

**TOWN OF ELM CITY, NORTH CAROLINA**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**

**GREGORY T. REDMAN, CPA**  
TARBORO, NORTH CAROLINA

# Financial Statements

## Town of Elm City, North Carolina

### Board of Commissioners

Grady Smith, Mayor  
Melvin Cooke, Mayor Pro Tem  
Dale Childress  
Lewis Crockett  
Marsha Wells  
Gil Wheeler

### Administrative and Financial Staff

Dena H. Cordell, Town Clerk

**Town of Elm City**  
**Elm City, North Carolina**  
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## **Financial Section**



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Certified Public Accountants

## Independent Auditor's Report

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

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Elm City, as of and for the year 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.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Town of Elm City 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 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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

My 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 Elm City, North Carolina. The individual fund statements, budgetary schedules, and other schedules and Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, and other schedules and the Schedule Expenditures of Federal and State Awards 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 me. In my opinion, based on my audit, the procedures performed as described above, individual fund financial statements, budgetary schedules, and other schedules and the Schedule Expenditures of Federal and State Awards 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*, I have also issued my report dated June 25, 2020 on my consideration of Elm City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elm City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gregory T. Redman, CPA". The signature is written in a cursive style with a large initial 'G' and 'R'.

Gregory T. Redman, CPA  
Tarboro, North Carolina  
June 25, 2020

## **Management's Discussion and Analysis**

**Town of Elm City, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

As management of the Town of Elm City, North Carolina, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Elm City 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**

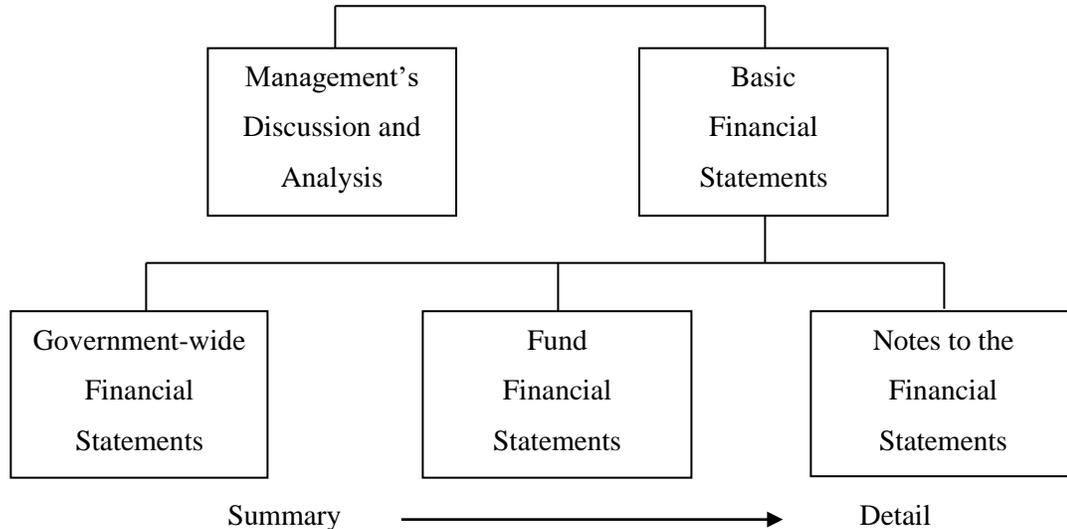
- The assets of the Town of Elm City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,421,340 (net position).
- The government's total net position increased by \$514,358.
- At the close of the current fiscal year, the Town of Elm City's governmental funds reported an ending fund balance of \$362,548, a decrease of \$857 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was (\$44,825) or (4.5) 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 Elm City's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Elm City.

**Town of Elm City, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Required Components of Annual Financial Report**



**Basic Financial Statements**

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

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

The next section of the basic financial statements is the Notes. 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 and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

**Town of Elm City, North Carolina**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2019**

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 service such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Elm City.

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Elm City, like all other government 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 Elm City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Fund.** *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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in described in a reconciliation that is a part of the fund financial statements.

The Town of Elm City 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's, 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 compiled 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 Elm City has two proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Elm City uses an enterprise fund to account for its water and sewer activities. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Town of Elm City, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

*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.

*Other Information.* In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Elm City's ad valorem tax receivable and current tax levy.

**Government-wide Financial Analysis**

**The Town of Elm City's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 502,927	\$ 486,078	\$ (47,226)	\$ (88,814)	\$ 455,701	\$ 397,264
Non-current assets	1,397,458	1,445,758	9,963,786	9,318,144	11,361,244	10,763,902
Deferred outflows of resources	33,150	18,622	3,684	4,656	36,834	23,278
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,933,535</b>	<b>\$ 1,950,458</b>	<b>\$ 9,920,244</b>	<b>\$ 9,233,986</b>	<b>\$ 11,853,779</b>	<b>\$ 11,184,444</b>
Long-term liabilities outstanding	\$ 1,262,568	\$ 1,223,548	\$ 2,849,996	\$ 2,925,464	\$ 4,112,564	\$ 4,149,012
Current liabilities	147,320	94,958	167,447	107,451	314,767	202,409
Deferred inflows of resources	4,658	14,023	450	832	5,108	14,855
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 1,414,546</b>	<b>\$ 1,332,529</b>	<b>\$ 3,017,893</b>	<b>\$ 3,033,747</b>	<b>\$ 4,432,439</b>	<b>\$ 4,366,276</b>
<b>Net Position:</b>						
Net investment in capital assets	\$ 97,696	\$ 197,004	\$ 7,045,136	\$ 6,415,102	\$ 7,142,832	\$ 6,612,106
Restricted	407,373	382,335	-	-	407,373	382,335
Unrestricted	13,920	38,590	(142,785)	(126,049)	(128,865)	(87,459)
<b>Total Net Position</b>	<b>\$ 518,989</b>	<b>\$ 617,929</b>	<b>\$ 6,902,351</b>	<b>\$ 6,289,053</b>	<b>\$ 7,421,340</b>	<b>\$ 6,906,982</b>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Elm City exceeded liabilities and deferred inflows of resources by \$7,421,340 as of June 30, 2019. The Town's net position increased by \$514,358 for the fiscal year ended June 30, 2019. However, the largest portion (96%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Elm City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Elm City's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Elm City's net position (4%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of the Town of Elm City's net position (\$128,865) is unrestricted.

**Town of Elm City, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

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

- The Town's financial operations are positively influenced by the tax collection rate of 95% on property (excluding registered motor vehicles).

**Town of Elm City Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 143,567	\$ 138,283	\$ 637,604	\$ 620,667	\$ 781,171	\$ 758,950
Operating grants and contributions	39,075	40,053	-	-	39,075	40,053
Capital grants and contributions	-	-	806,035	330,643	806,035	330,643
General revenues:					-	-
Property taxes	414,729	417,014	-	-	414,729	417,014
Other taxes	-	-	-	-	-	-
Unrestricted investment earnings	2,498	1,000	-	-	2,498	1,000
Unrestricted grants and contributions	266,974	259,222	-	-	266,974	259,222
Miscellaneous	-	34,890	-	12,953	-	47,843
Total Revenues	<u>\$ 866,843</u>	<u>\$ 890,462</u>	<u>\$ 1,443,639</u>	<u>\$ 964,263</u>	<u>\$ 2,310,482</u>	<u>\$ 1,854,725</u>
Expenses:						
General government	\$ 287,760	\$ 229,627	\$ -	\$ -	\$ 287,760	\$ 229,627
Public safety	119,410	107,661	-	-	119,410	107,661
Cultural and recreation	185,142	50,959	-	-	185,142	50,959
Environmental protection	138,610	193,740	-	-	138,610	193,740
Economic and physical development	-	-	-	-	-	-
Transportation	192,012	195,185	-	-	192,012	195,185
Interest expense	42,849	3,008	122,927	125,470	165,776	128,478
Water and sewer	-	-	707,414	649,233	707,414	649,233
Total Expenses	<u>\$ 965,783</u>	<u>\$ 780,180</u>	<u>\$ 830,341</u>	<u>\$ 774,703</u>	<u>\$ 1,796,124</u>	<u>\$ 1,554,883</u>
Increase(decrease) in net position before transfers	(98,940)	110,282	613,298	189,560	514,358	299,842
Transfers	-	-	-	-	-	-
Increase(decrease) in net position	(98,940)	110,282	613,298	189,560	514,358	299,842
Net position, July 1	617,929	507,647	6,289,053	6,243,871	6,906,982	6,751,518
Restatement	-	-	-	(144,378)	-	(144,378)
Net position, July 1, restated	617,929	507,647	6,289,053	6,099,493	6,906,982	6,607,140
Prior Period Adjustment	-	-	-	-	-	-
Net position, June 30	<u>\$ 518,989</u>	<u>\$ 617,929</u>	<u>\$ 6,902,351</u>	<u>\$ 6,289,053</u>	<u>\$ 7,421,340</u>	<u>\$ 6,906,982</u>

**Town of Elm City, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Governmental Activities.** Governmental activities decreased the Town's net position by \$98,940.

**Business-type Activities.** Business-type activities increased the Town of Elm City's net position by \$613,298.

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

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

**Governmental Funds.** The focus of the Town of Elm City'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 Elm City'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 Elm City. At the end of the current fiscal year, unreserved fund balance of the General Fund was (\$44,825), while total fund balance was \$362,548. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents (4.5) percent of total General Fund expenditures. Total fund balance represents 36% of total General Fund expenditures.

At June 30, 2019, the governmental funds of Town of Elm City reported a fund balance of \$362,548, a .2 percent decrease from last year.

**General Fund Budgetary Highlights.** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 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. There are several areas where budget amendments should have been made but were not. The Town will monitor expenditures going forward and make budget amendments when necessary.

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to (\$142,785). The total change in net position for the fund was an increase of \$613,298. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

**Capital Asset and Debt Administration**

**Capital Assets.** The Town of Elm City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$11,361,244 (net of accumulated depreciation). These assets include buildings, roads, and bridges, land, machinery and equipment, and vehicles.

**Town of Elm City, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**The Town of Elm City's Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
	Land	\$ 92,032	\$ 92,032	\$ 265,383	\$ 265,383	\$ 357,415
Buildings and systems	1,305,426	1,353,726	-	-	1,305,426	1,353,726
Vehicles and motorized equipment	-	-	-	-	-	-
Water and sewer	-	-	8,546,340	8,802,384	8,546,340	8,802,384
Construction in progress	-	-	1,152,063	339,193	1,152,063	339,193
Total	<u>\$ 1,397,458</u>	<u>\$ 1,445,758</u>	<u>\$ 9,963,786</u>	<u>\$ 9,406,960</u>	<u>\$ 11,361,244</u>	<u>\$ 10,852,718</u>

**The Town of Elm City's Outstanding Debt  
General Obligation and Revenue Bonds**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
	General obligation bonds	\$ -	\$ -	\$ 2,741,000	\$ 2,792,000	\$ 2,741,000
Water quality loan	-	-	177,650	199,856	177,650	199,856
Installment purchases	1,299,762	1,248,754	-	-	1,299,762	1,248,754
Total	<u>\$ 1,299,762</u>	<u>\$ 1,248,754</u>	<u>\$ 2,918,650</u>	<u>\$ 2,991,856</u>	<u>\$ 4,218,412</u>	<u>\$ 4,240,610</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Elm City is \$2,421,718.

**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:

Town Administrator  
Town of Elm City  
117 S. Railroad Street  
Elm City, NC 27822  
(252) 236-4917

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## **Financial Section**

## **Basic Financial Statements**

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

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 15,340	\$ -	\$ 15,340
Taxes receivable (net)	62,610	-	62,610
Accounts receivable - trade - (net)	1,413	231,742	233,155
Accrued interest receivable	17,004	-	17,004
Internal balances	278,968	(278,968)	-
Restricted cash and cash equivalents	127,592	-	127,592
<b>Total Current Assets</b>	<b>\$ 502,927</b>	<b>\$ (47,226)</b>	<b>\$ 455,701</b>
Non-current Assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	\$ 92,032	\$ 1,417,446	\$ 1,509,478
Other capital assets, net of depreciation	1,305,426	8,546,340	9,851,766
<b>Total capital assets</b>	<b>\$ 1,397,458</b>	<b>\$ 9,963,786</b>	<b>\$ 11,361,244</b>
<b>Total Assets</b>	<b>\$ 1,900,385</b>	<b>\$ 9,916,560</b>	<b>\$ 11,816,945</b>
<b>Deferred Outflows of Resources</b>			
Pension deferrals	\$ 33,150	\$ 3,684	\$ 36,834
<b>Liabilities</b>			
Current liabilities:			
Accounts payable - trade	\$ 59,832	\$ 59,312	\$ 119,144
Compensated absences-current	-	-	-
Current portion of long-term liabilities	87,488	74,206	161,694
Customer deposits	-	33,929	33,929
<b>Total Current Liabilities</b>	<b>\$ 147,320</b>	<b>\$ 167,447</b>	<b>\$ 314,767</b>
Long-term liabilities:			
Net pension liability	\$ 49,961	\$ 5,552	\$ 55,513
Prepaid taxes	333	-	333
Due in more than one year	1,212,274	2,844,444	4,056,718
<b>Total Long-term liabilities</b>	<b>\$ 1,262,568</b>	<b>\$ 2,849,996</b>	<b>\$ 4,112,564</b>
<b>Total Liabilities</b>	<b>\$ 1,409,888</b>	<b>\$ 3,017,443</b>	<b>\$ 4,427,331</b>
<b>Deferred Inflows of Resources</b>			
Pension deferrals	\$ 4,058	\$ 450	\$ 4,508
Other	600	-	600
<b>Total Deferred Inflows of Resources</b>	<b>\$ 4,658</b>	<b>\$ 450</b>	<b>\$ 5,108</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 97,696	\$ 7,045,136	\$ 7,142,832
Restricted for:			
Other functions	127,592	-	127,592
Stabilization by State Statute	279,781	-	279,781
Unrestricted	13,920	(142,785)	(128,865)
<b>Total Net Position</b>	<b>\$ 518,989</b>	<b>\$ 6,902,351</b>	<b>\$ 7,421,340</b>

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

**Town of Elm City, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contribution</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 287,760	\$ -	\$ -	\$ -	\$ (287,760)	\$ -	\$ (287,760)
Public safety	119,410	-	-	-	(119,410)	-	(119,410)
Cultural and recreation	185,142	49,513	-	-	(135,629)	-	(135,629)
Environmental protection	138,610	94,054	701	-	(43,855)	-	(43,855)
Economic development	-	-	-	-	-	-	-
Transportation	192,012	-	38,374	-	(153,638)	-	(153,638)
Interest expense	42,849	-	-	-	(42,849)	(122,927)	(165,776)
Total governmental activities	<u>\$ 965,783</u>	<u>\$ 143,567</u>	<u>\$ 39,075</u>	<u>\$ -</u>	<u>\$ (783,141)</u>	<u>\$ (122,927)</u>	<u>\$ (906,068)</u>
Business-type activities:							
Water	276,287	235,436	-	669,565	-	628,714	628,714
Sewer	431,127	402,168	-	136,470	-	107,511	107,511
Total business-type activities	<u>\$ 707,414</u>	<u>\$ 637,604</u>	<u>\$ -</u>	<u>\$ 806,035</u>	<u>\$ -</u>	<u>\$ 736,225</u>	<u>\$ 736,225</u>
Total primary government	<u>\$ 1,673,197</u>	<u>\$ 781,171</u>	<u>\$ 39,075</u>	<u>\$ 806,035</u>	<u>\$ (783,141)</u>	<u>\$ 613,298</u>	<u>\$ (169,843)</u>
General Revenues							
Taxes:							
Property taxes, levied for general purpose					\$ 414,729	\$ -	\$ 414,729
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					266,974	-	-
Unrestricted investment earnings					2,498	-	2,498
Miscellaneous					-	-	-
Total general revenues					<u>684,201</u>	<u>-</u>	<u>417,227</u>
Change in Net Position					\$ (98,940)	\$ 613,298	\$ 514,358
Net Position, Beginning of year					617,929	6,289,053	6,906,982
Prior period adjustments					-	-	-
Net Position, End of year					<u>\$ 518,989</u>	<u>\$ 6,902,351</u>	<u>\$ 7,421,340</u>

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

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

	<b>Major Fund</b>
	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 15,340
Restricted cash	127,592
Receivables, net:	
Taxes	62,610
Accounts	1,413
Due from other funds	278,968
Total Assets	\$ 485,923
<b>Liabilities</b>	
Liabilities:	
Accounts payable - trade	\$ 59,832
Due to other funds	-
Total Liabilities	\$ 59,832
<b>Deferred Inflows of Resources</b>	
Property taxes receivable	\$ 62,610
Prepaid taxes	333
Garbage fees receivable	600
Total Deferred Inflows of Resources	\$ 63,543
<b>Fund Balances</b>	
Restricted:	
Stabilization by State Statute	\$ 279,781
Streets	127,592
Unassigned	(44,825)
Total Fund Balances	\$ 362,548
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 485,923

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

**Town of Elm City, North Carolina**  
**Reconciliation of the Balance Sheet of the**  
**Governmental Funds to the Statement of Net Position**  
**June 30, 2019**

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

Ending fund balance - governmental funds	\$ 362,548
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,397,458
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are not reported in the funds.	17,004
Net pension liability	(49,961)
Deferred outflows of resources related to pensions are not reported in the funds	33,150
Liabilities for earned but deferred revenues in fund statements.	62,610
Deferred outflows of resources related to pensions are not reported in the funds	(4,058)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Gross long-term debt	(1,299,762)
Some liabilities, including funds payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	-
Net position of governmental activities	\$ 518,989

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

**Town of Elm City, North Carolina**  
**Statement of Revenues, Expenditures And Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	<b>Major Fund</b>
	<b>General Fund</b>
<b>Revenues</b>	
Ad valorem taxes	\$ 411,687
Other taxes and licenses	-
Unrestricted intergovernmental	266,974
Restricted intergovernmental	39,075
Sales and services	143,567
Investment earnings	2,498
Miscellaneous	-
Total Revenues	\$ 863,801
<b>Expenditures</b>	
Current:	
General government	\$ 264,541
Public safety	119,410
Cultural and recreation	154,207
Environmental protection	138,610
Economic development	-
Transportation	192,012
Debt Service:	
Principal retirement	77,619
Interest	42,849
Total Expenditures	\$ 989,248
Excess of Revenues Over (Under) Expenditures	\$ (125,447)
<b>Other Financing Sources (Uses)</b>	
Loan proceeds	\$ 124,590
Transfer of funds	-
Total Other Financing Sources (Uses)	124,590
Net Change in Fund Balance	\$ (857)
<b>Fund balances</b>	
Beginning of year	363,405
End of year	\$ 362,548

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

**Town of Elm City, North Carolina  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement Activities  
For the Year Ended June 30, 2019**

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

Net change in fund balance - total governmental funds	\$ (857)
 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 outlay exceeded depreciation in the current period.	(48,300)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in funds. Change in deferred revenue for tax revenues	3,042
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Compensated absences	-
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net affect of these differences in the treatment of long-term debt and related items. New long-term debt issued Principal payments on long-term debt	(124,590) 77,619
 Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	<u>(5,854)</u>
 Total changes in net position of governmental activities	<u><u>\$ (98,940)</u></u>

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

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

	<b>General Fund</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
			<b>Amounts</b>	<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Ad valorem taxes	\$ 429,300	\$ 429,300	\$ 411,687	\$ (17,613)
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	251,825	256,850	266,974	10,124
Restricted intergovernmental	41,425	41,425	39,075	(2,350)
Sales and services	124,200	147,650	143,567	(4,083)
Investment earnings	575	2,200	2,498	298
Miscellaneous	14,600	62,375	-	(62,375)
Total Revenues	<u>\$ 861,925</u>	<u>\$ 939,800</u>	<u>\$ 863,801</u>	<u>\$ (75,999)</u>
<b>Expenditures</b>				
Current				
General government	\$ 269,702	\$ 290,277	\$ 264,541	\$ 25,736
Public safety	118,700	126,175	119,410	6,765
Cultural and recreation	140,572	160,972	154,207	6,765
Environmental protection	148,525	140,525	138,610	1,915
Transportation	144,050	219,400	192,012	27,388
Debt Service				
Principal retirement	40,376	80,976	77,619	3,357
Interest expense	-	46,000	42,849	3,151
Total Expenditures	<u>\$ 861,925</u>	<u>\$ 1,064,325</u>	<u>\$ 989,248</u>	<u>\$ 75,077</u>
<b>Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ (124,525)</u>	<u>\$ (125,447)</u>	<u>\$ (922)</u>
<b>Other Financing Sources (Uses)</b>				
Fund balance appropriated		54,175	-	(54,175)
Loan proceeds	-	70,350	124,590	54,240
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 124,525</u>	<u>\$ 124,590</u>	<u>\$ 65</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (857)</u>	<u>\$ (857)</u>
<b>Fund Balances</b>				
Beginning of year			<u>363,405</u>	
End of year			<u>\$ 362,548</u>	

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

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

	<b>Major Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable (net)	19,274	23,869	43,143
Due from other governments	54,447	134,152	188,599
Due from other funds	-	-	-
Total Current Assets	<u>\$ 73,721</u>	<u>\$ 158,021</u>	<u>\$ 231,742</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	\$ 669,565	\$ 747,881	\$ 1,417,446
Other capital assets, net of depreciation	144,566	8,401,774	8,546,340
Capital assets (net)	<u>\$ 814,131</u>	<u>\$ 9,149,655</u>	<u>\$ 9,963,786</u>
Total Assets	<u>\$ 887,852</u>	<u>\$ 9,307,676</u>	<u>\$ 10,195,528</u>
<b>Deferred Outflows of Resources</b>			
Pension deferrals	\$ 1,842	\$ 1,842	\$ 3,684
<b>Liabilities</b>			
Current liabilities:			
Accounts payable - trade	\$ 3,363	\$ 55,949	\$ 59,312
Due to other funds	52,458	226,510	278,968
Customer deposits	33,929	-	33,929
Compensated absences - current	-	-	-
General obligation bonds payable - current	-	52,000	52,000
Note payable - current	-	22,206	22,206
Total Current Liabilities	<u>\$ 89,750</u>	<u>\$ 356,665</u>	<u>\$ 446,415</u>
Noncurrent liabilities:			
Compensated absences	\$ -	\$ -	\$ -
Net pension liability	2,776	2,776	5,552
Bonds payable - non-current	-	2,689,000	2,689,000
Note payable - non-current	-	155,444	155,444
Total non-current liabilities	<u>\$ 2,776</u>	<u>\$ 2,847,220</u>	<u>\$ 2,849,996</u>
Total Liabilities	<u>\$ 92,526</u>	<u>\$ 3,203,885</u>	<u>\$ 3,296,411</u>
<b>Deferred Inflows of Resources</b>			
Pension deferrals	\$ 225	\$ 225	\$ 450
<b>Net Position</b>			
Net investment in capital assets	\$ 814,131	\$ 6,231,005	\$ 7,045,136
Restricted net position	-	-	-
Unrestricted net position	(17,188)	(125,597)	(142,785)
Total Net Position	<u>\$ 796,943</u>	<u>\$ 6,105,408</u>	<u>\$ 6,902,351</u>

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

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

	<b>Major Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenues</b>			
Charges for services	\$ 218,145	\$ 384,082	\$ 602,227
Other operating revenues	17,291	18,086	35,377
Total Operating Revenues	<u>\$ 235,436</u>	<u>\$ 402,168</u>	<u>\$ 637,604</u>
<b>Operating Expenses</b>			
Water operations	\$ 240,266	\$ -	\$ 240,266
Sewer operations	-	211,104	211,104
Depreciation	36,021	220,023	256,044
Total Operating Expenses	<u>\$ 276,287</u>	<u>\$ 431,127</u>	<u>\$ 707,414</u>
Operating income (loss)	<u>\$ (40,851)</u>	<u>\$ (28,959)</u>	<u>\$ (69,810)</u>
<b>Non-operating Revenues (Expenses)</b>			
Investment earnings	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-
Interest and other charges	-	(122,927)	(122,927)
Total Non-operating Revenues (expenses)	<u>\$ -</u>	<u>\$ (122,927)</u>	<u>\$ (122,927)</u>
<b>Income (loss) before contributions and transfers</b>	<u>\$ (40,851)</u>	<u>\$ (151,886)</u>	<u>\$ (192,737)</u>
Capital contributions	669,565	136,470	806,035
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Change in net position	<u>\$ 628,714</u>	<u>\$ (15,416)</u>	<u>\$ 613,298</u>
Net position, beginning	168,229	6,120,824	6,289,053
Prior period adjustment	-	-	-
Net position, beginning as restated	<u>168,229</u>	<u>6,120,824</u>	<u>6,289,053</u>
Net position, ending	<u><u>\$ 796,943</u></u>	<u><u>\$ 6,105,408</u></u>	<u><u>\$ 6,902,351</u></u>

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

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

	<u>Major Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Cash received from customers	\$ 174,601	\$ 342,514	\$ 517,115
Cash paid for goods and services	(225,006)	(143,566)	(368,572)
Cash paid to or on behalf of employees for services	(11,549)	(11,549)	(23,098)
Other operating revenues	17,291	18,086	35,377
Net cash provided (used) by operating activities	<u>\$ (44,663)</u>	<u>\$ 205,485</u>	<u>\$ 160,822</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Other revenue	\$ -	\$ -	\$ -
Transfers to other funds	-	-	-
Increase in due to other funds	525	33,504	34,029
Net cash provided by noncapital financing activities	<u>\$ 525</u>	<u>\$ 33,504</u>	<u>\$ 34,029</u>
<b>Cash Flows From Capital and Related Financing</b>			
Acquisition of capital assets	\$ (633,544)	\$ (179,326)	\$ (812,870)
Principal paid on notes payable	-	(73,206)	(73,206)
Interest paid on notes payable	-	(122,927)	(122,927)
Capital contributions	669,565	136,470	806,035
Net cash provided (used) by capital and related financing activities	<u>\$ 36,021</u>	<u>\$ (238,989)</u>	<u>\$ (202,968)</u>
<b>Cash Flows From Investing Activities</b>			
Interest and dividends	\$ -	\$ -	\$ -
Net increase (decrease) in cash and cash equivalents	\$ (8,117)	\$ -	\$ (8,117)
Balances - Beginning of year	8,117	-	8,117
Balances - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

	<u>Major Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (40,851)	\$ (28,959)	\$ (69,810)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	\$ 36,021	\$ 220,023	\$ 256,044
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(43,544)	(40,190)	(83,734)
Increase (decrease) in net pension liability	(631)	(631)	(1,262)
Increase (decrease) in deferred inflows of resources	(191)	(191)	(382)
(Increase) decrease in deferred outflows of resources	486	486	972
Increase (decrease) in accounts payable and accrued liabilities	3,363	55,947	59,310
Increase (decrease) in customer deposits	684	(1,000)	(316)
Increase (decrease) in accrued vacation pay	-	-	-
Total adjustments	<u>\$ (3,812)</u>	<u>\$ 234,444</u>	<u>\$ 230,632</u>
Net cash provided by operating activities	<u>\$ (44,663)</u>	<u>\$ 205,485</u>	<u>\$ 160,822</u>

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

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

**I. Summary of Significant Accounting Policies**

The accounting policies of Town of Elm City 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 Elm City is a municipal corporation that is governed by an elected mayor and a four-member council.

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 and investment earnings, result from non-exchange transactions or ancillary activities.

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.

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

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 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 sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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 is 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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. 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. All annual appropriations lapse at the fiscal year-end. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by 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. 15-31]. The Town may designate, as an official depository, and bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

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 investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 day, it is presented as an investment with a maturity of less than 6 months.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Elm City Restricted Cash

Governmental Activities  
General Fund  
Streets

\$ 127,592

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<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. 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.

**Town of Elm City, North Carolina  
Notes to the Financial Statements  
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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. 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. The Town has not adopted minimum capitalization policies. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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 estimate historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	20-40
Buildings	20-40
Improvements	20
Furniture and equipment	5-10
Computer equipment	5

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, pension deferrals in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivables and deferrals of pension expenses that result from GASB 68.

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

8. Long-Term Obligations

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

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

9. Compensated Absences

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town 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 financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**Town of Elm City, North Carolina**  
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Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

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 the 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.

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

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the

**Town of Elm City, North Carolina**  
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same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Elm City employer contributions are recognized when due and the Town of Elm City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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

A. Excess of Expenditures Over Appropriations

There were not any excess of Expenditures over Appropriations for the year ended June 30, 2019.

B. Non-compliance with North Carolina General Statutes

Annual Audit

In accordance with G.S. 159-34, each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year. The audit for the year ended June 30, 2019 was not completed until June 25, 2020. Due to changeover in management personnel, the final accounting records were not received for audit until May 2020. The Town has hired new staff and an outside accountant and anticipates more timely audits in the future.

**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 amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits.

**Town of Elm City, North Carolina  
Notes to the Financial Statements  
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At June 30, 2019, the Town's deposits had a carrying amount of \$15,340 which is comprised of cash and cash equivalents, and a bank balance of \$56,245. Of the bank balance, all of it was covered by federal depository insurance.

2. Investments

At June 30, 2019, the Town of Elm City had \$87,149 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has adopted a formal policy regarding credit risk.

<b>Investment by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2019</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust Government Portfolio	Fair Value-Level 1	\$ 142,482	N/A	AAAM
Total		\$ 142,482		

a. Interest Rate Risk

The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits as least half of the Town's investment portfolio to maturities of less than 12 months.

b. Credit Risk

The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019.

3. 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 are net of the following allowances for doubtful accounts:

General - accounts receivable	\$ -
Enterprise	26,000
	<u>\$ 26,000</u>

**Town of Elm City, North Carolina**  
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**For the Year Ended June 30, 2019**

4. 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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,032	\$ -	\$ -	\$ 92,032
Construction in progress	-	-	-	-
Total capital assets not being	<u>\$ 92,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,032</u>
Capital assets being depreciated:				
Buildings	\$ 1,438,047	\$ -	\$ -	\$ 1,438,047
Vehicles, furniture and equipment	96,469	-	-	96,469
Total capital assets being depreciated	<u>\$ 1,534,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,534,516</u>
Less accumulated depreciation for:				
Buildings	\$ 84,321	\$ 34,133	\$ -	\$ 118,454
Vehicles, furniture and equipment	96,469	14,167	-	110,636
Total accumulated depreciation	<u>\$ 180,790</u>	<u>\$ 48,300</u>	<u>\$ -</u>	<u>\$ 229,090</u>
Total capital assets being depreciated, net	<u>\$ 1,353,726</u>			<u>\$ 1,305,426</u>
Governmental activity capital assets, net	<u>\$ 1,445,758</u>			<u>\$ 1,397,458</u>

Governmental-type depreciation expense was charged to:

Cultural and recreation	\$ 30,935
General government	17,365
Total Depreciation Expense	<u>\$ 48,300</u>

Capital asset activity for the Town's business-type activities for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 265,383	\$ -	\$ -	\$ 265,383
Construction in progress	339,193	812,870	-	1,152,063
Total capital assets not being depreciated	<u>\$ 604,576</u>	<u>\$ 812,870</u>	<u>\$ -</u>	<u>\$ 1,417,446</u>
Capital assets being depreciated:				
Water and sewer systems	\$ 12,163,959	\$ -	\$ -	\$ 12,163,959
Less accumulated depreciation for:				
Water and sewer systems	3,361,575	256,044	-	3,617,619
Total capital assets being depreciated, net	<u>\$ 8,802,384</u>			<u>\$ 8,546,340</u>
Business-type activities capital assets	<u>\$ 9,406,960</u>			<u>\$ 9,963,786</u>

**Town of Elm City, North Carolina**  
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C. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Elm City is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consist of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Elm City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Elm City contractually required contribution rate for the year ended June 30, 2019, was 7.50% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Elm City were \$5,854 for the year ended June 30, 2019.

**Town of Elm City, North Carolina**  
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*Refunds of Contributions* – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Town reported a liability of \$55,513 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension asset was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town’s proportion was 0.00234%, which was an increase of 0.00011% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2019, the Town recognized pension expense of \$14,095. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,564	\$ 287
Changes of assumptions	14,731	-
Net difference between projected and actual earnings on pension plan investments	7,620	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	65	4,221
Town contributions subsequent to the measurement date	5,854	-
Total	\$ 36,834	\$ 4,508

\$5,854 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Town of Elm City, North Carolina  
Notes to the Financial Statements  
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Year ended June 30	
2019	\$ 13,481
2020	8,319
2021	735
2022	3,937
Thereafter	-
	\$ 26,472

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

**Town of Elm City, North Carolina  
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 133,347	\$ 55,513	\$ (9,526)

b. Law Enforcement Officers Special Separation Allowances

The Town of Elm City had no law enforcement officers during the year.

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

2. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The Town's required contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows. Deferred outflows of resources at year-end are composed of the following elements:

Contributions to pension plan in current fiscal year	\$ 5,854
Pension deferrals	30,980
Total	\$ 36,834

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

Property taxes receivable (General Fund)	\$ 62,610
Garbage fees receivable	600
Pension deferrals	4,508
	\$ 67,718

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town is not deemed to be located in a flood zone and is not required to carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

5. Long-Term Obligations

a. Governmental Activities

In October 2015, the Town purchased land to be used for future purposes. The Town borrowed \$475,000 from Southern Bank. The loan is based on 3.25% interest rate with a 59-month repayment schedule of \$8,050.85 principal payment plus interest paid monthly. Annual debt service requirements are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2020	34,494	33,105	1,389
June 30, 2021	11,081	11,044	37
June 30, 2022	-	-	-
	<u>\$ 45,575</u>	<u>\$ 44,149</u>	<u>\$ 1,426</u>

In September 2017, the Town entered into two installment financing contracts with USDA Rural Development to pay off an existing loan to Southern Bank for the Train Depot renovation. One loan was for \$711,500 at an interest rate of 3.75% for thirty years. The second loan was for \$460,000 at an interest rate of 2.875% for thirty years. Future obligations are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	23,092	10,151	12,941
2021	23,092	10,443	12,649
2022	23,092	10,743	12,349
2023	23,092	11,052	12,040
2024	23,092	11,369	11,723
2025-2029	115,460	61,940	53,520
2030-2034	115,460	71,372	44,088
2035-2039	115,460	82,238	33,222
2040-2044	115,460	97,486	17,974
2045-2049	115,425	83,339	3,797
	<u>\$ 692,725</u>	<u>\$ 450,133</u>	<u>\$ 214,303</u>

**Town of Elm City, North Carolina**  
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<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	39,909	13,724	26,185
2021	39,909	14,238	25,671
2022	39,909	14,772	25,137
2023	39,909	15,326	24,583
2024	39,909	15,901	24,008
2025-2029	199,545	88,910	110,635
2030-2034	199,545	106,878	92,667
2035-2039	199,545	128,478	71,067
2040-2044	199,545	154,443	45,102
2045-2049	159,495	145,602	13,893
	<u>\$ 1,157,220</u>	<u>\$ 698,272</u>	<u>\$ 458,948</u>

In November 2018, the Town borrowed \$124,590 from Southern Bank to finance paving expenditures for the Train Depot and other areas around Town. The loan payments are based on 3.87% for 60 months. Annual debt service requirements are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	34,504	30,508	3,996
2021	33,312	30,508	2,804
2022	32,131	30,508	1,623
2023	16,718	15,684	1,034
	<u>\$ 116,665</u>	<u>\$ 107,208</u>	<u>\$ 9,457</u>

b. Business-type Activities

During the year ended June 30, 2009, general obligation bonds were issued to finance the rehabilitation of the Town's sewer system and are being retired by resources reported as long-term debt in the Sewer Fund. The bonds were issued on March 1, 2008 and are due on June 1, 2047. The bonds bear interest at 4.375 percent. The town owes \$1,824,000 on these notes as of June 30, 2019. Future obligations are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	112,400	35,000	77,400
2021	111,913	37,000	74,913
2022	112,381	38,000	74,381
2023	111,763	40,000	71,763
2024	112,100	42,000	70,100
2025-2029	558,762	235,000	323,762
2030-2034	558,863	293,000	265,863
2035-2039	559,013	362,000	197,013
2040-2044	558,107	442,000	116,107
2045-2049	252,638	234,000	18,638
	<u>\$ 3,047,940</u>	<u>\$ 1,758,000</u>	<u>\$ 1,289,940</u>

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

During the year ended June 30, 2008, the Town received a loan from the Division of Water Quality. The loan was for the total amount of \$444,125 with an interest rate of 2.265%. The loan will be repaid over twenty years with annual principal payments of \$22,206 and semi-annual interest payments of varying amounts. Future obligations under this note are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	26,230	22,206	4,024
2021	25,726	22,206	3,520
2022	25,224	22,206	3,018
2023	24,720	22,206	2,514
2024	24,218	22,206	2,012
2025-2029	69,636	66,620	3,016
	<u>\$ 195,754</u>	<u>\$ 177,650</u>	<u>\$ 18,104</u>

During the year ended June 30, 2019, the Town received a Sanitary Sewer general obligation bond to finance the rehabilitation of the Town's sewer system in the amount of \$1,087,000. The bonds were issued on July 7, 2019 and are due on June 1, 2050. The bonds bear interest at 4.00%. Future obligations are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	56,320	17,000	39,320
2021	56,640	18,000	38,640
2022	56,920	19,000	37,920
2023	56,160	19,000	37,160
2024	56,400	20,000	36,400
2025-2029	284,200	115,000	169,200
2030-2034	284,200	140,000	144,200
2035-2039	282,080	168,000	114,080
2040-2044	282,640	205,000	77,640
2045-2049	281,200	248,000	33,200
2050-2054	14,560	14,000	3,200
	<u>\$ 1,711,320</u>	<u>\$ 983,000</u>	<u>\$ 730,960</u>

6. Changes in Long-Term Liabilities

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installation purchases	\$ 1,248,754	\$ 124,590	\$ 73,582	\$ 1,299,762	\$ 87,488
Net pension liability	27,254	22,707	-	49,961	-
Compensated absences	3,929	-	3,929	-	-
	<u>\$ 1,279,937</u>	<u>\$ 147,297</u>	<u>\$ 77,511</u>	<u>\$ 1,349,723</u>	<u>\$ 87,488</u>

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

Business-type activities:

General obligation bonds	\$ 2,792,000	\$ -	\$ 51,000	\$ 2,741,000	\$ 52,000
Water quality loan	199,856	-	22,206	177,650	22,206
Net pension liability	6,814	-	1,262	5,552	-
Compensated absences	-	-	-	-	-
	<u>\$ 2,998,670</u>	<u>\$ -</u>	<u>\$ 74,468</u>	<u>\$ 2,924,202</u>	<u>\$ 74,206</u>

At June 30, 2019, the Town had a legal debt margin of \$2,421,718.

7. Interfund Balances and Activities

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

Due to the General Fund:

Water fund	\$ 52,458
Sewer fund	226,510
Total	<u>\$ 278,968</u>

The interfund balances are a result of the Enterprise Funds not fully supporting themselves. The Sewer Capital Project Fund expenses through June 30, 2019 were \$132,370. The Town will be reimbursed these funds once construction starts.

8. 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	\$ 362,548
Less:	
Stabilization by State Statute	279,781
Streets-Powell Bill	127,592
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	(44,825)

9. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 1,397,458	\$ 9,963,786
Less: Long-term debt	1,299,762	2,918,650
Net Investment in Capital Assets	<u>\$ 97,696</u>	<u>\$ 7,045,136</u>

**IV. Related Party Transaction**

The Town has participated in no related party transactions for the year ended June 30, 2019.

**Town of Elm City, North Carolina  
Notes to the Financial Statements  
For the 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. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts revenues and expenses during the reporting period. Actual results could differ from those estimates.

**VII. Subsequent Events**

As of June 25, 2020, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

## Required Supplementary Financial Data

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

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- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contribution to Local Government Employees' Retirement System

**Town of Elm City, North Carolina**  
**Town of Elm City's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Six Fiscal Years**

**Local Government Employees' Retirement System**

	2019	2018	2017	2016	2015	2014
Town of Elm City's proportion of the net pension liability (asset) (%)	0.00234%	0.00223%	0.00220%	0.20300%	0.00171%	16.00000%
Town of Elm City's proportion of the net pension liability (asset) (\$)	\$ 55,513	\$ 34,068	\$ 46,691	\$ 9,111	\$ (10,085)	\$ 19,286
Town of Elm City's covered-employee payroll	\$ 107,148	\$ 100,861	\$ 92,674	\$ 82,600	\$ 87,033	\$ 85,600
Town of Elm City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.81%	33.78%	50.38%	11.03%	-11.59%	22.53%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

**Town of Elm City, North Carolina  
Town of Elm City's Contributions  
Required Supplementary Information  
Last Six Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,854	\$ 8,036	\$ 7,312	\$ 6,181	\$ 5,840	\$ 6,154
Contributions in relation to the contractually required contributions	<u>5,854</u>	<u>8,036</u>	<u>7,312</u>	<u>6,181</u>	<u>5,840</u>	<u>6,154</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Town of Elm City's covered-employee payroll	\$ 75,529	\$ 107,148	\$ 100,861	\$ 92,674	\$ 82,600	\$ 87,033
Contributions as a percentage of covered- employee payroll	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

## **Individual Fund Statements and Schedules**

**Town of Elm City, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, And**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Ad valorem taxes:			
Taxes	\$ 424,825	\$ 408,156	\$ (16,669)
Penalties and interest	4,475	3,531	(944)
Total	<u>\$ 429,300</u>	<u>\$ 411,687</u>	<u>\$ (17,613)</u>
Unrestricted intergovernmental revenues:			
Local option sales tax	\$ 158,950	\$ 166,182	\$ 7,232
Telecommunication sales tax	-	16,595	16,595
Utility franchise tax	92,475	74,640	(17,835)
Video programming	-	4,130	4,130
Beer and wine tax	5,425	5,427	2
Total	<u>\$ 256,850</u>	<u>\$ 266,974</u>	<u>\$ 10,124</u>
Restricted intergovernmental revenues:			
Powell bill allocation	\$ 40,550	\$ 38,374	\$ (2,176)
Solid waste disposal tax	875	701	(174)
Total	<u>\$ 41,425</u>	<u>\$ 39,075</u>	<u>\$ (2,350)</u>
Sales and Services:			
Cemetery fees	\$ -	\$ -	\$ -
Rents	47,225	49,513	(2,288)
Solid waste and recycling collection	100,425	94,054	6,371
Total	<u>\$ 147,650</u>	<u>\$ 143,567</u>	<u>\$ 4,083</u>
Investment Earnings	<u>\$ 2,200</u>	<u>\$ 2,498</u>	<u>\$ 298</u>
Miscellaneous	<u>\$ 62,375</u>	<u>\$ -</u>	<u>\$ (62,375)</u>
<b>Total Revenues</b>	<u><b>\$ 939,800</b></u>	<u><b>\$ 863,801</b></u>	<u><b>\$ (75,999)</b></u>

*Continued*

**Town of Elm City, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, And**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2019**

*Continued*

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures</b>			
General Government:			
Administrative			
Salaries and employee benefits		\$ 149,066	
Professional services		24,988	
Supplies		3,169	
Travel and school		53	
Telephone and utilities		11,900	
Insurance		24,745	
Dues and subscriptions		3,929	
Other operating expenditures		46,691	
Capital outlay		-	
Total General Government	\$ 290,277	\$ 264,541	\$ 25,736
Public Safety:			
Police			
Contracted services		\$ 102,079	
Other operating expenditures		3,864	
Total Police	\$ 112,100	\$ 105,943	\$ 6,157
Fire and rescue squad			
Operating expenses	\$ 14,075	\$ 13,467	\$ 608
Total Public Safety	\$ 126,175	\$ 119,410	\$ 6,765
Transportation:			
Contracted services		\$ 162,600	
Powell bill expenditures		7,425	
Other expenditures		-	
Street lights		21,987	
Total Transportation	\$ 219,400	\$ 192,012	\$ 27,388

*Continued*

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

Continued

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Environmental Protection			
Operating expenditures		\$ 138,610	
Capital outlay		-	
Total Environmental Protection	\$ 140,525	\$ 138,610	\$ 1,915
Cultural and recreation:			
Operating expenditures		\$ 44,437	
Library:			
Operating expenditures		18,461	
Train Depot:			
Operating expenditures		91,309	
Total Cultural and Recreation	\$ 160,972	\$ 154,207	\$ 6,765
Debt service:			
Principal retirement		\$ 77,619	
Interest		42,849	
Total Debt Service	\$ 126,976	\$ 120,468	\$ 6,508
Total Expenditures	\$ 1,064,325	\$ 989,248	\$ 75,077
Revenues over (under) expenditures	\$ (124,525)	\$ (125,447)	\$ (922)
Other financing sources (uses):			
Loan proceeds	\$ 70,350	\$ 124,590	\$ -
Transfer of funds	-	-	-
Fund balance appropriated	54,175	-	(54,175)
Total	\$ 124,525	\$ 124,590	\$ (54,175)
Net change in fund balance	\$ -	\$ (857)	\$ (55,097)
Fund Balances			
Beginning of year		363,405	
Prior period adjustments and correction of errors		-	
End of year		\$ 362,548	

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Charges for services		\$ 218,145	
Other operating revenues		17,291	
Total Operating Revenues	<u>\$ 244,350</u>	<u>\$ 235,436</u>	<u>\$ (8,914)</u>
Expenditures			
Water			
Salaries and employee benefits		\$ 2,492	
Supplies		38,773	
Other operating expenditures		199,001	
Total Expenditures	<u>\$ 244,350</u>	<u>\$ 240,266</u>	<u>\$ 4,084</u>
Capital Outlay	<u>\$ 676,400</u>	<u>\$ 676,400</u>	<u>\$ -</u>
Revenues Over (Under) Expenditures	<u>\$ (676,400)</u>	<u>\$ (681,230)</u>	<u>\$ (4,830)</u>
Other Financing Sources (Uses)			
Transfers from (to) other funds		\$ -	
Fund balance appropriated		-	
Total Other Financing Sources	<u>\$ 676,400</u>	<u>\$ -</u>	<u>\$ (676,400)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (681,230)</u>	<u>\$ (681,230)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		<u>\$ (681,230)</u>	
Reconciling items:			
Capital outlay		676,400	
(Increase) decrease in accrued vacation pay		-	
Depreciation		(36,021)	
Capital contributions		669,565	
Total reconciling items		<u>\$ 1,309,944</u>	
Change in Net Position		<u>\$ 628,714</u>	

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Charges for services		\$ 384,082	
Other operating revenues		18,086	
Total operating revenues	\$ 412,100	\$ 402,168	\$ (9,932)
Non-operating revenues:			
Interest earnings		-	
Total Revenues	<u>\$ 412,100</u>	<u>\$ 402,168</u>	<u>\$ (9,932)</u>
Expenditures			
Sewer			
Salaries and employee benefits		\$ 2,622	
Supplies		20,851	
Other operating expenditures		187,631	
Total	<u>\$ 215,945</u>	<u>\$ 211,104</u>	<u>\$ 4,841</u>
Debt Service			
Principal		\$ 73,206	
Interest		122,927	
Total Debt Service	<u>\$ 196,155</u>	<u>\$ 196,133</u>	<u>\$ 22</u>
Capital Outlay	<u>\$ 136,470</u>	<u>\$ 136,470</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 548,570</u>	<u>\$ 543,707</u>	<u>\$ 4,863</u>
Revenues Over (Under) Expenditures	<u>\$ (136,470)</u>	<u>\$ (141,539)</u>	<u>\$ (5,069)</u>
Other Financing Sources (Uses)			
Transfers from (to) other funds	\$ -	\$ -	\$ -
Fund balance appropriated	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 136,470</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (141,539)</u>	<u>\$ (5,069)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		<u>\$ (141,539)</u>	
Reconciling items:			
Depreciation		(220,023)	
Capital outlay		136,470	
Principal retirement		73,206	
Capital contributions		136,470	
Total Reconciling Items		<u>\$ 126,123</u>	
Change in Net Position		<u>\$ (15,416)</u>	

**Town of Elm City, North Carolina**  
**Water Capital Projects Fund - Water Line Improvements**  
**Schedule of Revenues, Expenditures, And Changes**  
**In Fund Balance - Budget and Actual**  
**From Inception and For the Year Ended June 30, 2019**

	Project Authorization	Actual			Variance - Positive (Negative)
		Prior Year	Current Year	Total To Date	
<b>Revenues</b>					
Restricted intergovernmental revenues					
CDBG	\$ 841,000	\$ 215,633	\$ 572,315	\$ 787,948	\$ (53,052)
<b>Expenditures</b>					
Public Water Improvements	\$ 783,400	\$ 192,548	\$ 537,800	\$ 730,348	\$ 53,052
Administration	57,600	16,250	41,350	57,600	-
Miscellaneous	-	-	-	-	-
Total Expenditures	\$ 841,000	\$ 208,798	\$ 579,150	\$ 787,948	\$ 53,052
Excess (deficit) of revenues over (under) expenditures	\$ -	\$ 6,835	\$ (6,835)	\$ -	\$ -

**Town of Elm City, North Carolina**  
**Water Capital Projects Fund - Asset Inventory Assessment**  
**Schedule of Revenues, Expenditures, And Changes**  
**In Fund Balance - Budget and Actual**  
**From Inception and For the Year Ended June 30, 2019**

	Actual				Variance - Positive (Negative)
	Project Authorization	Prior Year	Current Year	Total To Date	
<b>Revenues</b>					
Restricted intergovernmental revenues					
State Grant-Wastewater	\$ 150,000	\$ -	\$ 118,750	\$ 118,750	\$ (31,250)
State Grant-Drinking Water	150,000	-	97,250	97,250	(52,750)
Total Revenues	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 216,000</u>	<u>\$ 216,000</u>	<u>\$ (84,000)</u>
<b>Expenditures</b>					
Assessment-wastewater	\$ 150,000	\$ -	\$ 118,750	\$ 118,750	\$ 31,250
Assessment-drinking water	150,000	-	97,250	97,250	52,750
Total Expenditures	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 216,000</u>	<u>\$ 216,000</u>	<u>\$ 84,000</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Town of Elm City, North Carolina**  
**Sewer Capital Projects Fund**  
**Schedule of Revenues, Expenditures, And Changes**  
**In Fund Balance - Budget and Actual**  
**From Inception and For the Year Ended June 30, 2019**

	Project Authorization	Actual			Variance - Positive (Negative)
		Prior Year	Current Year	Total To Date	
<b>Revenues</b>					
Restricted intergovernmental revenues					
Town contribution	\$ 45,000	\$ -	\$ -	\$ -	\$ (45,000)
Grant-State Reserve	3,000,000	115,010	17,720	132,730	(2,867,270)
Total revenues	<u>\$ 3,045,000</u>	<u>\$ 115,010</u>	<u>\$ 17,720</u>	<u>\$ 132,730</u>	<u>\$ (2,912,270)</u>
<b>Expenditures</b>					
Construction	\$ 2,302,727	\$ 106,700	\$ -	\$ 106,700	\$ 2,196,027
Administration	512,000	8,310	17,720	26,030	485,970
Contingency	230,273		-	-	230,273
Total expenditures	<u>\$ 3,045,000</u>	<u>\$ 115,010</u>	<u>\$ 17,720</u>	<u>\$ 132,730</u>	<u>\$ 2,912,270</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **Other Schedules**

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This section contains additional information on property taxes.

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

**Town of Elm City, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Year Ended June 30, 2019**

<b>Fiscal Year</b>	<b>Uncollected Balance</b>		<b>Collections and Credits</b>	<b>Uncollected Balance</b>
	<b>June 30, 2018</b>	<b>Additions</b>		<b>June 30, 2019</b>
2018-2019	\$ -	\$ 420,554	\$ 398,904	21,650
2017-2018	22,705	-	9,148	13,557
2016-2017	9,688	-	3,775	5,913
2015-2016	5,611	-	1,399	4,212
2014-2015	3,233	-	87	3,146
2013-2014	2,835	-	-	2,835
2012-2013	2,972	-	62	2,910
2011-2012	3,045	-	51	2,994
2010-2011	2,846	-	43	2,803
2009-2010	2,590	-	-	2,590
2008-2009	2,287	-	2,287	-
<b>Total</b>	<b>\$ 57,812</b>	<b>\$ 420,554</b>	<b>\$ 415,756</b>	<b>\$ 62,610</b>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 411,687
Reconciling items:	
Interest collected	(3,531)
Discounts, write-offs and releases	7,600
Total collections and credits	<u>\$ 415,756</u>

**Town of Elm City  
 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 rate	<u>\$ 66,754,603</u>	0.63	\$ 420,554	\$ 359,719	\$ 60,835
Uncollected taxes at June 30, 2019			21,650	21,650	-
Current year's taxes collected			<u>\$ 398,904</u>	<u>\$ 338,069</u>	<u>\$ 60,835</u>
Current levy collection percentage			<u>94.85%</u>	<u>93.98%</u>	<u>100.00%</u>



Member  
North Carolina Association of  
Certified Public Accountants

Member  
American Institute of  
Certified Public Accountants

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 Auditor's Report

To the Members of the Board of Commissioners  
Town of Elm City  
Elm City, North Carolina

I 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 financial statements of the governmental activities, business-type activities, and each major fund of the Town of Elm City as of and for the year ended June 30, 2019, the related notes to the financial statements, which collectively comprise the Town of Elm City's basic financial statements, and have issued my report thereon dated June 25, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Elm City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or 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.

My consideration of internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies and are reported as Findings 2019-001 through 2019-003.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Elm City's financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Town's Response to Findings

Town of Elm City's responses to the finding identified in my audit is described in the accompanying schedule of finding and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### Purpose of this Report

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



Tarboro, North Carolina  
June 25, 2020



**Town of Elm City  
Elm City, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019**

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Section II – Financial Statement Findings

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**Significant Deficiency**

**Finding 2019-001      Segregation of Duties**

**Criteria or specific requirement:** Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

**Condition:** There is lack of segregation of duties among Town personnel.

**Cause:** There are limited number of personnel for certain functions.

**Effect:** Transactions could be mishandled.

**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.

**Repeat Finding:** No

**Views of responsible officials and planned corrective actions:** The Town agrees with this finding. We are in the process of hiring a new Town Manager. In the meantime, the Board will provide any allowed assistance.

**Town of Elm City  
Elm City, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019**

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Section II – Financial Statement Findings

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**Significant Deficiency**

**Finding 2019-002      Preparation of Financial Statements**

**Criteria:** The Town has a responsibility to prepare the financial statements at the end of the year.

**Condition:** The finance department staff is competent, capable, and performs daily and monthly functions well. Their expertise is limited, however, in the area of financial statement preparation in accordance with generally accepted accounting principles, specifically with full accrual basis statements now required by GASB 34.

**Cause:** Lack of training.

**Effect:** The Town has contracted with the auditor to prepare the financial statements.

**Recommendation:** The Town should provide additional training or hire additional staff knowledgeable in the area of financial statement preparation.

**Repeat Finding:** No

**Views of responsible officials and planned corrective actions:** The Town's governing board will review the draft financial statements for material errors and reasonableness of amounts. We have provided a person with suitable knowledge and experience to oversee the preparation of financial statements. We plan to contract with another CPA firm in the subsequent year to prepare the financial statements.

**Town of Elm City  
Elm City, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019**

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Section II – Financial Statement Findings

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**Significant Deficiency**

**Finding 2019-003      Late Submission of Audit**

**Criteria:** The Town is required to submit the audit report to the Local Government Commission by October 31 following the year end of June 30.

**Condition:** The audit report for the year ended June 30, 2019 was due to the Local Government Commission by October 31, 2019. The audit report was not submitted to the Local Government Commission until June 30, 2020.

**Cause:** The yearend accounting and documents required for an audit were not prepared in a timely fashion. The Town is short-staffed; however, they have hired an outside accountant to assist with the yearend accounting.

**Effect:** Audit reports completed a year after the June 30 year end do not provide useful information to management, the Board, lenders and the Local Government Commission.

**Recommendation:** The Board should remain diligent in expecting and receiving timely financial information from the staff and the outside accountant. Management should constantly monitor the financial information and be aware of whether reporting deadlines are met.

**Repeat Finding:** No

**Views of responsible officials and planned corrective actions:** Management is aware that the accounting records were not prepared timely in order to receive a timely audit. The Board has already become more involved and will hold the staff and accountant accountable for timely financial information.

# TOWN OF ELM CITY

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## MAYOR

*Grady N. Smith*

## TOWN CLERK / INTERIM ADMIN.

*Dena H. Owens*

## COMMISSIONERS

*Dale Childress*

*Melvin Cooke*

*Cornell Mercer*

*Tawanda Moore*

*Gil Wheeler*

### Corrective Action Plan For the Year Ended June 30, 2019

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#### Section II – Financial Statement Findings

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#### **Finding 2019-001**

Name of Contact Person: Grady Smith  
Mayor

Corrective Action: We are in the process of hiring a Town Administrator that will have financial experience. In addition, the Board and fee accountant will assist to increase the segregation of duties.

Proposed Completion Date: Immediately

#### **Finding 2019-002**

Name of Contact Person: Grady Smith  
Mayor

Corrective Action: Management and the fee accountant will work together to make sure that financial records are up to date and the fee accountant will prepare the financial statements for the year ended June 30, 2020.

Proposed Completion Date: June 30, 2020

#### **Finding 2019-003**

Name of Contact Person: Grady Smith  
Mayor

Corrective Action: Management and the fee accountant will work together to make sure that financial records are up to date and the fee accountant will prepare the financial statements for the year ended June 30, 2020.

Proposed Completion Date: June 30, 2020

**Town of Elm City  
Elm City, North Carolina  
Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2019**

**Finding 2018-001      Prior Period Adjustment**

Status:      Corrected

**Finding 2018-002      Expenditures Exceeded Authorized Budget**

Status:      Corrected

**Finding 2018-003      Cash Management**

Status:      Condition still exists but reported in a separate letter. This audit is not subject to Uniform Guidance and accordingly, the Cash Management Compliance requirement is not reported in the Schedule of Findings and Questioned Costs.