel with the experience, background and knowledge of Governmental Accounting and Financial Accounting Standard to prepare financial statements internally including full note disclosures as required by those standards.
Recommendation:	We recommend Town personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provided technical reviews of the financial statements. The Town may also consider outsourcing the preparation of its annual financial statements.
Views of responsible officials:	The Town is in agreement with the finding noted; however, the Town does not have the financial resources to hire a CPA to perform the duties that is required.
Corrective action:	The Town will continue to strive to provide financial statements to the best of their knowledge and to improve and grow our personnel knowledge so in the future the Town can possibly satisfy this requirement.

Town of Vanceboro, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2018-002 (Repeat) Segregation of Duties

Criteria:	Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.
Perspective / Condition:	There is a lack of segregation of duties among Town personnel.
Effect:	Transactions could be mishandled.
Cause:	There are a limited number of personnel for certain functions.
Recommendation:	The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The Board of Aldermen should provide some of these controls.
Views of responsible officials:	The Town agrees with this finding and will implement controls to address this finding.
Corrective action:	The duties will be segregated as much as possible and the Board will continue providing alternative controls related to the Town's financial operations. The Board approves all invoices for payment at their regular monthly meetings

Town of Vanceboro, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2018-003 (Repeat) Bank Reconciliations

Criteria:	The Town should prepare and review monthly bank reconciliations in a timely manner.
Perspective / Condition:	Bank reconciliations were not correctly prepared and reviewed in a timely manner. Therefore, some transactions were not recorded in the Town's general ledger.
Effect:	Increased risk that a material misstatement of the financial statements could occur and not be prevented or detected.
Cause:	The Town's personnel did not reconcile the Town's bank accounts correctly or timely.
Recommendation:	Bank reconciliations should be prepared by the finance director in a timely manner and reviewed by the Board of Aldermen.
Views of responsible officials:	The Town agrees with this finding and will implement controls to address this finding.
Corrective action:	The Town will start preparing bank reconciliations at the end of each month and including them in the Board of Aldermen's monthly financial information for review.

**Town of Vanceboro, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

SIGNIFICANT DEFICIENCIES

Finding 2018-005 (Repeat) Excess of Expenditures Over Budget

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget

Perspective / Condition: The Town over-expended various line items in its 2020-2021 budget.

General Fund:

Public Safety	\$	15,026
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Parks and Recreation	\$	15,976
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Effect: Moneys were spent that had not been appropriated.

Cause: The Town did not adequately monitor its budget throughout the year.

Recommendation: Budget amendments should be adopted throughout the year as additional information regarding the estimated revenues and expenditures becomes available. Additionally, the Town should ensure that an unencumbered balance remains in the line item appropriations prior to authorizing transactions against those appropriations. All budget amendments should be approved by the Board of Alderman.

Views of responsible officials:	The Town agrees with this finding and will implement controls to address this finding.
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Corrective action: Management and the Board of Aldermen will review monthly financial reports and amend the budget as necessary during the coming fiscal year.

Town of Vanceboro, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2018-006 (Repeat) Purchasing Policy / Preaudit Certificate

Criteria:	G.S. 159-28 requires all purchases shall include on its face a certificate stating that the instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act. The Town's purchasing policy adopted on May 2, 2016 requires an approved purchase order for all purchases in excess of \$500.
Perspective / Condition:	The Town does not follow its own purchasing policy which requires approved purchase orders for purchases over \$500. Invoices do not contain the preaudit certificate language required by GS 159-28.
Effect:	Purchases are made without preaudit certificate or approved purchase orders.
Cause:	The Town does not follow the purchasing policy adopted on May 2, 2016.
Recommendation:	All invoices over \$500 should be accompanied by approved purchase order as required by Town policy. All purchase orders should include the preaudit certificate language required by G.S 159-28.
Views of responsible officials:	The Town agrees with this finding and will implement controls to address this finding.
Corrective action:	The Town will begin using a preaudit certificate for all cash disbursements. The town will also issued purchase orders for future purchases in excess of \$500 as required by the Town's purchasing policy.

Town of Vanceboro, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2020-001 (Repeat)	Noncompliance with North Carolina General State Statute
Criteria:	North Carolina G.S. 159-34(a) and G.S. 159-33.1 states that the unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year and other annual and semi-annual reports are filed timely, respectively.
Perspective / Condition:	The Town's books were not available and in order in a timely manner in accordance with state statutes. Turnover in key positions caused the books to not be available and in order in a timely manner.
Effect:	The Town's audit and annual financial information report was not able to be prepared in a timely manner.
Cause:	The Town's audit was delayed due to awaiting the completion of the actuarial study for the Law Enforcement Officers' Special Separation Allowance. In addition, the Town hall was closed for several months in response to the Covid-19 pandemic.
Recommendation:	The Town should make timely requests for necessary information essential for the completion of the annual audit.
Views of responsible officials:	The Town agrees with this finding and has set forth a corrective action plan.
Corrective action:	The Town has begun identifying areas where additional training is available and will continue to monitor their reporting requirements and timely completion of their audit and other additional reporting requirements.

Town of Vanceboro, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2021-001	Restatements
Criteria:	Management should have a system of internal controls over account reconciliations to help reduce or mitigate potential misstatements in financial reporting.
Perspective / Condition:	During our audit procedures, we proposed a prior period adjustment to cash balances which were not properly reconciled during the prior reporting period. This incorrect balance also affected fund balance in the General Fund.
Effect:	The Town's management and other users of the financial statements do not have accurate and timely information for decision-making and monitoring of the Town's financial position and adherence to laws, regulations, and other requirements. Errors in financial reporting could occur and not be detected.
Cause:	The Town did not maintain a system of internal controls over account reconciliations. As a result, the account balance was not reconciled.
Recommendation:	The Town should develop a system of internal control over financial reporting, including key individuals, to ensure year-end balances are accurate for financial reporting.
Views of responsible officials:	The Town agrees with this finding and has set forth a corrective action plan.
Corrective action:	The Town has begun identifying areas where reconciliations are necessary and key individual for these processes. Management is reviewing existing policies and procedures for updating to assist in timely and accurate account reconciliations. Implementation of the new controls are being addressed and should be completed no later than June 30, 2022.

Town of Vanceboro, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weakness

Finding 2018-001

Financial Statement Preparation Knowledge

Name of Contact Person: Beverly Drake, Town Clerk/Finance Director

Corrective Action: The Town will continue to strive to provide financial statements to the best of their knowledge and to improve and grow our personnel knowledge so in the future the Town can possibly satisfy this requirement.

Proposed Completion Date: The Town plans to begin this process immediately.

Material Weakness

Finding 2018-002

Segregation of Duties

Name of Contact Person: Beverly Drake, Town Clerk/Finance Director

Corrective Action: The duties will be segregated as much as possible and the Board will continue providing alternative controls related to the Town's financial operations. The Board approves all invoices for payment at their regular monthly meetings

Proposed Completion Date: The Town's Board is already providing alternative controls.

Material Weakness

Finding 2018-003

Bank Reconciliations

Name of Contact Person: Beverly Drake, Town Clerk/Finance Director

Corrective Action: The Town will start preparing bank reconciliations at the end of each month and including them in the Board of Aldermen's monthly financial information for review.

Proposed Completion Date: June 30, 2022

Town of Vanceboro, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Significant Deficiency
Material Noncompliance
Finding 2018-005

Excess of Expenditures Over Budget

Name of Contact Person: Beverly Drake, Town Clerk/Finance Director

Corrective Action: Management and the Board of Aldermen will review monthly financial reports and amend the budget as necessary during the coming fiscal year.

Proposed Completion Date: June 30, 2022

Significant Deficiency
Material Noncompliance
Finding 2018-006

Purchasing Policy / Preaudit Certificate

Name of Contact Person: Beverly Drake, Town Clerk/Finance Director

Corrective Action: The Town will begin using a preaudit certificate for all cash disbursements. The town will also issued purchase orders for future purchases in excess of \$500 as required by the Town's purchasing policy.

Proposed Completion Date: This procedure will be implemented immediately.

Significant Deficiency
Material Noncompliance
Finding 2020-001

Annual Audit

Name of Contact Person: Beverly Drake, Town Clerk/Finance Director

Corrective Action: The Town has begun identifying areas where additional training is available and will continue to monitor their reporting requirements and timely completion of their audit and other additional reporting requirements.

Proposed Completion Date: This procedure will be implemented immediately.

Town of Vanceboro, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Significant Deficiency

Finding 2021-001

Restatement

Name of Contact Person: Beverly Drake, Town Clerk/Finance Director

Corrective Action: The Town has begun identifying areas where additional training is available and will continue to monitor their reporting requirements and timely completion of their audit and other additional reporting requirements.

Proposed Completion Date: This procedure will be implemented no later than September 1, 2022.

Town of Vanceboro, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weakness

Finding 2018-001

Financial Statement Preparation Knowledge

Status:

Management is willing to accept the risks associated with this deficiency but will also periodically evaluate the costs associated with the recommendation described in the Schedule of Findings and Responses.

Material Weakness

Finding 2018-002

Segregation of duties

Status:

The Town's payroll is currently processing by a third party vendor and reviewed by the Town Clerk. The Board of Alderman reviews receipts and disbursements each month. However, the small size of the Town's staff does not allow an adequate segregation of all financial duties.

Material Weakness

Finding 2018-003

Bank reconciliations

Status:

Bank reconciliations are not completed and reviewed in a timely manner.

Significant Deficiency

Material Noncompliance

Finding 2018-005

Excess of Expenditures Over Budget

Status:

The Town did prepare several budget amendments. However, these amendments are not always approved by the Board of Alderman. The Town did not adequately monitor its budget throughout the year, resulting in expenditures in several departments in excess of amounts appropriated in the budget ordinance.

Town of Vanceboro, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Significant Deficiency
Material Noncompliance
Finding 2018-006

Purchasing Policy / Preaudit Certificate

Status:

The Town does not follow its own purchasing policy which requires approved purchase orders for purchases over \$500. Invoices do not contain the preaudit certificate language required by GS 159-28.

Significant Deficiency
Material Noncompliance
Finding 2020-001

Annual Audit

Status:

The Town has begun identifying areas where additional training is available and will continue to monitor their reporting requirements and timely completion of their audit and other additional reporting requirements.