

TOWN OF CERRO GORDO, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2019

**TOWN OF CERRO GORDO, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2019**

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditors' Report	1-2
	Management's Discussion and Analysis	3-9
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	10
2	Statement of Activities	11
	Fund Financial Statements	
3	Balance Sheet -- Governmental Funds	12
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
4	Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds	13
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
6	Statement of Revenues, Expenditures, and Changes in Fund Balance -- Budget and Actual -- General Fund	15
7	Statement of Fund Net Position -- Proprietary Funds	16
8	Statement of Revenues, Expenses, and Changes in Fund Net Position -- Proprietary Funds	17
9	Statement of Cash Flows -- Proprietary Funds	18
	Notes to the Financial Statements	19-27

TOWN OF CERRO GORDO, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2019

Individual Fund Statements and Schedules:

Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual -- General Fund	28-30
Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual -- Town Hall Project Fund	31
Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual -- Water Fund	32
Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual -- Sewer Fund	33

Other Schedules:

Schedule of Ad Valorem Taxes Receivable	34
Analysis of Current Tax Levy -- Town-Wide Levy	35

Compliance:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Schedule of Findings and Questioned Costs	38-39
Corrective Action Plan	40
Prior Year Findings	41

TOWN OF CERRO GORDO, NORTH CAROLINA

TOWN COUNCIL AND OFFICIALS

June 30, 2019

TOWN COUNCIL

David White, Mayor

Tracey Blackwell

Jeff Greene

Jackie Jenkins

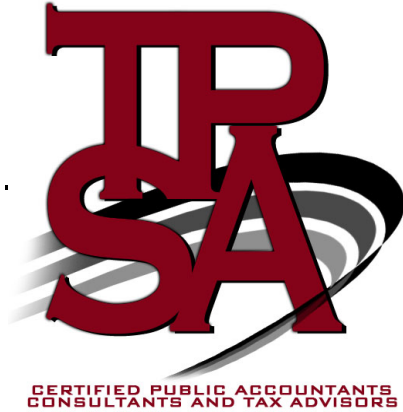
Lisa McKee

David Prince

OFFICIAL

Brandi Strickland, Town Clerk

Financial Section



Thompson, Price, Scott, Adams & Co, P.A.

**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Cerro Gordo, North Carolina, as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cerro Gordo, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 Town of Cerro Gordo's basic financial statements. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and 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 by us and other auditors. 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 November 4, 2019, on our consideration of the Town of Cerro Gordo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Cerro Gordo's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 4, 2019

As management of the Town of Cerro Gordo, we offer readers of the Town of Cerro Gordo's financial statements this narrative overview and analysis of the financial activities of the Town of Cerro Gordo for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

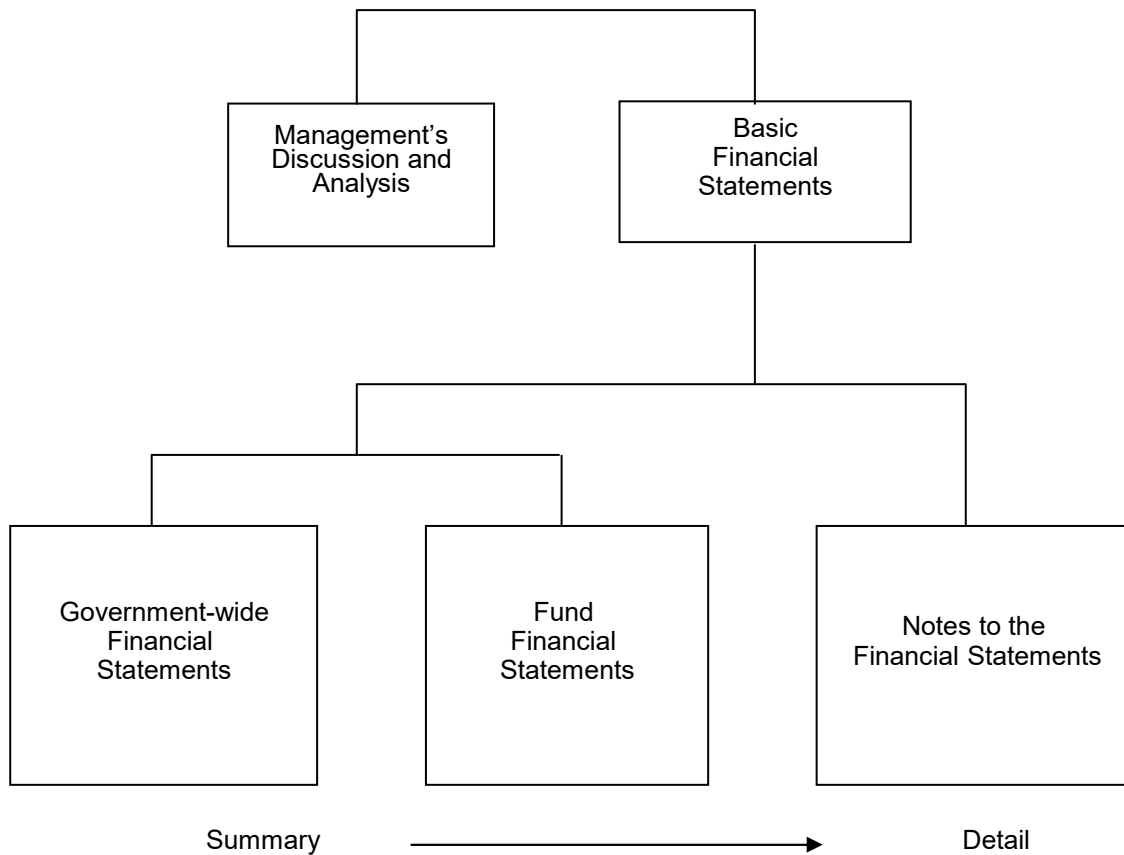
Financial Highlights

- The assets and deferred outflows of resources of the Town of Cerro Gordo exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,174,975 (*net position*).
- The government's total net position increased by \$254,646, due to an increased net position in governmental activities of \$324,272, and a decrease of \$69,626 in business-type activities net position. The increase in governmental activity was mainly due to receiving grants to finance the new Town Hall.
- At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$158,570 with a net decrease of \$136,896 in fund balance. Approximately 37.81 percent of this total amount, or \$59,954, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$98,616, or 110.89 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Cerro Gordo, like all other governmental entities, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Cerro Gordo can be divided into two categories: governmental funds and proprietary funds.

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

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

Proprietary Funds – The Town of Cerro Gordo has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Cerro Gordo uses enterprise funds to account for its water and sewer operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start after Exhibit 9.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information. Required supplementary information can be found beginning at the schedules following directly after the notes.

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

Government-Wide Financial Analysis

**Town of Cerro Gordo's Net Position
 Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 193,382	\$ 298,038	\$ 91,103	\$ 84,088	\$ 284,485	\$ 382,126
Capital assets	625,497	164,437	2,304,063	2,381,773	2,929,560	2,546,210
Total assets and deferred outflows of resources	<u>\$ 818,879</u>	<u>\$ 462,475</u>	<u>\$ 2,395,166</u>	<u>\$ 2,465,861</u>	<u>\$ 3,214,045</u>	<u>\$ 2,928,336</u>
Long-term liabilities outstanding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other liabilities	33,997	1,865	5,073	6,142	39,070	8,007
Total liabilities and deferred inflows of resources	<u>\$ 33,997</u>	<u>\$ 5,468</u>	<u>\$ 5,073</u>	<u>\$ 5,479</u>	<u>\$ 39,070</u>	<u>\$ 8,007</u>
Net position:						
Net investment in capital assets related debt	\$ 625,497	\$ 164,437	\$ 2,304,063	\$ 2,381,773	\$ 2,929,560	\$ 2,546,210
Restricted	59,954	209,981	-	-	59,954	209,981
Unrestricted	99,431	86,192	86,030	77,946	185,461	164,138
Total net position	<u>\$ 784,882</u>	<u>\$ 460,610</u>	<u>\$ 2,390,093</u>	<u>\$ 2,459,719</u>	<u>\$ 3,174,975</u>	<u>\$ 2,920,329</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Cerro Gordo exceeded liabilities and deferred inflows by \$3,174,975 as of June 30, 2019. The Town's net position increased by \$254,646 for the fiscal year ended June 30, 2019. The Town's net investment in capital assets -- land, buildings, equipment and infrastructure totaling \$2,929,560 represents 92.27% of the total net position. The Town of Cerro Gordo uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Cerro Gordo's net position, \$59,954, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$185,461 is unrestricted, representing 5.84% of total net position.

Town of Cerro Gordo Changes in Net Position
Figure 3

	Governmental		Business-type		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 25,546	\$ 25,870	\$ 57,792	\$ 67,616	\$ 83,338	\$ 93,486
Operating grants and contributions	7,034	6,954	-	-	7,034	6,954
Capital grants and contributions	308,400	90,000	-	-	308,400	90,000
General revenues:						
Property taxes	16,044	15,163	-	-	16,044	15,163
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted						
to specific programs	60,671	58,659	-	-	60,671	58,659
Unrestricted investment income	8	14	2	2	10	16
Miscellaneous	15	-	-	-	15	-
Total revenues	417,718	196,660	57,794	67,618	475,512	264,278
Expenses:						
General government	73,020	88,820	-	-	73,020	88,820
Transportation	3,606	4,156	-	-	3,606	4,156
Environmental protection	16,820	14,873	-	-	16,820	14,873
Water and sewer	-	-	127,420	137,909	127,420	137,909
Total expenses	93,446	107,849	127,420	137,909	220,866	245,758
Increase in net position before transfers and special items	324,272	88,811	(69,626)	(70,291)	254,646	18,520
Transfers and special items	-	-	-	-	-	-
Increase in net position	324,272	88,811	(69,626)	(70,291)	254,646	18,520
Net position, July 1	460,610	371,799	2,459,719	2,530,010	2,920,329	2,901,809
Net position, June 30	\$ 784,882	\$ 460,610	\$ 2,390,093	\$ 2,459,719	\$ 3,174,975	\$ 2,920,329

Governmental activities. Governmental activities increased the Town's net position by \$324,272, mainly as a result of receiving grants to finance the construction of the new Town Hall.

Business-type activities: Business-type activities decreased Town of Cerro Gordo's net position by \$69,626. Key elements of this decrease are as follows:

- * Depreciation Expense on Sewer Lines.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Cerro Gordo's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Cerro Gordo's financing requirements.

The General Fund is the chief operating fund of the Town of Cerro Gordo. At the end of the current fiscal year, fund balance available in the General Fund was \$98,616, while total fund balance reached \$143,386. The Town currently has a available fund balance of 110.89% of general fund expenditures, while total fund balance represents 161.23% of the same amount. The Town does not have a fund balance policy.

At June 30, 2019, the governmental funds of Town of Cerro Gordo reported a fund balance of \$158,570 as compared to a fund balance of \$295,466 at June 30, 2018. The (\$136,896) change in fund balance for the fiscal year ended June 30, 2019 represents a decrease of 46.33% from the prior year balance. The change is largely due to spending grant funds received in a prior year for the construction of the new Town Hall.

General Fund Budgetary Highlights: During the fiscal year, the Town did not revise the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Fund. The Town of Cerro Gordo's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Funds at the end of the fiscal year amounted to \$86,030. This represents a 10.37% increase over the prior year balance of \$77,946.

Capital Asset and Debt Administration

Capital assets. The Town of Cerro Gordo's capital assets for its governmental and business – type activities as of June 30, 2019, totals \$2,929,561 (net of accumulated depreciation). These assets include land, buildings, infrastructure, equipment, and plant and distribution systems.

Town of Cerro Gordo's Capital Assets
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 30,500	\$ 30,500	\$ 8,650	\$ 8,650	\$ 39,150	\$ 39,150
Buildings	44,437	45,835	-	-	44,437	45,835
Infrastructure	85,046	88,102	-	-	85,046	88,102
Furniture, fixtures and equipment	-	-	-	-	-	-
Distribution systems	-	-	2,295,414	2,373,124	2,295,414	2,373,124
Construction in process	465,514	-	-	-	465,514	-
Total	\$ 625,497	\$ 164,437	\$ 2,304,064	\$ 2,381,774	\$ 2,929,561	\$ 2,546,211

Major capital asset transactions during the year include the following:

- * Construction of a new Town Hall

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

Long-term Debt. The Town of Cerro Gordo has no long-term debt as of June 30, 2019.

Economic Factors and Next Year's Budgets and Rates

Major changes for the economic outlook for the Town of Cerro Gordo are not anticipated, with the outlook generally unfavorable. Columbus County is currently experiencing an unemployment rate of approximately 5.6%, among the highest unemployment rates in the state. Two primary elements of the local economy, textiles and agriculture, have experienced significant losses in the past few years, resulting in a bleak economic outlook. The county administration is actively cultivating new alternatives to offset the dwindling impact of textiles and agriculture on the local economy. However, these efforts are more long range in nature and are not likely to produce significant improvements in the near term.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Budgeted expenditures should roughly approximate 2018-2019 levels, with no major increases anticipated.

Business-type Activities: Both water and sewer rates will remain unchanged for fiscal year 2019-2020.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer/Town Clerk, Town of Cerro Gordo, Post Office Box 26, Cerro Gordo, North Carolina 28430. One can also call (910)-654-5387 for more information.

Basic Financial Statements

Town of Cerro Gordo, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 102,429	\$ 84,111	\$ 186,540
Restricted cash	67,420	3,480	70,900
Taxes receivables (net)	753	-	753
Accrued Interest receivable on taxes	62	-	62
Accounts receivable (net)	3,186	6,620	9,806
Due from other governments	16,424	-	16,424
Internal balances	3,108	(3,108)	-
Total current assets	<u>193,382</u>	<u>91,103</u>	<u>284,485</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	496,014	8,650	504,664
Other capital assets, net of depreciation	129,483	2,295,413	2,424,896
Total capital assets	<u>625,497</u>	<u>2,304,063</u>	<u>2,929,560</u>
Total assets	<u>\$ 818,879</u>	<u>\$ 2,395,166</u>	<u>\$ 3,214,045</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 33,997	\$ 1,593	\$ 35,590
Customer deposits	-	3,480	3,480
Total liabilities	<u>33,997</u>	<u>5,073</u>	<u>39,070</u>
NET POSITION			
Net investment in capital assets	625,497	2,304,063	2,929,560
Restricted for:			
Stabilization by State Statute	22,718	-	22,718
General Government	15,184	-	15,184
Transportation	22,052	-	22,052
Unrestricted	99,431	86,030	185,461
Total net position	<u>\$ 784,882</u>	<u>\$ 2,390,093</u>	<u>\$ 3,174,975</u>

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

Town of Cerro Gordo, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 73,020	\$ 8,114	\$ -	\$ 308,400	\$ 243,494	\$ -	243,494
Transportation	3,606	-	7,034	-	3,428	-	3,428
Environmental protection	16,820	17,432	-	-	612	-	612
Total governmental activities (See Note 1)	93,446	25,546	7,034	308,400	247,534	-	247,534
Business-type activities:							
Water	33,066	29,141	-	-	-	(3,925)	(3,925)
Sewer	94,354	28,651	-	-	-	(65,703)	(65,703)
Total business-type activities	127,420	57,792	-	-	-	(69,628)	(69,628)
Total primary government	\$ 220,866	\$ 83,338	\$ 7,034	\$ 308,400	\$ 247,534	\$ (69,628)	\$ 177,906
General revenues:							
Taxes							
Property taxes, levied for general purpose					16,044	-	16,044
Grants and contributions not restricted to specific programs					60,671	-	60,671
Unrestricted investment earnings					8	2	10
Miscellaneous					15	-	15
Total general revenues not including transfers					76,738	2	76,740
Change in net position					324,272	(69,626)	254,646
Net position -- beginning					460,610	2,459,719	2,920,329
Net position - ending					\$ 784,882	\$ 2,390,093	\$ 3,174,975

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

Town of Cerro Gordo
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds		Total Governmental Funds
	General	Town Hall Project	
ASSETS			
Cash and cash equivalents	\$ 102,429	\$ -	\$ 102,429
Restricted cash	21,721	45,699	67,420
Receivables, net:			-
Taxes	753	-	753
Accounts	3,186	-	3,186
Due from other funds	3,108	-	3,108
Due from other governments	16,424	-	16,424
Prepaid expenses	-	-	-
Total assets	\$ <u>147,621</u>	\$ <u>45,699</u>	\$ <u>193,320</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ <u>3,482</u>	\$ <u>30,515</u>	\$ <u>33,997</u>
Total liabilities	<u>3,482</u>	<u>30,515</u>	<u>33,997</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	<u>753</u>	<u>-</u>	<u>753</u>
Total deferred inflows of resources	<u>753</u>	<u>-</u>	<u>753</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	22,718	-	22,718
Town Hall Project	-	15,184	15,184
Powell Bill	22,052	-	22,052
Assigned			
Subsequent year's expenditures	-	-	-
Unassigned	<u>98,616</u>	<u>-</u>	<u>98,616</u>
Total fund balances	<u>143,386</u>	<u>15,184</u>	<u>158,570</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>147,621</u>	\$ <u>45,699</u>	

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

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

625,497

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.

62

Liabilities for earned revenues considered deferred inflows of resources in fund statements.

753

Net position of governmental activities

\$ 784,882

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

Town of Cerro Gordo, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2019

	Major Funds		Total Governmental Funds
	General	Town Hall Project	
REVENUES			
Ad valorem taxes	\$ 15,936	\$ -	\$ 15,936
Other taxes and licenses	-	-	-
Unrestricted intergovernmental	60,671	-	60,671
Restricted intergovernmental	7,034	308,400	315,434
Permits and fees	8,114	-	8,114
Sales and services	17,432	-	17,432
Investment earnings	8	-	8
Miscellaneous	15	-	15
Total revenues	109,210	308,400	417,610
EXPENDITURES			
Current:			
General government	71,565	465,571	537,136
Transportation	550	-	550
Environmental protection	16,820	-	16,820
Total expenditures	88,935	465,571	554,506
Excess (deficiency) of revenues			
Over expenditures	20,275	(157,171)	(136,896)
Net change in fund balance	20,275	(157,171)	(136,896)
Fund balances - beginning	123,111	172,355	295,466
Fund balances - ending	\$ 143,386	\$ 15,184	\$ 158,570

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

Town of Cerro Gordo, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2019

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

Net changes in fund balances -- total governmental funds \$ (136,896)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay expenditures which were capitalized	465,514	
Depreciation expense for governmental assets	<u>(4,454)</u>	461,060

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	<u>108</u>	<u>108</u>
--	------------	------------

Total changes in net position of governmental activities \$ 324,272

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

Town of Cerro Gordo, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -- Budget and Actuals
For the Year Ended June 30, 2019

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget -- Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 15,750	\$ 15,750	\$ 15,936	\$ 186
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	57,800	57,800	60,671	2,871
Restricted intergovernmental	7,170	7,170	7,034	(136)
Permits and fees	7,440	7,440	8,114	674
Sales and services	18,304	18,304	17,432	(872)
Investment earnings	1	1	8	7
Miscellaneous	100	100	15	(85)
Total revenues	106,565	106,565	109,210	2,645
Expenditures:				
Current:				
General government	89,688	89,688	71,565	18,123
Transportation	1,322	1,322	550	772
Environmental protection	16,725	16,725	16,820	(95)
Total expenditures	107,735	107,735	88,935	18,800
Revenues over (under) expenditures	(1,170)	(1,170)	20,275	21,445
Other financial sources (uses):				
Transfer from Other Funds	-	-	-	-
Fund balance appropriated	1,170	1,170	-	(1,170)
Total other financing sources (uses)	1,170	1,170	-	(1,170)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	20,275	\$ 20,275
Fund balances - beginning			123,111	
Fund balances - ending			\$ 143,386	

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

Town of Cerro Gordo, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	<u>Major Enterprise Funds</u>		<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 34,000	\$ 50,111	\$ 84,111
Restricted Cash	3,480	-	3,480
Accounts receivable (net)	<u>3,946</u>	<u>2,674</u>	<u>6,620</u>
Total current assets	<u>41,426</u>	<u>52,785</u>	<u>94,211</u>
Noncurrent assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	8,650	-	8,650
Other capital assets, net of depreciation	<u>284,538</u>	<u>2,010,875</u>	<u>2,295,413</u>
Capital assets	<u>293,188</u>	<u>2,010,875</u>	<u>2,304,063</u>
Total noncurrent assets	<u>293,188</u>	<u>2,010,875</u>	<u>2,304,063</u>
Total assets	<u>\$ 334,614</u>	<u>\$ 2,063,660</u>	<u>\$ 2,398,274</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 561	\$ 1,032	\$ 1,593
Due to other funds	2,954	154	3,108
Customer deposits	<u>3,480</u>	<u>-</u>	<u>3,480</u>
Total current liabilities	<u>6,995</u>	<u>1,186</u>	<u>8,181</u>
Total liabilities	<u>6,995</u>	<u>1,186</u>	<u>8,181</u>
NET POSITION			
Net investment in capital assets	293,188	2,010,875	2,304,063
Unrestricted	<u>34,431</u>	<u>51,599</u>	<u>86,030</u>
Total net position	<u>327,619</u>	<u>2,062,474</u>	<u>2,390,093</u>
Total Liabilities and Net Position	<u>\$ 334,614</u>	<u>\$ 2,063,660</u>	<u>\$ 2,398,274</u>

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

Town of Cerro Gordo, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Funds		Total
	Water Fund	Sewer Fund	
OPERATING REVENUES			
Charges for services	\$ 29,141	\$ 28,651	\$ 57,792
Water and sewer taps	-	-	-
Miscellaneous Income	-	-	-
Total operating revenues	<u>29,141</u>	<u>28,651</u>	<u>57,792</u>
OPERATING EXPENSES			
Administration	6,133	2,114	8,247
Water treatment and distribution	15,153	26,310	41,463
Depreciation	11,780	65,930	77,710
Total operating expenses	<u>33,066</u>	<u>94,354</u>	<u>127,420</u>
Operating income (loss)	<u>(3,925)</u>	<u>(65,703)</u>	<u>(69,628)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	2	-	2
Reimbursement from DOT	-	-	-
Total nonoperating revenues (expenses)	<u>2</u>	<u>-</u>	<u>2</u>
Income (loss) before contributions and transfers	(3,923)	(65,703)	(69,626)
Capital contributions	-	-	-
Change in net position	(3,923)	(65,703)	(69,626)
Total net position, beginning	<u>331,542</u>	<u>2,128,177</u>	<u>2,459,719</u>
Total net position, ending	<u>\$ 327,619</u>	<u>\$ 2,062,474</u>	<u>\$ 2,390,093</u>

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

**Town of Cerro Gordo
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019**

	Major Enterprise Funds		Total
	Water Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 28,544	\$ 28,392	\$ 56,936
Cash paid for goods and services	(22,145)	(28,634)	(50,779)
Customer deposits received	-	-	-
Net cash provided by operating activities	<u>6,399</u>	<u>(242)</u>	<u>6,157</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due to/from other funds	-	-	-
Insurance Refund	-	-	-
Net cash (provided)/used by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	-	-
Capital Contributions	-	-	-
Net cash provided by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>2</u>	<u>-</u>	<u>2</u>
Net increase in cash and cash equivalents	6,401	(242)	6,159
Balances, beginning	31,080	50,354	81,434
Balances, ending	<u>\$ 37,480</u>	<u>\$ 50,111</u>	<u>\$ 87,591</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (3,925)	\$ (65,703)	\$ (69,628)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	11,780	65,930	77,710
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	(597)	(259)	(856)
Increase (decrease) in accounts payable	(859)	(210)	(1,069)
Increase (decrease) in customer deposits	-	-	-
Total adjustments	<u>10,324</u>	<u>65,461</u>	<u>75,785</u>
Net cash provided (used) by operating activities	<u>\$ 6,399</u>	<u>\$ (242)</u>	<u>\$ 6,157</u>

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

Town of Cerro Gordo
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize 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 recipient of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

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 required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sanitation charges, State grants, and various other taxes and licenses. The primary expenditures are for street maintenance and construction, sanitation services and general governmental services.

Town Hall Project Fund. This fund is used to account for the FEMA and Golden Leaf grants received to assist in the construction of a new Town Hall after the damage from Hurricane Matthew.

The Town reports the following major enterprise funds:

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

Sewer Fund. This fund is used to account for the Town's sewer 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 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the town's enterprise 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.

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. 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. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board. The Budget Officer is authorized by the budget ordinance to transfer appropriations between line item expenditures within a department without limitation and without a report being required; however, these changes should not result in increases in recurring obligations such as salaries. The Budget Officer is also authorized to transfer appropriations up to \$1,000 between departments, including contingency appropriations, within the same fund. An official report of such transfers should be made at the next regular meeting of the Governing Board. The Budget Officer may not transfer appropriations between funds, except as approved by the Governing Board in the Budget Ordinance as amended. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers acceptances and the North Carolina Capital Management Trust (NCCMT).

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Cerro Gordo Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 21,721
Town Hall Project	
Unspent Grant proceeds	45,699
Total governmental activities	<u>67,420</u>
Business-type Activities	
Water Fund	
Customer Deposits	3,480
Total Business-type activities	<u>3,480</u>
Total Restricted Cash	<u>\$ 70,900</u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Due to very limited capital asset acquisition, minimum capitalization costs are \$500 for all items. 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. All other purchased or constructed capital assets are reported at cost or estimated historical cost. There were no general infrastructure assets acquired prior to July 1, 2003. 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 on a straight-line basis over the following estimated useful lives:

Infrastructure	25 years
Buildings	50 years
Furniture and equipment	10 years
Sewer lines	40 years

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 no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has one item that meets the criterion for this category - property taxes receivable.

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to two weeks earned vacation leave with such leave being fully vested when earned. Accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the government-wide financial statements.

The Town's sick leave policy provides for an accumulation of up to 16 days of sick leave. Sick leave does not vest and since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net Position

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

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.

Prepaid expenses - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

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.

Reserved for Streets – Powell Bill – portion of fund balance available for appropriation but legally segregated for street expenditures. It represents the balance of the total unexpended Powell Bill funds.

Reserved for Town Hall Capital Project - portion of fund balance restricted by grant agreement to build a new town hall as a result of Hurricane Matthew.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Cerro Gordo' governing body. Any changes or removal of specific purpose requires majority action by the governing body.

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.

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

II. Stewardship, Compliance, and Accountability

Noncompliance with North Carolina General Statutes

The Town was in violation of NC General Statute 159-32. There were instances noted where the Town had more than \$250 on hand for up to a week. Also see the description in the findings section of this report.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in 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 amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the Town's deposits had carrying amount of \$257,440 and a bank balance of \$258,730. \$250,000 of the bank balance was covered by federal depository insurance, the remaining \$8,730 is covered by the pooling method. Of the carrying amount, \$6 was cash on hand.

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

Fund	6/30/2019
General Fund:	
Taxes receivable	\$ 1,289
Accounts receivable	127
Total	<u>\$ 1,416</u>
Enterprise Funds:	
Water	\$ 125
Sewer	77
Total	<u>\$ 202</u>

3. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 30,500	\$ -	\$ -	30,500
Construction in Process	-	465,514	-	465,514
Total capital assets not being depreciated	30,500	465,514	-	496,014
Capital assets being depreciated:				
Buildings	69,892	-	-	69,892
Equipment	14,246	-	-	14,246
Infrastructure	103,362	-	-	103,362
Total capital assets being depreciated	187,500	-	-	187,500
Less accumulated depreciation for:				
Buildings	24,057	1,398	-	25,455
Equipment	14,246	-	-	14,246
Infrastructure	15,260	3,056	-	18,316
Total accumulated depreciation	53,563	\$ 4,454	\$ -	58,017
Total capital assets being depreciated, net	133,937			129,483
Governmental activity capital assets, net	\$ 164,437			\$ 625,497

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

General government	\$ 1,398
Transportation	3,056
Total depreciation expense	<u>\$ 4,454</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water Fund				
Capital assets not being depreciated				
Land	\$ 8,650	\$ -	\$ -	\$ 8,650
Total capital assets not being depreciated	8,650	-	-	8,650
Capital assets being depreciated:				
Plant and distribution systems	591,797	-	-	591,797
Equipment	1,755	-	-	1,755
Total capital assets being depreciated	593,552	-	-	593,552
Less accumulated depreciation for:				
Plant and distribution systems	295,479	11,780	-	307,259
Equipment	1,755	-	-	1,755
Total accumulated depreciation	297,234	\$ 11,780	\$ -	309,014
Total capital assets being depreciated, net	296,318			284,538
Water Fund capital assets, net	\$ 304,968			\$ 293,188

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Sewer Fund				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Plant and distribution systems	2,637,210	-	-	2,637,210
Equipment	-	-	-	-
Total capital assets being depreciated	2,637,210	-	-	2,637,210
Less accumulated depreciation for:				
Plant and distribution systems	560,405	65,930	-	626,335
Equipment	-	-	-	-
Total accumulated depreciation	560,405	\$ 65,930	\$ -	626,335
Total capital assets being depreciated, net	2,076,805			2,010,875
Sewer Fund capital assets, net	\$ 2,076,805			\$ 2,010,875
Business-type activities capital assets, net	\$ 2,381,773			\$ 2,304,063

B. Liabilities

1. Pension Plan Obligations

The Town of Cerro Gordo does not participate in the Local Government Employees' Retirement System, nor do they participate in any other pension programs.

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Taxes Receivable, less penalties (General Fund)	\$ 753

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for general liability of up to \$340,000 and workers compensation up to the statutory limits.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance as they are not considered to be in a high risk area.

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 Town clerk is bonded for \$50,000. The Town also has a temporary employee who provides services on an as-needed basis who is bonded for \$10,000.

4. Claims and Judgments

At June 30, 2019, the Town had no claims or judgments outstanding or pending.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

	General Fund	Water Fund	Sewer Fund
Due to other funds	\$ -	\$ 2,954	\$ 154
Due from other funds	3,108	-	-
	<u>\$ 3,108</u>	<u>\$ 2,954</u>	<u>\$ 154</u>

All interfund receivables and payables resulted from transfers used to supplement other funding sources.

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	\$ 143,386
Less:	
Nonspendable	-
Stabilization by State Statute	22,718
Streets - Powell Bill	22,052
Appropriated Fund Balance in 2020 Budget	-
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	<u>\$ 98,616</u>

The Town had no outstanding encumbrances at year-end.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Significant Effects of Subsequent Events

The Town has not had any significant events between June 30, 2019 and the date of this report.

Individual Fund Statements and Schedules

**Town of Cerro Gordo
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances -- Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 15,731	\$
Penalties and interest		205	
Total	<u>15,750</u>	<u>15,936</u>	<u>186</u>
Unrestricted intergovernmental:			
Local option sales tax		48,055	
Telecommunications sales tax		1,850	
Utility franchise tax		10,517	
Video Programming		103	
Solid Waste Disposal tax		146	
Total unrestricted intergovernmental	<u>57,800</u>	<u>60,671</u>	<u>2,871</u>
Restricted intergovernmental:			
Powell Bill allocation		7,034	
Total restricted intergovernmental	<u>7,170</u>	<u>7,034</u>	<u>(136)</u>
Permits and fees			
Zoning permits		-	
Building permits		1,050	
Building inspections		7,064	
Total permits and fees	<u>7,440</u>	<u>8,114</u>	<u>674</u>
Sales and services:			
Garbage collection fees		17,432	
Total sales and services	<u>18,304</u>	<u>17,432</u>	<u>(872)</u>
Investment earnings	<u>1</u>	<u>8</u>	<u>7</u>
Miscellaneous:			
Miscellaneous revenues		15	
Total miscellaneous	<u>100</u>	<u>15</u>	<u>(85)</u>
Total revenues	<u>106,565</u>	<u>109,210</u>	<u>2,645</u>

**Town of Cerro Gordo
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances -- Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
General government:			
Governing board:			
Salaries and benefits		8,881	
Other operating expenditures		567	
Total Governing Board	<u>9,280</u>	<u>9,448</u>	<u>(168)</u>
Administration:			
Salaries and employee benefits		36,602	
Other operating expenditures		24,895	
Total Administration	<u>69,318</u>	<u>61,497</u>	<u>7,821</u>
Inspections:			
Contract Services	<u>8,290</u>	<u>-</u>	<u>8,290</u>
Planning & Zoning:			
Contract Services	<u>750</u>	<u>160</u>	<u>590</u>
Public Buildings:			
Maintenance		-	-
Other operating expenditures		-	-
Total Public Buildings	<u>2,050</u>	<u>-</u>	<u>2,050</u>
Total General Government	<u>89,688</u>	<u>71,565</u>	<u>18,123</u>
Transportation:			
Contract services		-	
Maintenance and repairs		550	
Total Transportation	<u>1,322</u>	<u>550</u>	<u>772</u>

**Town of Cerro Gordo
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances -- Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Environmental protection:			
Contracted services		16,820	
Total Environmental Protection	<u>16,725</u>	<u>16,820</u>	<u>(95)</u>
Total expenditures	<u>107,735</u>	<u>88,935</u>	<u>18,800</u>
Revenues over (under) expenditures	<u>(1,170)</u>	<u>20,275</u>	<u>21,445</u>
Other financing sources (uses):			
Transfer from Sewer Fund	-	-	-
Transfer from Water Fund	-	-	-
Fund balance appropriated	<u>1,170</u>	<u>-</u>	<u>(1,170)</u>
Total	<u>1,170</u>	<u>-</u>	<u>(1,170)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	20,275	<u>\$ 20,275</u>
Fund balances, beginning		123,111	
Fund balances, ending		<u>\$ 143,386</u>	

Town of Cerro Gordo
Capital Project Fund- Town Hall Project
Schedule of Revenues and Expenditures
Budget and Actual (Non GAAP)
For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental					
FEMA Grant	\$ 117,760	\$ 117,760	\$ -	\$ 117,760	\$ -
Legislative Grant	-	-	38,400	38,400	38,400
Golden Leaf Grant - Town Hall	459,200	90,000	270,000	360,000	(99,200)
Golden Leaf Grant - Well Rehabilitation	105,600	-	-	-	(105,600)
Total revenues	<u>682,560</u>	<u>207,760</u>	<u>308,400</u>	<u>516,160</u>	<u>(166,400)</u>
Expenditures:					
FEMA Grant:					
Land Purchase	29,000	30,000	-	30,000	(1,000)
Refund Grant - NC Dept of Public Safety	-	4,958	-	4,958	(4,958)
Purchase Building Contents	63,760	-	-	-	63,760
Project Oversight	25,000	325	-	325	24,675
Total FEMA Grant	<u>117,760</u>	<u>35,283</u>	<u>-</u>	<u>35,283</u>	<u>82,477</u>
Town Hall Remodel Project:					
Golden Leaf Grant:					
Office Supplies/Bank Charges	-	122	53	175	(175)
Demolition/Construction/Site Cost	410,000	-	395,220	395,220	14,780
Architect/Engineering Design	49,200	-	67,549	67,549	(18,349)
Total Town Hall Remodel	<u>459,200</u>	<u>122</u>	<u>462,822</u>	<u>462,944</u>	<u>(3,744)</u>
Well Rehabilitation Project:					
Office Supplies/Bank Charges	-	-	4	4	-
Demolition/Construction/Site Cost	105,600	-	2,745	2,745	-
Total Well Rehabilitation	<u>105,600</u>	<u>-</u>	<u>2,749</u>	<u>2,749</u>	<u>-</u>
Total Expenditures	<u>682,560</u>	<u>35,405</u>	<u>465,571</u>	<u>500,976</u>	<u>78,733</u>
Revenues under expenditures	<u>-</u>	<u>172,355</u>	<u>(157,171)</u>	<u>15,184</u>	<u>(245,133)</u>
Other Financing Sources:					
Transfer from General Fund	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 172,355</u>	<u>(157,171)</u>	<u>\$ 15,184</u>	<u>\$ (245,133)</u>
Fund balances, beginning			<u>172,355</u>		
Fund balances, ending			<u>\$ 15,184</u>		

**Town of Cerro Gordo
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non GAAP)
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services	\$ 28,384	\$ 29,141	\$ 757
Water taps and reconnection fees	-	-	-
Miscellaneous Income	-	-	-
Total operating revenues	<u>28,384</u>	<u>29,141</u>	<u>757</u>
Nonoperating revenues:			
Interest earned	-	2	2
Total nonoperating revenues	<u>-</u>	<u>2</u>	<u>2</u>
Total revenues	<u>28,384</u>	<u>29,143</u>	<u>759</u>
Expenditures:			
Administration			
Insurance	2,050	1,441	609
Dues and subscriptions	400	295	105
Telephone and postage	1,900	1,432	468
Office supplies	350	637	(287)
Professional Services	1,950	2,115	(165)
Travel	-	206	(206)
Miscellaneous Expense	339	7	332
Total administration	<u>6,989</u>	<u>6,133</u>	<u>856</u>
Treatment and distribution			
Contracted services	9,800	7,019	2,781
Maintenance and repairs	6,245	2,543	3,702
Water testing	950	2,196	(1,246)
Utilities	2,200	3,253	(1,053)
Supplies	2,200	142	2,058
Total treatment and distribution	<u>21,395</u>	<u>15,153</u>	<u>6,242</u>
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>28,384</u>	<u>21,286</u>	<u>7,098</u>
Other financing sources (uses):			
Transfer to General Fund	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 7,857</u>	<u>\$ 7,857</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over (under) expenditures		\$ 7,857	
Reconciling items			
Depreciation		(11,780)	
Total reconciling items		<u>(11,780)</u>	
Change in net position		<u>\$ (3,923)</u>	

**Town of Cerro Gordo
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non GAAP)
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services	\$ 28,340	\$ 28,651	\$ 311
Sewer taps and connection fees	140	-	(140)
Miscellaneous Income	7,830	-	(7,830)
Total operating revenues	<u>36,310</u>	<u>28,651</u>	<u>(7,659)</u>
Total revenues	<u>36,310</u>	<u>28,651</u>	<u>(7,659)</u>
Expenditures:			
Administration			
Insurance	1,725	1,983	(258)
Professional Fees	2,425	-	2,425
Telephone and Postage	200	-	200
Office supplies	100	59	41
Dues and Subscriptions	-	-	-
Bank service charges	-	72	(72)
Penalties & Fines	-	-	-
Total administration	<u>4,450</u>	<u>2,114</u>	<u>2,336</u>
Treatment and distribution			
Maintenance and repairs	12,380	8,092	4,288
Contracted Services	3,760	15,267	(11,507)
Departmental Supplies	2,400	-	2,400
Miscellaneous	340	-	340
Utilities	12,980	2,951	10,029
Total treatment and distribution	<u>31,860</u>	<u>26,310</u>	<u>5,550</u>
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>36,310</u>	<u>28,424</u>	<u>7,886</u>
Other financing sources (uses):			
Operating transfers - out	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 227</u>	<u>\$ 227</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over (under) expenditures		\$ 227	
Reconciling items			
Depreciation		(65,930)	
Total reconciling items		<u>(65,930)</u>	
Change in net position		<u>\$ (65,703)</u>	

Other Schedules

**Town of Cerro Gordo
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019**

Fiscal Year	Uncollected Balance 6/30/18	Additions	Collections And Credits	Uncollected Balance 6/30/19
2018-2019	\$ -	\$ 15,761	\$ 15,140	\$ 621
2017-2018	907	-	677	230
2016-2017	128	-	57	71
2015-2016	56	-	-	56
2014-2015	60	-	-	60
2013-2014	145	-	-	145
2012-2013	284	-	-	284
2011-2012	223	-	-	223
2010-2011	296	-	-	296
2009-2010	56	-	-	56
2008-2009	59	-	59	-
	<u>\$ 2,214</u>	<u>\$ 15,761</u>	<u>\$ 15,933</u>	<u>2,042</u>
Less: allowance for doubtful accounts -- General Fund				<u>(1,289)</u>
Ad valorem taxes receivable -- net				<u>\$ 753</u>

Reconcilement with revenues:

Ad valorem taxes -- General Fund \$ 15,936

Reconciling items:

Interest collected 205
Taxes written off 59
Adjustments/releases (267)

Total collections and credits \$ 15,933

**Town of Cerro Gordo
 Analysis of Current Tax Levy
 Town-Wide Levy
 For the Fiscal Year Ended June 30, 2019**

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 7,880,500	0.20	\$ 15,761	\$ 13,108	\$ 2,653
Penalties	-		-	-	-
Total	<u>7,880,500</u>		<u>15,761</u>	<u>13,108</u>	<u>2,653</u>
Total property valuation	<u>\$ 7,880,500</u>				
Net levy			\$ 15,761	\$ 13,108	\$ 2,653
Uncollected Taxes at June 30, 2019			<u>621</u>	<u>621</u>	<u>-</u>
Current year's taxes collected			<u>\$ 15,140</u>	<u>\$ 12,487</u>	<u>\$ 2,653</u>
Current levy collection percentage			<u>96.06%</u>	<u>95.26%</u>	<u>100.00%</u>

COMPLIANCE SECTION



**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

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

Independent Auditors' Report

To the Honorable Mayor
And Members of the Town Commissioners
Town of Cerro Gordo, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Cerro Gordo, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises Town of Cerro Gordo's basic financial statements, and have issued our report thereon dated November 4, 2019.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [19-01] A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies [19-02, 19-03].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Cerro Gordo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Cerro Gordo's Response to Findings

The Town of Cerro Gordo's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 4, 2019

Town of Cerro Gordo, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2019

Section II. Financial Statement Findings

MATERIAL WEAKNESS

FINDING: 19-01 Lack of segregation of duties

Criteria: Internal controls are enhanced when the responsibilities for executing a transaction, recording the transaction, and maintaining custody of the assets resulting from the transaction are assigned to different individuals.

Condition: In reviewing internal control procedures within the Finance Department, we noticed a lack of segregation of duties since the Town only has one person that handles all financial transactions. Internal controls are enhanced when responsibilities for executing a transaction, recording the transaction, and maintaining custody of the assets resulting from the transaction are assigned to different individuals.

Effect: While it may be convenient to have one person authorized to handle multiple phases of a transaction, it does not provide the ideal internal control structure.

Cause: With only one employee within the Finance Department, it makes difficult to achieve an adequate segregation of duties.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

SIGNIFICANT DEFICIENCY

FINDING: 19-02 Inadequate design of internal control over the preparation of the financial statements being audited.

Criteria: There is not an individual within the Town's personnel that possess sufficient accounting knowledge and experience to be able to determine if the financial statements are prepared correctly.

Condition: There is a limited number of Town personnel.

Effect: The information within the annual audited financial statements could be materially misstated.

Cause: Town financial resources are limited and are not sufficient to have such a position.

Recommendation: The Town should consider outsourcing this procedure.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

FINDING: 19-03 Daily Deposit Requirement

Criteria: General Statute 159-32 requires deposits to be made daily if receipts are greater than \$250.

Condition: There were instances noted where the Town held money for multiple days prior to depositing the funds.

Effect: There is an increased risk of theft of monies that is being held for deposit.

Cause: The Town is located in an area that is not close to a bank. It is not convenient for the clerk to close up every day early enough to get to the bank.

Recommendation: Daily deposits should be made if the Town has more than \$250 on hand.

Views of responsible officials: The Town agrees with this finding.



TOWN OF CERRO GORDO

P.O. Box 26 Cerro Gordo, N.C. 28430

Phone 1-910-654-5387 Fax 1-910-654-1678

Town of Cerro Gordo, North Carolina

Corrective Action Plan

For the Year Ended June 30, 2019

Section II - Financial Statement Findings

MATERIAL WEAKNESS

19-01 Segregation of Duties

Name of Contact Person: Brandi Strickland, Town Clerk

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The Board will implement the above procedure immediately.

19-02 Inadequate design of internal control over the preparation of financial statements being audited

Name of Contact Person: Brandi Strickland, Town Clerk

Corrective Action: The Town will start evaluating this deficiency to determine what alternative controls could be used to compensate for this.

Proposed Completion Date: The Board will implement the above procedure immediately.

19-03 Daily Deposit Requirement

Name of Contact Person: Brandi Strickland, Town Clerk

Corrective Action: Discuss methods to improve frequency of deposits.

Proposed Completion Date: June 30, 2019

Town of Cerro Gordo, North Carolina
Prior Year Findings
For the Year Ended June 30, 2019

- 18-01 Segregation of Duties
Repeated as 19-01
- 18-02 Inadequate design of internal control over the preparation of financial statements being audited
Repeated as 19-02
- 18-03 Daily Deposit Requirement
Repeated as 19-03