

**Town of Coats
Coats, North Carolina**

Audited Financial Statements

Year Ended June 30, 2023

Town of Coats, North Carolina
Audited Financial Statements
For the Year Ended June 30, 2023

BOARD OF COMMISSIONERS

Chris Coats, Mayor

Jerry Beasley, Mayor Pro-Tem

Kelvin Gilbert

Marc Powell

Allen Mosby

Shirley Allen

Administrative and Financial Staff

Nick Holcomb, Town Manager

Connie Lassiter, Finance Officer

Town of Coats, North Carolina
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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Coats, North Carolina

Opinion

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 Coats, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Coats, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Coats, North Carolina, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Governmental Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Coats, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Coats, North Carolina's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 9, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 42 and 43, and 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 on pages 44 and 45 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

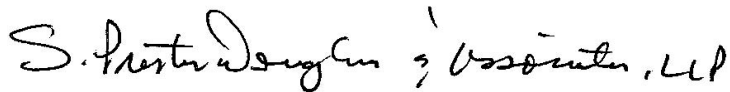
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Coats, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules are presented for purposes of additional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

The combining and individual fund financial statements, budgetary schedules, other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and 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 October 13, 2023 on our consideration of the Town of Coats's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Coats's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "S. Preston Douglas, Jr. & Associates, LLP". The signature is written in a cursive style.

Lumberton, North Carolina
October 13, 2023

Management's Discussion and Analysis

**Town of Coats, North Carolina
Management’s Discussion and Analysis
June 30, 2023**

Management’s Discussion and Analysis

As management of the Town of Coats, we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town of Coats for the fiscal year ending June 30, 2023. 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.

The MD&A is an opportunity for management to proactively address any issues that might be affecting the unit’s financial status or questions that might be posed by readers of the financial statements. A thoughtful discussion and analysis of economic, financial, or budgetary factors that might influence the unit should be presented.

Financial Highlights

The assets and deferred outflows of the Town of Coats exceeded its liabilities and deferred inflows at the close of the fiscal year by \$4,615,252 (net position).

As of the close of the current fiscal year, the Town’s governmental funds reported combined ending net position of \$2,891,766. Approximately 52% of this total amount, or \$1,497,431 is unrestricted.

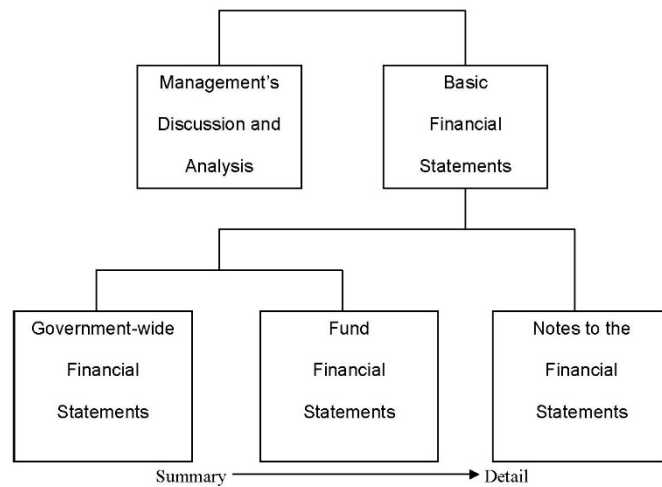
At the end of the current fiscal year, the Town’s change in net position was a positive \$871,444 of which a positive \$159,187 was from governmental activities and a positive \$712,257 was from business-type activities.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Town of Coats, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Financial Statements

The first two statements 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 are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements.

There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

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

Government-Wide Financial Statements. The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, in a manner similar to the 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 they have changed. Net position is the difference between the Town's total assets and total liabilities. 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 general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. 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. This includes the water services offered by the Town of Coats.

The government-wide financial statements can be found on pages 10 and 11 of this report.

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 Coats, like other state and local governments, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories, governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies that are unexpended 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Coats 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.

Town of Coats, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Governmental Funds (continued). 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 Coats maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, which is considered a major fund of the Town.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-41 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 42 of this report.

Supplementary Information. The combining statements, referred to earlier about nonmajor governmental funds and details of the enterprise fund, can be found on pages 46-58 of this report.

Government-Wide Financial Analysis

The Town of Coats' Net Position
Figure 2

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Totals 2023	Totals 2022
Current and other assets	\$ 2,301,534	\$ 2,375,096	\$ 1,617,915	\$ 976,788	\$ 3,919,449	\$ 3,351,884
Capital assets	1,143,714	1,028,357	271,953	186,918	1,415,667	1,215,275
Total assets	3,445,248	3,403,453	1,889,868	1,163,706	5,335,116	4,567,159
Deferred Outflows of Resources	399,341	228,843	74,835	40,030	474,176	268,873
Current liabilities	31,986	13,118	117,382	123,200	149,368	136,318
Long-term liabilities	650,085	253,995	119,832	26,983	769,917	280,978
Total liabilities	682,071	267,113	237,214	150,183	919,285	417,296
Deferred Inflows of Resources	270,752	632,604	4,003	42,324	274,755	674,928
Net position						
Net investment in capital assets	1,143,714	1,028,357	271,953	186,918	1,415,667	1,215,275
Restricted	250,621	310,377	-	-	250,621	310,377
Unrestricted	1,497,431	1,393,845	1,451,533	824,311	2,948,964	2,218,156
Total net position	\$ 2,891,766	\$ 2,732,579	\$ 1,723,486	\$ 1,011,229	\$ 4,615,252	\$ 3,743,808

Town of Coats, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Government-Wide Financial Analysis (continued)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$4,615,252 at the close of the current fiscal year. By far the largest portion of the Town's net position, 64%, reflects its unrestricted net position.

The restricted portion of net position, 5%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of net position is net investment in capital assets at \$1,415,667 or 31% of the total which is (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Other grants and contributions were the largest revenue contributor for the governmental funds with 30% of total governmental fund revenues.

Town of Coats' Changes in Net Position
Figure 3

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Totals 2023	Totals 2022
Revenues:						
Program revenues						
Charges for services	\$ 271,610	\$ 254,105	\$ 484,764	\$ 451,011	\$ 756,374	\$ 705,116
Operating grants and contributions	777,848	72,464	-	-	777,848	72,464
General revenues						
Property taxes	769,579	680,227	-	-	769,579	680,227
Other taxes	615,005	552,396	-	-	615,005	552,396
Other	145,986	186,915	4,285	657	150,271	187,572
Total revenues	2,580,028	1,746,107	489,049	451,668	3,069,077	2,197,775
Expenses:						
General government	553,557	518,063	-	-	553,557	518,063
Public safety	545,085	464,114	-	-	545,085	464,114
Transportation	226,398	227,112	-	-	226,398	227,112
Environmental protection	242,444	216,277	-	-	242,444	216,277
Cemetery	1,239	1,445	-	-	1,239	1,445
Cultural and recreation	186,605	139,824	-	-	186,605	139,824
Interest on long-term debt	-	-	-	-	-	-
Water	-	-	442,305	432,547	442,305	432,547
Total expenses	1,755,328	1,566,835	442,305	432,547	2,197,633	1,999,382
Increase in net position before transfers	824,700	179,272	46,744	19,121	871,444	198,393
Transfers	(665,513)	-	665,513	-	-	-
Increase in net position	159,187	179,272	712,257	19,121	871,444	198,393
Net position - July 1	2,732,579	2,553,307	1,011,229	992,108	3,743,808	3,545,415
Net position - June 30	\$ 2,891,766	\$ 2,732,579	\$ 1,723,486	\$ 1,011,229	\$ 4,615,252	\$ 3,743,808

Town of Coats, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Government-wide Financial Analysis (continued)

Capital and operating grants for governmental activities furnished resources to support the five functions of the Town: general government, public safety, transportation, environmental protection, and economic and physical development.

Business-type activities. Business-type activities increased the town's net position by \$712,257 compared to an increase in net position of \$19,121 from the previous fiscal year. Key elements of this decrease compared to last year are as follows:

- Charges for services increased by \$33,753
- The Town used the American Rescue Plan Act funding to do revenue replacement for the Water and Sewer Fund in the amount of \$665,513.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the principal operating fund of the Town of Coats. At the end of the fiscal year, unassigned fund balance for the general fund was \$1,850,177 with a total fund balance of \$2,031,170. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 107% of total General Fund expenditures.

Proprietary Funds. The Town of Coats' proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$1,451,533. Other factors concerning this fund have been discussed in the Town's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, which reflect actual cost.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services and obligations from prior years not completed.

**Town of Coats, North Carolina
Management’s Discussion and Analysis (continued)
June 30, 2023**

Capital Assets and Debt Administration

The Town of Coat’s investments in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$1,415,667 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

**Town of Coats’ Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Totals 2023	Totals 2022
Land & construction in progress	\$ 201,532	\$ 89,818	\$ 18,344	\$ 18,344	\$ 219,876	\$ 108,162
Buildings & infrastructure	607,046	642,033	228,346	160,419	835,392	802,452
Other improvements	112,320	76,744	-	-	112,320	76,744
Equipment	222,816	219,762	25,263	8,155	248,079	227,917
Total capital assets, net	\$ 1,143,714	\$ 1,028,357	\$ 271,953	\$ 186,918	\$ 1,415,667	\$ 1,215,275

Additional information on the Town’s capital assets can be found in the notes on page 29 of this report.

Long-term debt. As of June 30, 2023, the Town of Coats had no debt outstanding.

Additional information pertaining to the Town of Coats’ long-term debt can be found in the notes on page 41 of this report.

Economic Factors and Next Year’s Budgets and Rates

Coats continues to experience an increase in real estate demand due to national, regional (RTP), and local (Campbell University) development pressures. Strong demand for housing is resulting in infill housing throughout Coats. Construction on major subdivisions, however, has not yet begun. Two major residential subdivisions have been approved and two others have been formally submitted. New highway commercial development is complete and nearly open.

This past budget year across the board raises of 5% were given. The hiring rate for police officers was raised to \$40,000 in order to remain competitive with nearby agencies. This rapid salary growth has put pressure on the operating budget. It is expected this trend will continue in the short term and create budgeting challenges before the next property tax revaluation.

The Town has received American Rescue Plan (ARP) funds. \$665,513 of ARP funding was transferred to the Water Fund in order to cover an AMI watermeter project. Another ARP project is being used to replace and upsize existing waterlines.

These capital investments will eliminate short-term needs for debt service in the Water fund, greatly reduce labor hours required for maintenance and create a more efficient water system.

Request for Information

This financial report is designed to provide a general overview of the Town of Coats’ finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 25 E. Main Street, Coats NC 27521.

Basic Financial Statements

Town of Coats, North Carolina
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,928,476	\$ 1,495,929	\$ 3,424,405
Taxes receivables, net	10,835	-	10,835
Accounts receivables, net	14,291	34,612	48,903
Due from other governments	41,813	-	41,813
Inventories	-	24,217	24,217
Restricted cash and cash equivalents	306,119	63,157	369,276
Total current assets	<u>2,301,534</u>	<u>1,617,915</u>	<u>3,919,449</u>
Non-current assets:			
Capital assets (Note 3):			
Land and non-depreciable improvements	201,532	18,344	219,876
Other capital assets, net of depreciation	942,182	253,609	1,195,791
Total capital assets	<u>1,143,714</u>	<u>271,953</u>	<u>1,415,667</u>
Total assets	<u>3,445,248</u>	<u>1,889,868</u>	<u>5,335,116</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	399,341	74,835	474,176
Total deferred outflows of resources	<u>399,341</u>	<u>74,835</u>	<u>474,176</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	8,671	52,633	61,304
Customer deposits	-	63,157	63,157
Current portion of long-term liabilities	23,315	1,592	24,907
Total current liabilities	<u>31,986</u>	<u>117,382</u>	<u>149,368</u>
Long-term liabilities:			
Net pension liability	485,077	115,171	600,248
Total pension liability	153,117	-	153,117
Due in more than one year	11,891	4,661	16,552
Total liabilities	<u>682,071</u>	<u>237,214</u>	<u>919,285</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	89,522	4,003	93,525
Unearned grant revenue	181,230	-	181,230
Total deferred inflows of resources	<u>270,752</u>	<u>4,003</u>	<u>274,755</u>
NET POSITION			
Net investment in capital assets	1,143,714	271,953	1,415,667
Restricted for:			
Stabilization by State Statute	56,104	-	56,104
Transportation - Powell Bill	124,889	-	124,889
Perpetual care	69,628	-	69,628
Unrestricted	1,497,431	1,451,533	2,948,964
Total net position	<u>\$ 2,891,766</u>	<u>\$ 1,723,486</u>	<u>\$ 4,615,252</u>

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

Town of Coats, North Carolina
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 553,557	\$ -	\$ -	\$ -	\$ (553,557)	\$ -	\$ (553,557)
Public safety	545,085	-	-	-	(545,085)	-	(545,085)
Transportation	226,398	-	777,848	-	551,450	-	551,450
Environmental protection	242,444	259,677	-	-	17,233	-	17,233
Cemetery	1,239	4,000	-	-	2,761	-	2,761
Cultural and recreation	186,605	7,933	-	-	(178,672)	-	(178,672)
Total governmental activities	<u>1,755,328</u>	<u>271,610</u>	<u>777,848</u>	<u>-</u>	<u>(705,870)</u>	<u>-</u>	<u>(705,870)</u>
Business-type activities:							
Water	442,305	484,764	-	-	-	42,459	42,459
Total business-type activities	<u>442,305</u>	<u>484,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,459</u>	<u>42,459</u>
Total primary government	<u>\$ 2,197,633</u>	<u>\$ 756,374</u>	<u>\$ 777,848</u>	<u>\$ -</u>	<u>(705,870)</u>	<u>42,459</u>	<u>(663,411)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					769,579	-	769,579
Other taxes					615,005	-	615,005
Investment earnings, unrestricted					44,572	4,285	48,857
Miscellaneous, unrestricted					101,414	-	101,414
Total general revenues not including transfers					<u>1,530,570</u>	<u>4,285</u>	<u>-</u>
Transfers					<u>(665,513)</u>	<u>665,513</u>	<u>-</u>
Total general revenues and transfers					<u>865,057</u>	<u>669,798</u>	<u>1,534,855</u>
Change in net position					<u>159,187</u>	<u>712,257</u>	<u>871,444</u>
Net position, beginning					<u>2,732,579</u>	<u>1,011,229</u>	<u>3,743,808</u>
Net position, ending					<u>\$ 2,891,766</u>	<u>\$ 1,723,486</u>	<u>\$ 4,615,252</u>

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

Town of Coats, North Carolina
Balance Sheet
Governmental Funds
June 30, 2023

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>American Rescue Plan Fund</u>	<u>Total Non-Major Funds</u>	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,858,677	\$ -	\$ 69,799	\$ 1,928,476
Restricted cash and cash equivalents	124,889	131,230	50,000	306,119
Receivables, net:		-		
Taxes	10,835	-	-	10,835
Accounts	14,291	-	-	14,291
Due from other governments	41,813	-	-	41,813
Total assets	<u>\$ 2,050,505</u>	<u>\$ 131,230</u>	<u>\$ 119,799</u>	<u>\$ 2,301,534</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ 8,500	\$ -	\$ 171	\$ 8,671
Total liabilities	<u>8,500</u>	<u>-</u>	<u>171</u>	<u>8,671</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Property taxes receivable	10,835	-	-	10,835
Grant revenue unearned	-	131,230	50,000	181,230
Total deferred inflows of resources	<u>10,835</u>	<u>131,230</u>	<u>50,000</u>	<u>192,065</u>
<u>FUND BALANCES</u>				
Non Spendable:				
Perpetual care	-	-	69,628	69,628
Restricted				
Stabilization by State Statute	56,104	-	-	56,104
Transportation - Powell Bill	124,889	-	-	124,889
Unassigned	1,850,177	-	-	1,850,177
Total fund balances	<u>2,031,170</u>	<u>-</u>	<u>69,628</u>	<u>2,100,798</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,050,505</u>	<u>\$ 131,230</u>	<u>\$ 119,799</u>	<u>\$ 2,301,534</u>

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

Town of Coats, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2023

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

Total Fund Balance, Governmental Funds	\$	2,100,798
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$	3,328,941
Accumulated depreciation	<u>(2,185,227)</u>	1,143,714
Deferred outflows of resources related to pensions are not reported in the funds.		
		399,341
Earned revenues considered deferred inflows of resources in fund statements.		
		10,835
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Compensated absences		(35,206)
Total pension liability		(153,117)
Net pension liability		(485,077)
Deferred inflows of resources related to pension are not reported in the funds.		
		<u>(89,522)</u>
Net position of governmental activities	\$	<u>2,891,766</u>

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

Town of Coats, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds			Total Governmental Funds
	General Fund	American Rescue Plan Fund	Total Non-Major Funds	
Revenues:				
Ad valorem taxes	\$ 766,956	\$ -	\$ -	\$ 766,956
Unrestricted intergovernmental	615,005	-	-	615,005
Restricted intergovernmental	72,335	665,513	40,000	777,848
Permits and fees	259,127	-	550	259,677
Sales and services	7,933	-	4,000	11,933
Investment earnings	43,701	-	871	44,572
Miscellaneous	101,414	-	-	101,414
Total revenues	<u>1,866,471</u>	<u>665,513</u>	<u>45,421</u>	<u>2,577,405</u>
Expenditures:				
Current:				
General government	466,157	-	-	466,157
Public safety	481,509	-	-	481,509
Transportation	204,740	-	-	204,740
Environmental protection	238,460	-	-	238,460
Cultural and recreational	153,735	-	-	153,735
Cemetery	-	-	1,239	1,239
Capital outlay	188,704	-	40,000	228,704
Total expenditures	<u>1,733,305</u>	<u>-</u>	<u>41,239</u>	<u>1,774,544</u>
Excess (deficiency) of revenues over expenditures	<u>133,166</u>	<u>665,513</u>	<u>4,182</u>	<u>802,861</u>
Other financing sources (uses)				
Transfer to Water Fund	-	(665,513)	-	(665,513)
Total other financing sources (uses)	<u>-</u>	<u>(665,513)</u>	<u>-</u>	<u>(665,513)</u>
Net change in fund balances	133,166	-	4,182	137,348
Fund balances, beginning	<u>1,898,004</u>	<u>-</u>	<u>65,446</u>	<u>1,963,450</u>
Fund balances, ending	<u>\$ 2,031,170</u>	<u>\$ -</u>	<u>\$ 69,628</u>	<u>\$ 2,100,798</u>

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

Town of Coats, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

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

Net changes in fund balances - total governmental funds	\$	137,348
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	228,704	
Depreciation expense for governmental assets	<u>(113,347)</u>	115,357

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		71,018
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		2,630
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Compensated absences	(12,890)	
LEO revenue (expense)	(18,740)	
Pension revenue (expense)	<u>(135,536)</u>	<u>(167,166)</u>

Total changes in net position of governmental activities	\$	<u>159,187</u>
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Town of Coats, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 752,619	\$ 752,619	\$ 766,956	\$ 14,337
Unrestricted intergovernmental	539,600	539,600	615,005	75,405
Restricted intergovernmental	70,000	97,000	72,335	(24,665)
Permits and fees	327,720	247,430	259,127	11,697
Sales and services	11,000	11,000	7,933	(3,067)
Investment earnings	900	900	43,701	42,801
Miscellaneous	100,000	69,690	101,414	31,724
Total revenues	1,801,839	1,718,239	1,866,471	136,535
Expenditures:				
Current:				
General government	572,375	679,252	577,871	101,381
Public safety	582,628	585,520	528,435	57,085
Transportation	238,063	265,063	234,804	30,259
Environmental protection	239,130	239,130	238,460	670
Cultural and recreational	169,643	175,125	153,735	21,390
Total expenditures	1,801,839	1,944,090	1,733,305	210,785
Revenues over (under) expenditures	-	(225,851)	133,166	359,017
Fund balance appropriated	-	225,851	-	(225,851)
Net change in fund balance	\$ -	\$ -	133,166	\$ 133,166
Fund balance, beginning			1,898,004	
Fund balance, ending			\$ 2,031,170	

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

Town of Coats, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2023

<u>ASSETS</u>	<u>Water Fund</u>
Current assets:	
Cash and cash equivalents	\$ 1,495,929
Restricted cash and cash equivalents	63,157
Accounts receivable, net	34,612
Inventories	24,217
Total current assets	<u>1,617,915</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	18,344
Other capital assets, net of depreciation	253,609
Total noncurrent assets	<u>271,953</u>
Total assets	<u>1,889,868</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension deferrals	74,835
Total deferred outflows of resources	<u>74,835</u>
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued liabilities	52,633
Customer deposits	63,157
Compensated absences	6,253
Total current liabilities	<u>122,043</u>
Noncurrent liabilities:	
Net pension liability	115,171
Total noncurrent liabilities	<u>115,171</u>
Total liabilities	<u>237,214</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension deferrals	4,003
 <u>NET POSITION</u>	
Net investment in capital assets	271,953
Unrestricted	1,451,533
Total net position	<u>\$ 1,723,486</u>

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

Town of Coats, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2023

	Water Fund
Operating revenues:	
Charges for services	\$ 397,248
Water taps	34,000
Other operating revenues	53,516
Total operating revenues	484,764
Operating expenses:	
Water:	
Water purchases	137,083
Salaries and employee benefits	147,575
Supplies	19,808
Repairs and maintenance	56,797
Utilities	8,803
Insurance	7,852
Other operating expenditures	47,147
Depreciation	17,240
Total operating expenses	442,305
Operating income (loss)	42,459
Nonoperating revenues:	
Investment earnings	4,285
Total nonoperating revenues	4,285
Income (loss) before transfers	46,744
Transfers from American Rescue Fund	665,513
Change in net position	712,257
Total net position, beginning	1,011,229
Total net position, ending	\$ 1,723,486

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

Town of Coats, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

	Water Fund
Cash flows from operating activities	
Cash received from customers	\$ 485,581
Cash paid for goods and services	(276,596)
Cash paid to employees	(135,418)
Increase (decrease) in meter deposits	281
Net cash provided (used) by operating activities	73,848
Cash flows from non-capital financing activities	
Transfers from other funds	665,513
Net cash provided (used) by non-capital financing activities	665,513
Cash flows from capital and related financing activities	
Acquisition of capital assets	(102,275)
Net cash provided (used) by non-capital financing activities	(102,275)
Cash flows from investing activities	
Interest on investments	4,285
Net cash provided (used) by investing activities	4,285
Net increase (decrease) in cash	641,371
Cash and cash equivalents - beginning of year	917,715
Cash and cash equivalents - end of year	\$ 1,559,086
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 42,459
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	17,240
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	817
(Increase) decrease in inventory	(574)
Increase (decrease) in accounts payable and accrued liabilities	1,468
Increase (decrease) in customer deposits	281
(Increase) decrease in deferred outflows of resources for pensions	(34,805)
Increase (decrease) in deferred inflows of resources for pensions	(38,321)
Increase (decrease) in net pension liability	88,260
Increase (decrease) in compensated absences	(2,978)
Total adjustments	31,389
Net cash provided (used) by operating activities	\$ 73,848

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

Notes to the Financial Statements

Town of Coats, North Carolina
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A - Reporting Entity

The Town of Coats is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the financial activity of the Town.

B - Basis of Presentation

Government-wide Statements: The statement of net position and 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 and 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 – government and proprietary – are presented. The town has no fiduciary funds to report. The emphasis of the 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 nonmajor funds.

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

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation (continued)

The Town reports the following major governmental funds:

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

American Rescue Plan Fund - This fund is a special revenue fund used to account for the American Rescue Plan Act grant monies received and spent during the fiscal year.

The Town reports the following nonmajor governmental funds:

Cemetery Permanent Fund - This fund is used to account for perpetual care of the municipal cemetery.

County of Harnett Pass Through Grant Project Fund - This fund is used to account for the Harnett Pass Through Grant grant monies received and spent during the fiscal year.

State Capital and Infrastructure Fund - This fund is used to account for the State Capital and Infrastructure grant monies received and spent during the year.

The Town reports the following major enterprise fund:

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

C - Measurement Focus and Basis of Accounting

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

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

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

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 enterprise funds are charges to customers for sales and services. The 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.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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 taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts.

Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Coats because the tax is levied by Harnett and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenue that is unearned at year-end is recorded as deferred revenue.

D - Budgetary Data

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

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

1. Deposits and Investments

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

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

1. Deposits and Investments (continued)

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT).

The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town of Coats has invested in securities that are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Coats Restricted Cash

Governmental Activities

General Fund

Streets	\$ 124,889
Unearned grant revenue	181,230
Total Governmental Activities	306,119

Business-type Activities

Water and Sewer Fund

Customer deposits	63,157
Total Business-type Activities	63,157

Total Restricted Cash	\$ 369,276
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Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2022. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

5. 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.

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market.

The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The costs of these inventories are expensed when sold or consumed.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems \$5,000; infrastructure, \$20,000; furniture and equipment, \$2,500; and vehicles, \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	40
Improvements	20
Motor vehicles	5
Computer equipment	5
Furniture and office equipment	10

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty (30) days of earned vacation leave with such leave being fully vested when earned. For the Town, the current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental funds. For the Town's proprietary fund, an expense and a liability for compensated absences and the salary-related payments are recorded within the fund as the leave is earned.

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

11. Net Position / Fund Balances

Net Position

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

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Net Position / Fund Balances (continued)

Restricted for Stabilization by State Statute (continued)

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

The Town of Coats 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 Board of Commissioners has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Coats has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the General Fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and 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 Coats' employer contributions are recognized when due and the Town of Coats 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

B - Deficit in Fund Balance or Net Position of Individual Funds

None

C - Excess of Expenditures over Appropriations

None

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

1. Deposits

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

At June 30, 2023, the Town's deposits had a carrying amount of \$2,733,715 and a bank balance of \$2,753,504. Of the bank balance, \$500,000 was covered by federal depository insurance. At June 30, 2023, the Town's cash on hand totaled \$225.

2. Investments

At June 30, 2023, the Town had \$1,059,740 invested with North Carolina Capital Management Trust's Government Portfolio which carried a rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023 are net of the following allowance for doubtful accounts:

General Fund:	
Taxes receivable	\$ 5,000
Accounts receivable	17,261
Total General Fund	22,261
Enterprise Fund:	
Water - Accounts receivable	23,492
Total Enterprise Fund	23,492
Total	\$ 45,753

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

Governmental activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 89,818	\$ 111,714	\$ -	\$ 201,532
Total capital assets not being depreciated	89,818	111,714	-	201,532
Capital assets being depreciated:				
Buildings	884,365	-	-	884,365
Other improvements	728,325	40,000	-	768,325
Equipment, furniture, and vehicles	1,413,981	76,990	16,245	1,474,726
Total capital assets being depreciated:	3,026,671	116,990	16,245	3,127,416
Less accumulated depreciation for:				
Buildings	242,332	34,987	-	277,319
Other improvements	651,581	4,424	-	656,005
Equipment, furniture, and vehicles	1,194,219	73,936	16,245	1,251,910
Total accumulated depreciation	2,088,132	113,347	16,245	2,185,234
Total capital assets being depreciated, net	938,539			942,182
Governmental activities capital assets, net	\$ 1,028,357			\$ 1,143,714

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

General government	\$ 22,667
Public safety	38,534
Transportation	19,269
Culture and recreation	32,870
Total depreciation expense	<u>\$ 113,340</u>

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets (continued)

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Water fund:				
Capital assets not being depreciated:				
Land	\$ 18,344	\$ -	\$ -	\$ 18,344
Total capital assets not being depreciated	<u>18,344</u>	<u>-</u>	<u>-</u>	<u>18,344</u>
Capital assets being depreciated:				
Plant and distribution systems	867,037	80,500	-	947,537
Equipment, furniture, and vehicles	186,902	21,775	-	208,677
Total capital assets being depreciated:	<u>1,053,939</u>	<u>102,275</u>	<u>-</u>	<u>1,156,214</u>
Less accumulated depreciation for:				
Plant and distribution systems	706,618	12,573	-	719,191
Equipment, furniture, and vehicles	178,747	4,667	-	183,414
Total accumulated depreciation	<u>885,365</u>	<u>17,240</u>	<u>-</u>	<u>902,605</u>
Total capital assets being depreciated, net	<u>168,574</u>			<u>253,609</u>
Water fund capital assets, net	<u>\$ 186,918</u>			<u>\$ 271,953</u>

B - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Coats 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 for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Coats 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 Coats' contractually required contribution rate for the year ended June 30, 2023, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Coats were \$87,677 for the year ended June 30, 2023.

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.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

a. Local Governmental Employees' Retirement System (continued)

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

At June 30, 2023, the Town reported a liability of \$600,248 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2021, the Town's proportion was 0.01064%, which was a decrease of 0.00179% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$167,328. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,864	\$ 2,536
Changes of assumptions	59,891	-
Net difference between projected and actual earnings on pension plan investments	198,388	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,705	12,233
Town contributions subsequent to the measurement date	87,677	-
Total	\$ 389,525	\$ 14,769

\$87,677 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:			
2024	\$	87,931	
2025		76,950	
2026		27,684	
2027		94,516	
2028		-	
Thereafter		-	

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2021 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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 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 percent. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50 percent. 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 asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 1,083,370	\$ 600,248	\$ 202,127

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

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The Town of Coats administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2022, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>7</u>
Total	<u><u>7</u></u>

2. Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits 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 criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021.

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

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the 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 for the reporting period.

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

At June 30, 2023, the Town reported a total pension liability of \$153,117. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$18,740.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,269	\$ 44,354
Changes of assumptions and other inputs	35,382	34,402
Total	\$ 84,651	\$ 78,756

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 3,916
2025	4,884
2026	5,506
2027	2,623
2028	(6,542)
Thereafter	(4,492)

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$169,048	\$153,117	\$138,625
			2023
Beginning balance			\$ 130,917
Service Cost			12,074
Interest on the total pension liability			2,946
Differences between expected and actual experience in the measurement of the total pension liability			41,655
Changes of assumptions or other inputs			(34,475)
Ending balance of the total pension liability			\$ 153,117

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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment 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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$167,328	\$ 18,740	\$186,068
Pension Liability	600,248	153,117	753,365
Proportionate share of the net pension liability	0.01064%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	25,864	49,269	75,133
Changes of assumptions	59,891	35,382	95,273
Net difference between projected and actual earnings on plan investments	198,388	-	198,388
Changes in proportion and differences between contributions and proportionate share of contributions	17,705	-	17,705
Benefit payments and administrative costs paid subsequent to the measurement date	87,677	-	87,677
Deferred of Inflows of Resources			
Differences between expected and actual experience	2,536	44,354	46,890
Changes of assumptions	-	34,402	34,402
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	12,233	-	12,233

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers and General Employees

1. 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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State’s Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2023 were \$28,563, which consisted of \$16,583 from the Town and \$5,780 from the law enforcement officers. General employees of the Town are also permitted to make voluntary contributions to the Plan. Contribution made by general employees for the year ended June 30, 2023 was \$6,200.

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees’ Retirement System (Death Benefit Plan), a multi-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 month’s salary in a row during the 24 months prior to the employees death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 75,133
Changes of assumptions	95,273
Net difference between projected and actual earnings on pension plan investments	198,388
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,705
Town contributions subsequent to the measurement date	87,677
Total	\$ 474,176

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Deferred Outflows and Inflows of Resources (continued)

Deferred inflows of resources at year-end is comprised of the following:

	Statement of Net Position	Governmental Funds Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 10,835
Grant revenue unearned	181,230	181,230
Changes in assumptions	34,402	
Differences between expected and actual experience	46,890	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,233	-
Total	\$ 274,755	\$ 192,065

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to \$2 million lifetime coverage. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$50,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of total insurance values.

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

Because the Town is in an area of the State that has been mapped and designated moderate to low flood zone by the Federal Emergency Management Agency, the Town has chosen not to obtain flood insurance.

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 \$25,000.

Town of Coats, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations

a. Notes Payable

Governmental Activities

b. Changes in Debt

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Compensated absences	\$ 22,316	\$ 23,315	\$ (10,425)	\$ 35,206	\$ 23,315
Total pension liability (LEO)	130,917	22,200	-	153,117	-
Net pension liability (LGERS)	108,811	376,266	-	485,077	-
Governmental activity long-term liabilities	<u>\$ 262,044</u>	<u>\$ 421,781</u>	<u>\$ (10,425)</u>	<u>\$ 673,400</u>	<u>\$ 23,315</u>
Business-type activities:					
Compensated absences	\$ 9,231	\$ 1,592	\$ (4,570)	\$ 6,253	\$ 1,592
Net pension liability (LGERS)	26,912	88,259	-	115,171	-
Business-type activity long-term liabilities	<u>\$ 36,143</u>	<u>\$ 89,851</u>	<u>\$ (4,570)</u>	<u>\$ 121,424</u>	<u>\$ 1,592</u>

D - 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	\$ 2,031,170
Less:	
Stabilization by State Statute	56,104
Streets - Powell Bill	124,889
Remaining Fund Balance	\$ 1,850,177

NOTE 4 - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 13, 2023, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

Town of Coats, North Carolina
Town of Coats' Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Coats' proportion of the net pension liability (asset) (%)	0.01064%	0.00885%	0.00927%	0.00988%	0.00833%	0.00947%	0.00810%	0.00884%	0.00835%	0.00920%
Coats' proportion of the net pension liability (asset) (\$)	\$ 600,248	\$ 135,723	\$ 331,257	\$ 269,815	\$ 197,616	\$ 144,675	\$ 171,909	\$ 39,673	\$ (49,244)	\$ 110,895
Coats' covered-employee payroll	\$ 637,881	\$ 558,669	\$ 592,454	\$ 548,903	\$ 496,563	\$ 512,914	\$ 468,249	\$ 450,527	\$ 278,475	\$ 478,475
Coats' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	94.10%	24.29%	55.91%	49.16%	39.80%	29.14%	33.52%	8.47%	-10.93%	23.18%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%	96.45%

Town of Coats, North Carolina
Town of Coats' Contributions
Required Supplementary Information
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 87,677	\$ 74,589	\$ 58,556	\$ 55,278	\$ 44,579	\$ 39,292	\$ 39,219	\$ 32,630	\$ 33,099	\$ 33,477
Contributions in relation to the contractually required contribution	<u>87,677</u>	<u>74,589</u>	<u>58,556</u>	<u>55,278</u>	<u>44,579</u>	<u>39,292</u>	<u>39,219</u>	<u>32,630</u>	<u>33,099</u>	<u>33,477</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coats' covered-employee payroll	\$ 697,331	\$ 637,881	\$ 558,669	\$ 592,454	\$ 548,903	\$ 496,563	\$ 512,914	\$ 468,249	\$ 450,527	\$ 478,475
Contributions as a percentage of covered-employee payroll	12.57%	11.69%	10.48%	9.33%	8.12%	7.91%	7.65%	6.97%	7.35%	7.00%

Town of Coats, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 130,917	\$ 174,527	\$ 79,508	\$ 75,133	\$ 74,568	\$ 66,398	\$ 61,587
Service Cost	12,074	11,479	7,926	6,654	6,598	5,112	4,647
Interest on the total pension liability	2,946	3,368	2,592	2,735	2,356	2,563	2,199
Differences between expected and actual experience in the measurement of the total pension liability	41,655	(53,218)	24,116	(8,139)	(4,844)	(4,750)	-
Changes of assumptions or other inputs	(34,475)	(5,239)	60,385	3,125	(3,545)	5,245	(2,035)
Ending balance of the total pension liability	<u>\$ 153,117</u>	<u>\$ 130,917</u>	<u>\$ 174,527</u>	<u>\$ 79,508</u>	<u>\$ 75,133</u>	<u>\$ 74,568</u>	<u>\$ 66,398</u>

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

Town of Coats, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 153,117	\$ 130,917	\$ 174,527	\$ 79,508	\$ 75,133	\$ 74,568	\$ 663,698
Covered payroll	296,520	242,966	248,376	269,734	234,277	237,167	231,605
Total pension liability as a percentage of covered payroll	51.64%	53.88%	70.27%	29.48%	32.07%	31.44%	28.67%

Notes to the schedules:

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

Individual Fund Statements and Schedules

Town of Coats, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 763,304	\$
Interest		3,652	
Total	<u>752,619</u>	<u>766,956</u>	<u>14,337</u>
Unrestricted intergovernmental:			
Local option sales taxes		504,619	
Telecommunications tax		5,283	
Utility franchise tax		80,107	
Beer/wine excise tax		10,086	
Video programming		14,910	
Total	<u>539,600</u>	<u>615,005</u>	<u>75,405</u>
Restricted intergovernmental:			
Powell Bill allocation		72,335	
Total	<u>97,000</u>	<u>72,335</u>	<u>(24,665)</u>
Permits and fees:			
Solid waste disposal		241,629	
Zoning fees		7,840	
Police service fees		644	
Vehicle tag fees		9,014	
Total	<u>247,430</u>	<u>259,127</u>	<u>11,697</u>
Sales and services:			
Recreation department fees		7,933	
Total	<u>11,000</u>	<u>7,933</u>	<u>(3,067)</u>
Investment earnings	<u>900</u>	<u>43,701</u>	<u>42,801</u>
Miscellaneous:			
Miscellaneous		101,414	
Total	<u>69,690</u>	<u>101,414</u>	<u>31,724</u>
Total revenues	<u>\$ 1,718,239</u>	<u>\$ 1,866,471</u>	<u>\$ 148,232</u>

Town of Coats, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Salaries and employee benefits	\$	\$ 18,414	\$
Professional services		17,730	
Dues and subscriptions		3,570	
Other operating expenditures		9,131	
Capital outlay		111,714	
Total	<u>163,212</u>	<u>160,559</u>	<u>2,653</u>
Administration/Finance:			
Salaries and employee benefits		194,816	
Utilities		3,815	
Equipment rental and maintenance		49,252	
Insurance		21,493	
Other operating expenditures		28,711	
Total	<u>307,067</u>	<u>298,087</u>	<u>8,980</u>
Taxes:			
Collection fees		6,693	
Total	<u>7,296</u>	<u>6,693</u>	<u>603</u>
Planning/Zoning:			
Animal control		12,000	
Other operating expenditures		38,225	
Total	<u>138,785</u>	<u>50,225</u>	<u>88,560</u>
School resource officer:			
Salaries and employee benefits		61,261	
Other operating expenditures		1,046	
Total	<u>62,892</u>	<u>62,307</u>	<u>585</u>
Total general government	<u>\$ 679,252</u>	<u>\$ 577,871</u>	<u>\$ 101,381</u>

Town of Coats, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and employee benefits	\$	\$ 373,184	\$
Supplies		1,139	
Uniforms		5,552	
Vehicle maintenance		3,636	
Utilities		2,616	
Communication services		17,600	
Contracted services		9,433	
Insurance		62,965	
Other operating expenditures		5,384	
Capital outlay		46,926	
Total	585,520	528,435	57,085
Transportation:			
Streets and highways:			
Salaries and employee benefits		42,520	
Supplies		7,023	
Vehicle maintenance		683	
Street lights		39,414	
Repairs and maintenance		3,730	
Uniforms		862	
Insurance		9,821	
Powell Bill expenditures		96,699	
Other operating expenditures		3,988	
Capital outlay		30,064	
Total	265,063	234,804	30,259
Environmental protection:			
Solid waste:			
Salaries and employee benefits		65,887	
Contracted services		172,573	
Total	\$ 239,130	\$ 238,460	\$ 670

Town of Coats, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	\$	\$ 75,285	\$
Supplies		7,463	
Utilities		4,989	
Referees/Umpires		9,920	
Other operating expenditures		14,958	
Total	<u>134,005</u>	<u>112,615</u>	<u>21,390</u>
Library:			
Salaries and employee benefits		3,879	
Utilities		616	
Other operating expenditures		36,625	
Total	<u>41,120</u>	<u>41,120</u>	<u>-</u>
Total expenditures	<u>1,944,090</u>	<u>1,733,305</u>	<u>210,785</u>
Revenues over (under) expenditures	<u>(225,851)</u>	<u>133,166</u>	<u>359,017</u>
Fund balance appropriated	225,851	-	(225,851)
Net change in fund balance	<u>\$ -</u>	133,166	<u>\$ 133,166</u>
Fund balance, beginning		<u>1,898,004</u>	
Fund balance, ending		<u>\$ 2,031,170</u>	

Town of Coats, North Carolina
American Rescue Plan Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and For the Year Ended June 30, 2023

	Project	Actual		Total to	Variance
	Authorization	Prior	Current	Date	Positive
		Years	Year		(Negative)
Revenues:					
ARP Funds	\$ 796,744	\$ -	\$ 665,513	\$ 665,513	\$ (131,231)
Revenue over (under) expenditures	<u>796,744</u>	<u>-</u>	<u>665,513</u>	<u>665,513</u>	<u>(131,231)</u>
Other financing sources:					
Transfer to other funds:					
Water Fund	(796,744)	-	(665,513)	(665,513)	131,231
Total other sources (uses)	<u>(796,744)</u>	<u>-</u>	<u>(665,513)</u>	<u>(665,513)</u>	<u>131,231</u>
Revenues and financing other sources					
(uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Nonmajor Governmental Funds

Town of Coats, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	<u>Cemetery Fund</u>	<u>County of Harnett Pass Through Grant Fund</u>	<u>State Capital and Infrastructure Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>				
Cash and investments	\$ 69,799	\$ 50,000	\$ -	\$ 119,799
Total assets	\$ 69,799	\$ 50,000	\$ -	\$ 119,799
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 171	\$ -	\$ -	\$ 171
<u>Deferred inflows:</u>				
Unearned revenue	-	50,000	-	50,000
<u>Fund balances:</u>				
Nonspendable				
Perpetual care	69,628	-	-	69,628
Restricted				
Economic development	-	-	-	-
Total fund balances	\$ 69,628	\$ -	\$ -	\$ 69,628
Total liabilities and fund balances	\$ 69,799	\$ 50,000	\$ -	\$ 119,799

Town of Coats, North Carolina
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended June 30, 2023

	Cemetery Fund	County of Harnett Pass Through Grant Fund	State Capital and Infrastructure Fund	Total Nonmajor Governmental Funds
Revenues:				
Operating revenues	\$ 4,550	\$ -	\$ -	\$ 4,550
Grant revenues	-	-	40,000	40,000
Investment income	871	-	-	871
Total revenues	<u>5,421</u>	<u>-</u>	<u>40,000</u>	<u>45,421</u>
Expenditures:				
Operating expenditures	1,239	-	-	1,239
Capital outlay	-	-	40,000	40,000
Total expenditures	<u>1,239</u>	<u>-</u>	<u>-</u>	<u>41,239</u>
Revenues over (under) expenditures	4,182	-	-	4,182
Net change in fund balances	4,182	-	-	4,182
Fund balance, beginning	65,446	-	-	65,446
Fund balance, ending	<u>\$ 69,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,628</u>

Town of Coats, North Carolina
Cemetery Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Cemetery plot sales	\$	\$ 4,000	\$
Other operating revenues		550	
Total operating revenues	1,890	4,550	2,660
Investment earnings	10	871	861
Total revenues	1,900	5,421	3,521
<u>Expenditures:</u>			
Caregiver		720	
Maintenance		121	
Electricity		398	
Total expenditures	1,900	1,239	661
Revenues over (under) expenditures	-	4,182	4,182
Fund balance, beginning		65,446	
Fund balance, ending		\$ 69,628	

Town of Coats, North Carolina
County of Harnett Pass Through Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2023

	Project	Actual		Total to	Variance
	Authorization	Prior	Current	Date	Positive
		Years	Year		(Negative)
Revenues:					
Harnett County Grant	\$ 50,000	\$ -	\$ -	\$ -	\$ (50,000)
Total revenues	50,000	-	-	-	(50,000)
Expenditures:					
Multipurpose Harcourt	50,000	-	-	-	(50,000)
Total expenditures	50,000	-	-	-	(50,000)
Revenues over (under) expenditures	\$ -	\$ -	-	\$ -	\$ (100,000)
Fund balance, beginning			-		
Fund balance, ending			\$ -		

Town of Coats, North Carolina
State Capital and Infrastructure Fund (SCIF)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2023

	<u>Project</u>		<u>Actual</u>			<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>		<u>Positive</u>
		<u>Years</u>	<u>Year</u>	<u>Date</u>		<u>(Negative)</u>
Revenues:						
SCIF Funds	\$ 40,000	\$ -	\$ 40,000	\$ 40,000		\$ -
Total revenues	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>		<u>-</u>
Expenditures:						
Building renovations	40,000	-	40,000	40,000		-
Total expenditures	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>		<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>		<u>\$ -</u>
Fund balance, beginning			<u>-</u>			
Fund balance, ending			<u>\$ -</u>			

Town of Coats, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>			
Charges for services:			
Water sales	\$	\$ 397,248	\$
Water taps		34,000	
Other operating revenues		53,516	
Total	<u>522,035</u>	<u>484,764</u>	<u>(37,271)</u>
Non-operating revenues:			
Interest earned		4,285	
Total	<u>300</u>	<u>4,285</u>	<u>3,985</u>
Total revenues	<u>522,335</u>	<u>489,049</u>	<u>(33,286)</u>
<u>Expenditures:</u>			
Water:			
Water purchases		137,083	
Salaries and employee benefits		135,420	
Supplies		19,808	
Repairs and maintenance		56,797	
Utilities		8,803	
Insurance		7,852	
Other operating expenditures		47,147	
Capital outlay		21,775	
Total expenditures	<u>522,335</u>	<u>434,685</u>	<u>87,650</u>

Town of Coats, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP) (continued)
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfer to other funds:			
American Rescue Plan Fund	\$	\$ 665,513	\$
Total other financing sources (uses)	-	665,513	(665,513)
Revenues over expenditures and other financing (uses)	\$ -	\$ 719,877	\$ 719,877

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures and other financing (uses)	\$ 719,877
--	-------------------

Reconciling items:

Compensated absences	2,978
Pension expense	(31,792)
Retirement contributions	16,659
Capital outlay	21,775
Depreciation	(17,240)
Total reconciling items	(7,620)

Change in net position	\$ 712,257
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Town of Coats, North Carolina
Waterline Replacement Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2023

	<u>Project</u>		<u>Actual</u>		<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Positive</u>
		<u>Years</u>	<u>Year</u>	<u>Date</u>	<u>(Negative)</u>
Revenues:					
ARPA Grant Proceeds	\$ 1,000,000	\$ -	\$ -	\$ -	\$ (1,000,000)
Total revenues	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>
Expenditures:					
Engineering, administration, and construction	1,000,000	-	80,500	80,500	919,500
Total expenditures	<u>1,000,000</u>	<u>-</u>	<u>80,500</u>	<u>80,500</u>	<u>919,500</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(80,500)</u>	<u>\$ (80,500)</u>	<u>\$ (80,500)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (80,500)</u>		

Other Schedules

This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Coats, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2023

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2023</u>
2022-2023	\$ -	\$ 762,791	\$ 756,647	\$ 6,144
2021-2022	4,128	-	1,575	2,553
2020-2021	1,834	-	583	1,251
2019-2020	1,448	-	79	1,369
2018-2019	1,196	-	107	1,089
2017-2018	834	-	106	728
2016-2017	1,081	-	165	916
2015-2016	886	-	165	721
2014-2015	609	-	166	443
2013-2014	588	-	(33)	621
2012-2013	602	-	602	-
	<u>\$ 13,206</u>	<u>\$ 762,791</u>	<u>\$ 760,162</u>	<u>\$ 15,835</u>

Less: allowance for uncollectible accounts - General Fund 5,000

Ad valorem taxes receivable - net \$ 10,835

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 761,587
Interest and Penalties collected	(3,652)
Reconciling items:	
Taxes written off	<u>2,227</u>
Total collections and credits	<u><u>\$ 760,162</u></u>

**Town of Coats, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2023**

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at					
current year's rate	\$ 155,671,633	0.49	\$ 762,791	\$ 671,721	\$ 91,070
Net levy			762,791	671,721	91,070
Uncollected taxes at June 30, 2023			(6,144)	(6,144)	-
Current year's taxes collected			<u>\$ 756,647</u>	<u>\$ 665,577</u>	<u>\$ 91,070</u>
Current levy collection percentage			<u>99.19%</u>	<u>99.09%</u>	<u>100.00%</u>

Compliance Section



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs
N. C. Association of CPAs

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and
Members of the Board of Commissioners
Coats, North Carolina

We have audited, 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, 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 Coats, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Coats' basic financial statements and have issued our report thereon dated October 13, 2023.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Coats' 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Coat's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "S. Preston Douglas & Associates, LLP". The signature is written in a cursive style.

Lumberton, North Carolina
October 13, 2023

Town of Coats, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
• Material weakness(es) identified?	<u> X </u> yes <u> </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u> yes <u> X </u> none reported
• Noncompliance material to financial statements	<u> </u> yes <u> X </u> no

Town of Coats, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding 2023 - 001 Segregation of Duties

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

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

Effect: Potential misstatement of financial statements

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

Repeat Finding: This was not a repeat finding.

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

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 65.

TOWN OF COATS

P. O. Box 675
25 E. Main Street
Coats, NC 27521
Phone (910) 897-5183 Fax (910) 897-2662

Correction Action Plan

MATERIAL WEAKNESS

Finding 2023 - 001 Segregation of Duties

Name of contact person: Connie Lassiter, Finance Director

Corrective Action: The duties will be separated to the extent possible and alternative controls will be used to compensate for lack of separation. The Town will continue to monitor its internal controls in an effort to alleviate inherent limitations placed on small towns. It is our desire/plan to add staff within the next 1-3 years, as the Town's growth is expected to provide additional revenue. Additional staff would help with being able to separate duties.

Proposed Completion Date: The Town has implemented the above procedures.