

**TOWN OF CROSSNORE**  
CROSSNORE, NORTH CAROLINA  
FINANCIAL STATEMENTS  
June 30, 2019

## TOWN OF CROSSNORE

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### **Mayor**

Jesse Smith

### **Board of Aldermen**

Cami Buchanan

Jane Milanvoich

Ginny Smith

Dan Vance

Eddie Yarber

### **Finance Officer**

Joelle Poore

### **Town Clerk**

Susie Potter

**Town of Crossnore, North Carolina**  
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# **Financial Section**

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**COMBS,  
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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the Board of Aldermen  
Crossnore, North Carolina

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Crossnore, as of June 30, 2019, and the respective changes in financial position, and cash flows, where applicable, 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 Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

The individual fund financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and 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 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.

*COMBS, TENNANT + CARPENTER, P.C.*

COMBS, TENNANT & CARPENTER, P.C.  
Certified Public Accountants  
Boone, NC

October 14, 2019

## Management's Discussion and Analysis

As management of the Town of Crossnore, we offer readers of the Town of Crossnore's financial statements this narrative overview and analysis of the financial activities of the Town of Crossnore 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

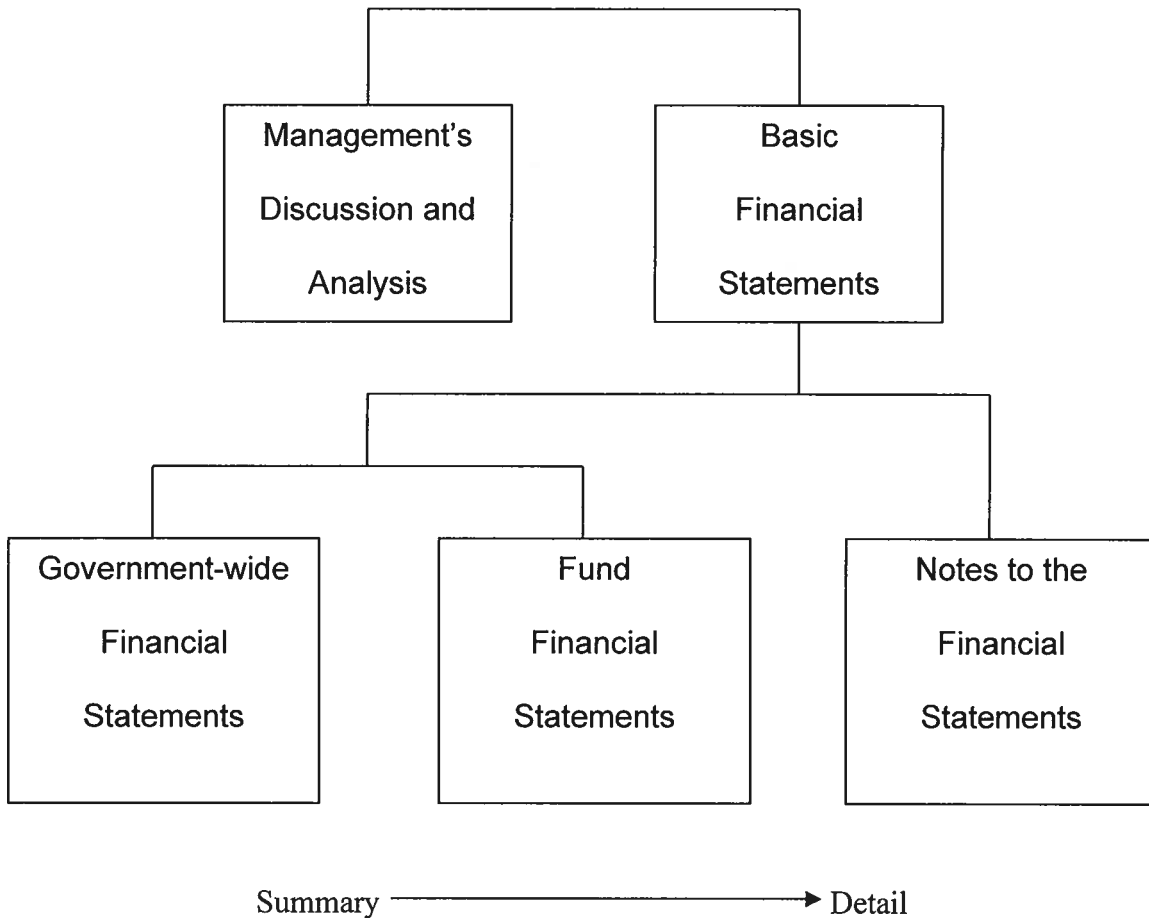
- The assets of the Town of Crossnore exceeded its liabilities at the close of the fiscal year by \$1,513,971 (*net position*).
- The government's total net position decreased by \$30,055.
- As of the close of the current fiscal year, the Town of Crossnore's governmental fund reported an ending fund balance of \$188,300, with a net increase of \$10,173 in fund balance. Approximately 20.80 percent of this total amount, or \$39,176, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$61,840, or 54.12 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 Crossnore'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 Crossnore.

## 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 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison 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 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 transportation 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. This includes the water and sewer services offered by the Town of Crossnore.

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

**Proprietary Funds** – Town of Crossnore has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Crossnore uses enterprise funds to account for its water and sewer activity. 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 begin on page 21 of this report.

**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 Crossnore's Net Position

**Figure 2**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Current and other assets	\$ 194,538	\$ 183,492	\$ 36,148	\$ 26,293	\$ 230,686	\$ 209,785
Capital assets	160,550	177,307	1,129,638	1,163,577	1,290,188	1,340,884
Total assets	<u>355,088</u>	<u>360,799</u>	<u>1,165,786</u>	<u>1,189,870</u>	<u>1,520,874</u>	<u>1,550,669</u>
Long-term liabilities	-	-	-	-	-	-
Other liabilities	3,353	2,622	3,550	4,021	6,903	6,643
Total liabilities	<u>3,353</u>	<u>2,622</u>	<u>3,550</u>	<u>4,021</u>	<u>6,903</u>	<u>6,643</u>
Net Assets:						
Net investment						
in capital assets	160,550	177,307	1,129,638	1,163,577	1,290,188	1,340,884
Restricted	29,080	24,419	-	-	29,080	24,419
Unrestricted	162,105	156,451	32,598	22,272	194,703	178,723
Total net position	<u>\$ 351,735</u>	<u>\$ 358,177</u>	<u>\$ 1,162,236</u>	<u>\$ 1,185,849</u>	<u>\$ 1,513,971</u>	<u>\$ 1,544,026</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Crossnore exceeded liabilities by \$1,513,971 as of June 30, 2019. The Town's net position decreased by \$30,055 for the fiscal year ended June 30, 2019. However, the largest portion (85.22%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Crossnore uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Crossnore's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Crossnore's net position, \$29,080 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$194,703 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 93.34% excluding motor vehicles, which is slightly below the statewide average of 98.12%.

### Town of Crossnore Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,774	\$ -	\$ 102,797	\$ 98,708	\$ 104,571	\$ 98,708
Operating grants and contributions	-	-	732	626	732	626
Capital grants and contributions	7,590	7,735	-	-	7,590	7,735
General revenues:						
Property taxes	24,831	25,598	-	-	24,831	25,598
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	87,706	81,465	-	-	87,706	81,465
Other	2,685	1,429	-	-	2,685	1,429
Total revenues	124,586	116,227	103,529	99,334	228,115	215,561
Expenses:						
General government	99,555	101,405	-	-	99,555	101,405
Public safety	-	-	-	-	-	-
Highways/streets	31,473	29,489	-	-	31,473	29,489
Water and sewer	-	-	127,142	128,987	127,142	128,987
Total expenses	131,028	130,894	127,142	128,987	258,170	259,881
Increase in net position before transfers	(6,442)	(14,667)	(23,613)	(29,653)	(30,055)	(44,320)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(6,442)	(14,667)	(23,613)	(29,653)	(30,055)	(44,320)
Net position, July 1	358,177	372,844	1,185,849	1,215,502	1,544,026	1,588,346
Net position, June 30	\$ 351,735	\$ 358,177	\$ 1,162,236	\$ 1,185,849	\$ 1,513,971	\$ 1,544,026

**Governmental activities.** Governmental activities decreased the Town's net position by \$6,442. Key elements of this decrease are as follows:

- A slight decrease in property taxes collected.

**Business-type activities:** Business-type activities decreased the Town of Crossnore's net position by \$23,613. Key elements of this decrease are as follows:

- Depreciation expense

### **Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Crossnore. At the end of the current fiscal year, Town of Crossnore's fund balance available in the General Fund was \$61,840 while total fund balance reached \$188,300. The Governing Body of the Town of Crossnore has determined that the Town should maintain an available fund balance of 50% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 54% of general fund expenditures, while total fund balance represents 165% of the same amount.

At June 30, 2019, the governmental fund of the Town of Crossnore reported a combined fund balance of \$188,300.

**General Fund Budgetary Highlights:** During the fiscal year, the Town revised the budget one time.

Revenues were more than the budgeted amounts primarily because of grant monies received.

**Proprietary Fund.** The Town of Crossnore's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$32,598.

## Capital Asset and Debt Administration

**Capital assets.** The Town of Crossnore’s investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$1,290,188 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

There were no major capital asset transactions during the year.

### Town of Crossnore’s Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Land	\$ 16,000	\$ 16,000	\$ 81,700	\$ 81,700	\$ 97,700	\$ 97,700
Construction in Progress	-	-	-	-	-	-
Buildings	80,508	86,148	-	-	80,508	86,148
Other improvements	19,506	26,918	1,031,105	1,067,120	1,050,611	1,094,038
Infrastructure	44,536	48,241	-	-	44,536	48,241
Equipment and furniture	-	-	16,833	14,175	16,833	14,175
Vehicles	-	-	-	582	-	582
<b>Total</b>	<b>\$ 160,550</b>	<b>\$ 177,307</b>	<b>\$ 1,129,638</b>	<b>\$ 1,163,577</b>	<b>\$ 1,290,188</b>	<b>\$ 1,340,884</b>

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

## Economic Factors and Next Year’s Budgets and Rates

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

- Property tax values will remain comparable to previous years

**Budget Highlights for the Fiscal Year Ending June 30, 2020**

**Governmental Activities:** Property taxes and budgeted expenditures in the General Fund are expected to remain constant.

**Business – type Activities:** The water and sewer rates and expenditures are expected to remain the same.

**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:

Finance Officer  
Town of Crossnore  
1 Fountain Circle  
P.O. Box 129  
Crossnore, NC 28616

# **Basic Financial Statements**



**Town of Crossnore, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 152,477	\$ 20,706	\$ 173,183
Taxes receivable (net)	2,329	-	2,329
Accrued interest receivable on taxes	556	-	556
Accounts receivable (net)	-	9,492	9,492
Due from other governments	15,631	-	15,631
Inventories	-	2,400	2,400
Prepaid items	10,096	-	10,096
Restricted cash and cash equivalents	13,449	3,550	16,999
Total current assets	194,538	36,148	230,686
Capital assets (Note 3):			
Land, non-depreciable improvements, and construction in progress	16,000	81,700	97,700
Other capital assets, net of depreciation	144,550	1,047,938	1,192,488
Total capital assets	160,550	1,129,638	1,290,188
Total assets	\$ 355,088	\$ 1,165,786	\$ 1,520,874
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 3,353	\$ -	\$ 3,353
Customer deposits	-	-	-
Due to primary government	-	-	-
Due to other governments	-	-	-
Payable from restricted assets	-	3,550	3,550
Total current liabilities	3,353	3,550	6,903
Long-term liabilities:			
Due in more than one year	-	-	-
Total liabilities	3,353	3,550	6,903
<b>NET POSITION</b>			
Net investment in capital assets	160,550	1,129,638	1,290,188
Restricted for:			
Stabilization by State Statute	15,631	-	15,631
Streets	13,449	-	13,449
Unrestricted	162,105	32,598	194,703
Total net position	\$ 351,735	\$ 1,162,236	\$ 1,513,971

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

Town of Crossnore, 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	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental Activities:</b>							
General government	\$ 99,555	\$ 1,774	-	-	\$ (97,781)	-	\$ (97,781)
Public safety	-	-	-	-	-	-	-
Transportation	31,473	-	-	7,590	(23,883)	-	(23,883)
Total governmental activities (See Note 1)	131,028	1,774	-	7,590	(121,664)	-	(121,664)
<b>Business-type activities:</b>							
Water and sewer	127,142	102,797	732	-	-	(23,613)	(23,613)
Total business-type activities	127,142	102,797	732	-	-	(23,613)	(23,613)
Total primary government	\$ 258,170	\$ 104,571	\$ 732	\$ 7,590	(121,664)	(23,613)	(145,277)
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purpose					24,831	-	24,831
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					87,706	-	87,706
Unrestricted investment earnings					86	-	86
Miscellaneous					2,599	-	2,599
Transfers					-	-	-
Total general revenues and transfers					115,222	-	115,222
<b>Change in net position</b>							
Net position, beginning					(6,442)	(23,613)	(30,055)
Net position, ending					358,177	1,185,849	1,544,026
	\$				\$ 351,735	\$ 1,162,236	\$ 1,513,971

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

**Town of Crossnore, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	Major Fund		Total Governmental Funds
	General Fund		
<b>ASSETS</b>			
Cash and cash equivalents	\$ 152,477	\$	152,477
Restricted cash	13,449		13,449
Receivables, net:			
Taxes	2,329		2,329
Accounts	-		-
Due from other governments	15,631		15,631
Prepaid expenses	10,096		10,096
Total assets	<u>\$ 193,982</u>	<u>\$</u>	<u>193,982</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,353	\$	3,353
Due to other funds	-		-
Unearned revenue	-		-
Total liabilities	<u>3,353</u>		<u>3,353</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	2,329		2,329
Total deferred inflows of resources	<u>2,329</u>		<u>2,329</u>
<b>FUND BALANCES</b>			
Non Spendable			
Prepays	10,096		10,096
Restricted			
Stabilization by State Statute	15,631		15,631
Streets-Powell bill	13,449		13,449
Assigned			
Subsequent year's expenditures	87,284		87,284
Unassigned	61,840		61,840
Total fund balances	<u>188,300</u>		<u>188,300</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 193,982</u>		
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical costs	\$ 448,960		
Accumulated Depreciation	<u>(288,410)</u>		160,550
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.			556
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			2,329
Net position of governmental activities		<u>\$</u>	<u>351,735</u>

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

## Exhibit 4

**Town of Crossnore, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	Major Fund		Total Governmental Funds
	General Fund		
<b>REVENUES</b>			
Ad valorem taxes	\$	24,689	\$ 24,689
Unrestricted intergovernmental		87,706	87,706
Restricted intergovernmental		7,590	7,590
Sales and services		1,774	1,774
Investment earnings		86	86
Miscellaneous		2,599	2,599
Total revenues		124,444	124,444
<b>EXPENDITURES</b>			
Current:			
General government		88,365	88,365
Transportation		25,906	25,906
Capital outlay		-	-
Total expenditures		114,271	114,271
Excess (deficiency) of revenues over expenditures		10,173	10,173
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from Water and Sewer Capital Fund		-	-
Transfer to Water and Sewer Fund		-	-
Appropriated Fund Balance		-	-
Total other financing sources (uses)		-	-
Net change in fund balance		10,173	10,173
Fund balances, beginning as previously reported		178,127	178,127
Fund balances, ending	\$	188,300	\$ 188,300

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

**Town of Crossnore, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the 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	\$ 10,173
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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 are capitalized	\$ 1,862	
Depreciation expense for governmental assets	<u>(18,619)</u>	(16,757)

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>142</u>
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Total changes in net position of governmental activities	<u><u>\$ (6,442)</u></u>
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The notes to the financial statements are an integral part of this statement.

**Town of Crossnore, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2019**

	<u>General Fund</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 23,900	\$ 23,900	\$ 24,689	\$ 789
Unrestricted intergovernmental	68,700	83,161	87,706	4,545
Restricted intergovernmental	7,000	7,000	7,590	590
Sales and services	2,400	2,400	1,774	(626)
Investment earnings	24	24	86	62
Miscellaneous	1,325	1,325	2,599	1,274
Total revenues	<u>103,349</u>	<u>117,810</u>	<u>124,444</u>	<u>6,634</u>
<b>Expenditures:</b>				
Current:				
General government	98,310	91,310	88,365	2,945
Transportation	19,500	26,500	25,906	594
Total expenditures	<u>117,810</u>	<u>117,810</u>	<u>114,271</u>	<u>3,539</u>
Revenues over (under) expenditures	<u>(14,461)</u>	-	10,173	10,173
<b>Other financing sources (uses):</b>				
Transfers from other funds:				
Water / Sewer Capital Projects	-	-	-	-
Transfers to other funds				
Water / Sewer	(42,080)	-	-	-
Appropriated fund balance	56,541	-	-	-
Total other financing sources (uses)	<u>14,461</u>	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	10,173	<u>\$ 10,173</u>
Fund balances, beginning as previously reported			178,127	
Fund balances, ending			<u>\$ 188,300</u>	

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

**Town of Crossnore, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	<b>Major Enterprise Fund</b>		
	<b>Water and</b>		<b>Total</b>
	<b>Sewer Fund</b>		
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 20,706	\$	20,706
Accounts receivable (net) - billed	9,492		9,492
Due from other funds	-		-
Inventories	2,400		2,400
Prepaid items	-		-
Restricted cash and cash equivalents	3,550		3,550
<b>Total current assets</b>	<b>36,148</b>		<b>36,148</b>
Capital assets:			
Land and other non-depreciable assets	81,700		81,700
Other capital assets, net of depreciation	1,047,938		1,047,938
Capital assets (net)	1,129,638		1,129,638
<b>Total noncurrent assets</b>	<b>1,129,638</b>		<b>1,129,638</b>
<b>Total assets</b>	<b>\$ 1,165,786</b>	<b>\$</b>	<b>1,165,786</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ -	\$	-
Liabilities payable from restricted assets:			
Accounts payable	-		-
Customer deposits	3,550		3,550
<b>Total current liabilities</b>	<b>3,550</b>		<b>3,550</b>
<b>Total liabilities</b>	<b>3,550</b>		<b>3,550</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,129,638		1,129,638
Unrestricted	32,598		32,598
<b>Total net position</b>	<b>\$ 1,162,236</b>	<b>\$</b>	<b>1,162,236</b>

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

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

	<b>Major Enterprise Fund</b>		
	<b>Water and</b>		<b>Total</b>
	<b>Sewer Fund</b>		
<b>OPERATING REVENUES</b>			
Charges for services	\$ 102,797	\$	102,797
Water and sewer taps	-		-
Other operating revenues	732		732
<b>Total operating revenues</b>	<u>103,529</u>		<u>103,529</u>
<b>OPERATING EXPENSES</b>			
Water treatment and sewer operations	85,915		85,915
Depreciation	41,227		41,227
<b>Total operating expenses</b>	<u>127,142</u>		<u>127,142</u>
<b>Operating income (loss)</b>	<u>(23,613)</u>		<u>(23,613)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	-		-
<b>Total nonoperating revenue (expenses)</b>	<u>-</u>		<u>-</u>
<b>Income (loss) before contributions and transfers</b>	<u>(23,613)</u>		<u>(23,613)</u>
Capital contributions	-		-
Transfers to other funds	-		-
Transfers from other funds	-		-
<b>Change in net position</b>	<u>(23,613)</u>		<u>(23,613)</u>
<b>Total net position, beginning</b>	<u>1,185,849</u>		<u>1,185,849</u>
<b>Total net position, ending</b>	<u>\$ 1,162,236</u>	<u>\$</u>	<u>1,162,236</u>

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



**Town of Crossnore, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Major Enterprise Fund</b>	
	<b>Water and Sewer Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 103,461	\$ 103,461
Cash paid for goods and services	(57,387)	(57,387)
Cash paid to or on behalf of employees for services	(29,403)	(29,403)
Customer deposits received / returned	403	403
Net cash provided (used) by operating activities	<u>17,074</u>	<u>17,074</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to other funds	-	-
Transfers from other funds	-	-
Total cash flows from noncapital financing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(7,288)	(7,288)
Capital contributions - State grant	-	-
Capital contributions - Federal grant	-	-
Net cash provided (used) by capital and related financing activities	<u>(7,288)</u>	<u>(7,288)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	-	-
Net increase (decrease) in cash and cash equivalents	9,786	9,786
Balances, beginning	14,470	14,470
Balances, ending	<u>\$ 24,256</u>	<u>\$ 24,256</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (23,613)	\$ (23,613)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	41,227	41,227
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(69)	(69)
Increase (decrease) in accounts payable and accrued liabilities	(874)	(874)
Increase (decrease) in customer deposits	403	403
Total adjustments	<u>40,687</u>	<u>40,687</u>
Net cash provided by operating activities	<u>\$ 17,074</u>	<u>\$ 17,074</u>

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

**Town of Crossnore, North Carolina**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2019

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Crossnore 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 Crossnore 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 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 the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each

displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise fund:

*Water and Sewer Fund.* This fund is used to account for the Town's water and 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 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 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 revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem 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 a shared revenue for the Town of Crossnore because the tax is levied by Avery 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

#### **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 Fund. All annual appropriations lapse at the fiscal year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. 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). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. 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.

## **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**

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

## **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. These taxes are based on the assessed values as of January 1, 2018. 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 revenues are reported net of such discounts.

## **5. Allowances for Doubtful Accounts**

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

## 6. Inventory and Prepaid Items

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government – wide and fund financial statements and expensed 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. Minimum capitalization costs are \$1,000 for all capital assets. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	50
Improvements	15
Vehicles	5
Furniture and equipment	7
Computer Equipment	5

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

## **9. Net Position / Fund Balances**

### **Net Position**

Net position in the 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 the laws or regulations of other governments, or imposed by law through state statute.

### **Fund Balances**

In the governmental fund financial statements, fund balance is composed of four 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.

Prepays – portion of fund balance that is not available for appropriation because it represents the year-end fund balance of prepaid expenses, which are not expendable, available 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. 159-89(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by state statute.” *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for 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 Town of Crossnore 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.

The Town of Crossnore has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Crossnore 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 50% of budgeted expenditures. Any portion of the general fund balance in excess of 50% 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.

## **II. Stewardship, Compliance and Accountability**

Our audit for the fiscal year ended June 30, 2019 disclosed no Material Violations of Finance-Related Legal and Contractual Provisions.

## **III. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in 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 with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, 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, 2019, the Town's deposits had a carrying amount of \$190,182 and a bank balance of \$196,508. The bank balance was covered by federal depository insurance.

## 2. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 is net of the following allowances for doubtful accounts:

Fund	6/30/2019
General Fund:	
Taxes receivable	\$ 4,595
Total	\$ 4,595

## 3. Capital Assets

### Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	16,000	-	-	16,000
<b>Capital assets being depreciated:</b>				
Buildings	194,627	-	-	194,627
Other improvements	112,204	-	-	112,204
Equipment	13,838	-	-	13,838
Vehicles	2,548	-	-	2,548
Infrastructure	107,881	1,862	-	109,743
Total capital assets being depreciated	431,098	1,862	-	432,960
<b>Less accumulated depreciation for:</b>				
Buildings	108,479	5,640	-	114,119
Other improvements	84,682	7,412	-	92,698
Equipment	14,442	-	-	13,838
Vehicles	2,548	-	-	2,548
Infrastructure	59,640	5,567	-	65,207
Total accumulated depreciation	269,791	\$ 18,619	\$ -	288,410
Total capital assets being depreciated, net	161,307			144,550
<b>Governmental activity capital assets, net</b>	<b>\$ 177,307</b>			<b>\$ 160,550</b>

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

General government	\$ 13,052
Transportation	<u>5,567</u>
Total depreciation expense	<u>\$ 18,619</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Water and sewer fund:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 81,700	\$ -	\$ -	\$ 81,700
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>81,700</u>	-	-	<u>81,700</u>
<b>Capital assets being depreciated:</b>				
Wells, substations, lines, and related equipment	1,585,335	-	-	1,585,335
Equipment	53,680	7,288	-	60,968
Vehicles	14,645	-	-	14,645
Total capital assets being depreciated	<u>1,653,660</u>	7,288	-	<u>1,660,948</u>
<b>Less accumulated depreciation for:</b>				
Wells, substations, lines, and related equipment	518,215	36,015	-	554,230
Equipment	39,505	4,630	-	44,135
Vehicles	14,063	582	-	14,645
Total accumulated depreciation	<u>571,783</u>	\$ 41,227	\$ -	<u>613,010</u>
Total capital assets being depreciated, net	<u>1,081,877</u>			<u>1,047,938</u>
<b>Business type activity capital assets, net</b>	<u>\$ 1,163,577</u>			<u>\$ 1,129,638</u>

## B. Liabilities

### 1. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue
Taxes receivable (General Fund), less penalties	<u>\$ 2,329</u>

## 2. 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 does not have a general liability policy. The Town does have fire insurance on the town property and auto liability insurance, comprehensive and property damage insurance on the town vehicle.

The Town participates in a self-funded financing pool administered by the North Carolina League of Municipalities for Worker's Compensation. The coverage is limited to \$100,000 each accident with a \$500,000 coverage limit.

The Town carries limited flood insurance through Harleysville Mutual Insurance Company. The flood insurance plan provides coverage to buildings and contents that are located in designed flood zones.

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 for \$10,000. The finance officer and tax collector are each individually bonded for \$50,000.

## C. Interfund Balances and Activity

There were no transfers to/from other funds at June 30, 2019

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

## D. Fund Balance

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

<b>Total Fund Balance - General Fund</b>	<b>\$</b>	<b>188,300</b>
Less:		
Prepays		10,096
Stabilization by State Statute		15,631
Streets - Powell Bill		13,449
Appropriated Fund Balance in 2020 Budget		87,284
Working Capital / Fund Balance Policy		58,905
Remaining Fund Balance		2,935

The Town of Crossnore has 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 50% of budgeted expenditures.

#### **IV. Jointly Governed Organization**

The Town, in conjunction with seven counties and eighteen municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$510 to the Council during the fiscal year ended June 30, 2019.

#### **V. Summary Disclosure of Significant Contingencies**

##### **Federal and State Assisted Programs**

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

#### **VI. Significant Effects of Subsequent Events**

Management has evaluated subsequent events through October 14, 2019 – the date the financial statements were available to be issued.

**Individual Fund Statements and Schedules**

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

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 24,319	\$
Penalties and interest		370	
Releases and refunds			
Total	<u>23,900</u>	<u>24,689</u>	<u>789</u>
Unrestricted intergovernmental:			
Local option sales taxes		77,142	
Telecommunications sales tax		1,627	
Video programming tax		505	
Solid Waste tax		137	
Utility franchise tax		8,295	
Total	<u>83,161</u>	<u>87,706</u>	<u>4,545</u>
Restricted intergovernmental:			
Powell Bill allocation		7,590	
Total	<u>7,000</u>	<u>7,590</u>	<u>590</u>
Sales and services:			
Garbage collection	<u>2,400</u>	<u>1,774</u>	<u>(626)</u>
Investment earnings	<u>24</u>	<u>86</u>	<u>62</u>
Miscellaneous:			
Meeting house fees		1,430	
Other		1,169	
Total	<u>1,325</u>	<u>2,599</u>	<u>1,274</u>
Total revenues	<u>117,810</u>	<u>124,444</u>	<u>6,634</u>
<b>Expenditures:</b>			
General government:			
Salaries and employee benefits		34,232	
Professional services		10,900	
Printing and supplies		3,987	
Utilities		5,662	
Telephone and postage		2,177	
Travel		148	
Dues		1,952	
Maintenance and grounds		7,479	
Insurance		13,375	
Miscellaneous		8,453	
Total	<u>91,310</u>	<u>88,365</u>	<u>2,945</u>



**Town of Crossnore, North Carolina**  
**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)
Transportation:			
Streets and highways:			
Salaries and employee benefits		3,407	
Professional fees		-	
Street repairs and maintenance		4,004	
Other repairs and maintenance		6,418	
Contract labor		3,642	
Vehicle expense		4,628	
Snow removal		1,745	
Capital outlay		1,862	
Miscellaneous		200	
Total	<u>26,500</u>	<u>25,906</u>	<u>594</u>
Total expenditures	<u>117,810</u>	<u>114,271</u>	<u>3,539</u>
Revenues over (under) expenditures	<u>-</u>	<u>10,173</u>	<u>10,173</u>
Other financing sources (uses):			
Transfer (to) from other fund:			
Enterprise fund - capital projects	-	-	-
Enterprise fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>10,173</u>	<u>\$ 10,173</u>
Fund balances, beginning as previously reported		<u>178,127</u>	
Fund balances, ending		<u>\$ 188,300</u>	

**Town of Crossnore, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Water and sewer sales	\$	\$ 102,797	\$
Water and sewer taps		-	
Other operating revenues		732	
Total operating revenues	<u>101,020</u>	<u>103,529</u>	<u>2,509</u>
<b>Nonoperating revenues:</b>			
Interest income	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>101,020</u>	<u>103,529</u>	<u>2,509</u>
<b>Expenditures:</b>			
<b>Water treatment and sewer operations</b>			
Salaries and employee benefits		29,403	
Truck expense		2,354	
Well Rent		500	
Supplies		4,647	
Maintenance		16,400	
Utility service fees		26,038	
Contract services		2,313	
Miscellaneous		1,045	
Permits and fees		1,190	
Professional services		2,025	
Total water treatment and sewer operations	<u>87,100</u>	<u>85,915</u>	<u>1,185</u>
<b>Capital outlay:</b>			
Water and sewer improvements	<u>13,920</u>	<u>-</u>	<u>13,920</u>
Total capital outlay	<u>13,920</u>	<u>-</u>	<u>13,920</u>
Total expenditures	<u>101,020</u>	<u>85,915</u>	<u>15,105</u>
<b>Other financing sources (uses):</b>			
<b>Transfer from other fund:</b>			
General Fund	-	-	-
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>17,614</u>	<u>\$ 17,614</u>

**Town of Crossnore, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over expenditures and other uses		17,614	
Reconciling items:			
Capital outlay		-	
Depreciation		(41,227)	
Capital contributions		-	
Transfer out to General Fund from Water and Sewer Capital Projects Fund		-	
Total reconciling items		<u>(41,227)</u>	
Net income		<u>\$ (23,613)</u>	

**Town of Crossnore, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2019**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 21,380	\$ 19,957	\$ 1,423
Vehicle taxes	-	3,692	3,692	-
2017-2018	1,788	-	526	1,262
Vehicle taxes	-	-	-	-
2016-2017	1,028	-	-	1,028
Vehicle taxes	-	-	-	-
2015-2016	424	-	5	419
Vehicle taxes	-	-	-	-
2014-2015	946	-	5	941
Vehicle taxes	-	-	-	-
2013-2014	835	-	-	835
Vehicle taxes	141	-	-	141
2012-2013	441	-	134	307
Vehicle taxes	284	-	-	284
2011-2012	-	-	-	-
Vehicle taxes	284	-	-	284
2010-2011	-	-	-	-
Vehicle taxes	-	-	-	-
2009-2010	-	-	-	-
Vehicle taxes	-	-	-	-
	<u>\$ 6,171</u>	<u>\$ 25,072</u>	<u>\$ 24,319</u>	<u>6,924</u>
				<u>4,595</u>
				<u>\$ 2,329</u>
<u>Reconciliation with revenues:</u>				
				\$ 24,689
				Reconciling items:
				Interest collected (370)
				Releases and refunds -
				Taxes written off per statute -
				<u>\$ 24,319</u>

**Town of Crossnore, North Carolina**  
**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	\$ 10,110,393	0.24	\$ 24,265	\$ 20,573	\$ 3,692
Penalties	-		-	-	-
Total	<u>10,110,393</u>		<u>24,265</u>	<u>20,573</u>	<u>3,692</u>
Discoveries:					
Current year taxes	336,238	0.24	807	807	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	<u>336,238</u>		<u>807</u>	<u>807</u>	<u>-</u>
Abatements	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Total property valuation	<u>\$ 10,446,631</u>				
Net levy			25,072	21,380	3,692
Uncollected taxes at June 30, 2019			<u>(1,423)</u>	<u>(1,423)</u>	<u>-</u>
Current year's taxes collected			<u>23,649</u>	<u>19,957</u>	<u>3,692</u>
Current levy collection percentage			<u>94.32%</u>	<u>93.34%</u>	<u>100.00%</u>