

TOWN OF HEMBY BRIDGE

NORTH CAROLINA

Audited Financial Statements

For the Fiscal Year Ended June 30, 2019

Town Council

Kevin Pressley, Mayor
Rodney Mullis, Mayor Pro-Tem
Chris Baker
Kim Belk
Dennis Dorton

Administrative and Financial Staff

Stephanie Murray, Finance Officer/Clerk
Kim Mullis, Facilities Manager

Town of Hemby Bridge
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June 30, 2019

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
and Members of the Town Council
Town of Hemby Bridge, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund, of the Town of Hemby Bridge, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town'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. 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund, of the Town of Hemby Bridge, North Carolina, as of June 30, 2019, and the respective changes in financial position 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 on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 our inquiries, the basic financial statements, and other knowledge we obtained during our 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 me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The individual fund statements and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the individual fund statements and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Kendra Gangal, CPA

Charlotte, NC
October 31, 2019

Management's Discussion and Analysis

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

Financial Highlights

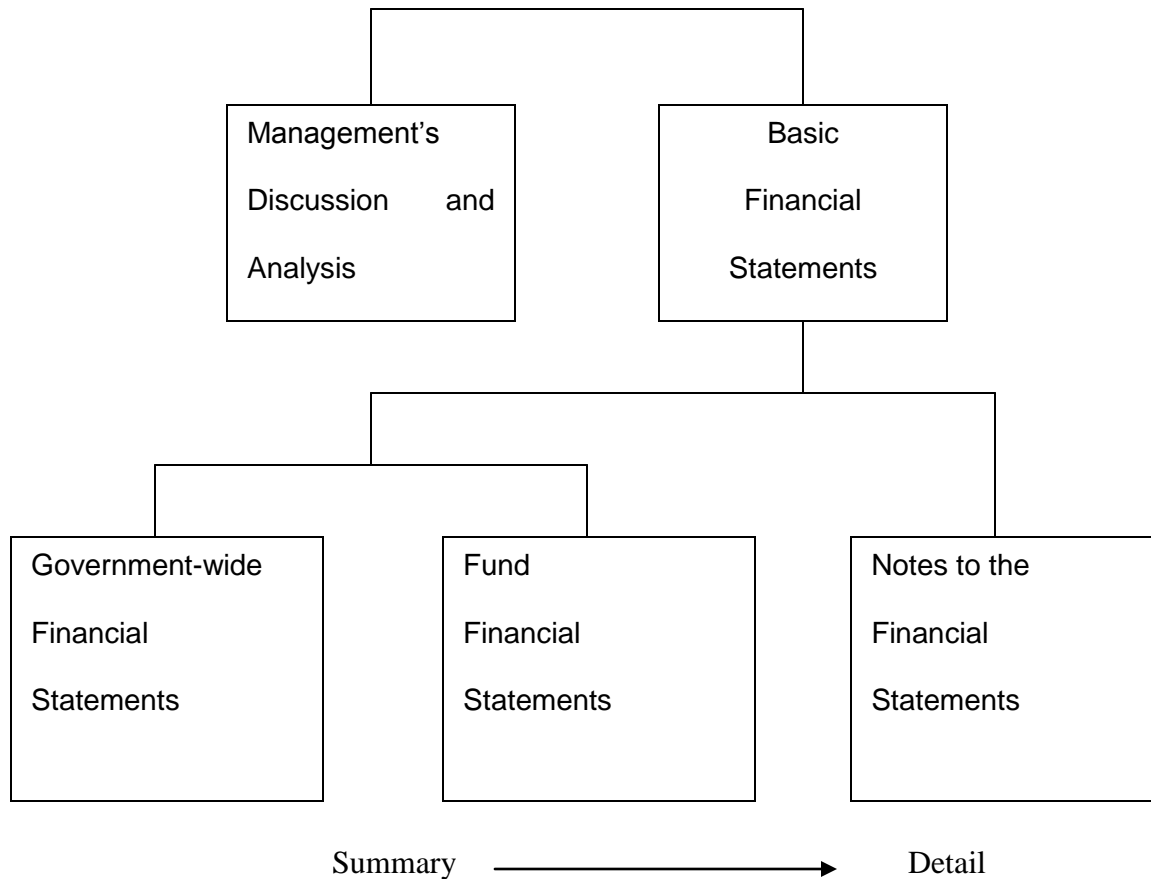
- The assets and deferred outflows of resources of the Town of Hemby Bridge exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$716,379 (net position).
- The government's total net position decreased by \$5,022, primarily due to actual expenditures being more than budgeted amounts.
- As of the close of the current fiscal year, the Town of Hemby Bridge's governmental funds reported combined ending fund balances of \$496,527, an increase of \$8,311 in comparison with the prior year. Approximately 3 percent of this total amount or \$18,584 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$477,943, or 662% of General Fund expenditures.
- The Town of Hemby Bridge incurred no debt during the current fiscal year, and continues to have zero debt.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison 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 can also be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, 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 differences between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gage the Town's financial condition.

The government-wide statements comprise only one category: governmental activities. The governmental activities include most of the Town of Hemby Bridge's basic services such as planning and zoning, fire protection, street lighting, community projects, and general administration. Property taxes, sales taxes, and excise taxes finance most of these activities. The Town of Hemby Bridge does not operate any business-type activities or any component unit.

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

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Hemby Bridge, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. The Town of Hemby Bridge has only one fund – the governmental fund.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All 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 is described in a reconciliation that is a part of the fund financial statements.

The Town of Hemby Bridge adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when

Management Discussion and Analysis
Town of Hemby Bridge
 June 30, 2019

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.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 16-27 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes supplementary information concerning the Town of Hemby Bridge. This supplementary information can be found beginning on page 28 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or association with, the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modification to State laws and State appropriations.

Government-Wide Financial Analysis

The Town of Hemby Bridge’s Net Position

Figure 2

	Governmental Activities		Total	
	2019	2018	2019	2018
Current and other assets	\$ 497,311	\$ 489,019	\$ 497,311	\$ 489,019
Capital assets	219,852	233,185	219,852	233,185
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	717,163	722,204	717,163	722,204
Other liabilities	784	803	784	803
Total liabilities and deferred inflows of resources	784	803	784	803
Net position				
Net investment in capital assets	219,852	233,185	219,852	233,185
Restricted	18,584	22,842	18,584	22,842
Unrestricted	477,943	465,374	477,943	465,374
Total net position	\$ 716,379	\$ 721,401	\$ 716,379	\$ 721,401

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Town of Hemby Bridge exceeded liabilities by \$716,379 as of June 30, 2019. The Town’s net assets decreased by \$5,022 for the fiscal year ended June 30, 2019. An additional portion of the Town of Hemby Bridge’s net assets (31%) reflects the Town’s investment in capital assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Hemby Bridge’s net position, \$18,584, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$477,943 is unrestricted.

Management Discussion and Analysis
Town of Hemby Bridge
 June 30, 2019

Several particular aspects of the Town financial operations negatively influenced the total unrestricted governmental net assets:

- Expenditures were higher than budgeted.

Town of Hemby Bridge Changes in Net Position

Figure 3

	Governmental Activities		Total	
	2019	2018	2019	2018
Revenues:				
Program revenues:				
Charges for services	\$ 8,660	\$ 11,880	\$ 8,660	\$ 11,880
General revenues:				
Property taxes	40	-	40	-
Other taxes	70,764	80,186	70,764	80,186
Unrestricted investment earnings	1,034	732	1,034	732
Miscellaneous	-	1,300	-	1,300
Total revenues	<u>80,498</u>	<u>94,098</u>	<u>80,498</u>	<u>94,098</u>
Expenses:				
General government	41,356	55,205	41,356	55,205
Parks and recreation	44,164	68,634	44,164	68,634
Total expenses	<u>85,520</u>	<u>123,839</u>	<u>85,520</u>	<u>123,839</u>
Increase in net position before transfers	(5,022)	(29,741)	(5,022)	(29,741)
Transfers				
Increase (decrease) in net position	(5,022)	(29,741)	(5,022)	(29,741)
Net position, July 1	721,401	751,142	721,401	751,142
Net position, June 30	<u>\$ 716,379</u>	<u>\$ 721,401</u>	<u>\$ 716,379</u>	<u>\$ 721,401</u>

Governmental activities. Governmental activities decreased the Town's net position by \$5,022, thereby accounting for the net decrease in the net position of the Town of Hemby Bridge. Key elements of this decrease are as follows:

- Actual expenditures were higher than budgeted amounts.

Financial Analysis of the Town of Hemby Bridge's Funds

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

Governmental Funds. The focus of the Town of Hemby Bridge'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 Hemby Bridge's financing requirements.

Management Discussion and Analysis

Town of Hemby Bridge

June 30, 2019

The general fund is the chief operating fund of the Town of Hemby Bridge. At the end of the current fiscal year, Town of Hemby Bridge's fund balance available in the General Fund was \$496,527. The Town of Hemby Bridge Council has adopted a minimum fund balance policy whereby the Town should maintain an available fund balance of 50% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 662% of general fund expenditures, and total fund balance represent 687% of the same amount.

At June 30, 2019 the governmental funds of Town of Hemby Bridge reported a combined fund balance of \$496,527 with a net increase in fund balance of \$8,311.

General Fund Budgetary Highlights: During the fiscal year, the Town of Hemby Bridge amended its budget several times after initial adoption on June 28, 2018. 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.

Capital Asset and Debt Administration

Capital assets. The Town of Hemby Bridge's investment in capital assets for its governmental activities as of June 30, 2019, totals \$219,852 (net of accumulated depreciation). These assets include machinery and equipment, buildings, and land.

There were no major capital asset transactions during the year.

Town of Hemby Bridge's Capital Assets
(net of depreciation)
Figure 4

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 131,582	\$ 131,582	\$ 131,582	\$ 131,582
Furniture and equipment	1,146	3,398	1,146	3,398
Buildings	87,124	96,905	87,124	96,905
Vehicles	-	1,300	-	1,300
Total	<u>\$ 219,852</u>	<u>\$ 233,185</u>	<u>\$ 219,852</u>	<u>\$ 233,185</u>

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

Town of Hemby Bridge's Long-term Debt

As of June 30, 2019, the Town of Hemby Bridge had no long-term debt.

Economic Factors and Next Year's Budgets and Rates

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

- The new Monroe Bypass toll road may affect the assessed value of real estate in Hemby Bridge in 2019-2020.
- Discussion of land use plan to bring commercial development to the town.
- Seeing revitalization of the downtown area.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Budgeted revenues and expenditures are estimated to be \$67,470. No ad valorem tax will be levied. The town will use the revenues to finance programs currently in place.

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:

Stephanie Murray, Finance/Budget Officer
PO Box 2127
Indian Trail, NC 28079

Basic Financial Statements

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2019

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 478,727	\$ 478,727
Other receivables	3,465	3,465
Due from other governments	15,119	15,119
Total current assets	497,311	497,311
Capital assets:		
Land and improvements	131,582	131,582
Other capital assets, net of depreciation	88,270	88,270
Total capital assets	219,852	219,852
Total assets	\$ 717,163	\$ 717,163
LIABILITIES		
Current liabilities:		
Accounts payable	784	784
Total current liabilities	784	784
NET POSITION		
Net investment in capital assets	219,852	219,852
Restricted for:		
Stabilization by State Statute	18,584	18,584
Unrestricted	477,943	477,943
Total net position	\$ 716,379	\$ 716,379

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

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

Exhibit 2

Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Other Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 41,356	\$ -	\$ -	\$ -	\$ (41,356)	\$ -	\$ (41,356)
Parks and recreation	44,164	8,660	-	-	(35,504)	-	(35,504)
Total governmental activities (See Note 1)	85,520	8,660	-	-	(76,860)	-	(76,860)
Total primary government	\$ 85,520	\$ 8,660	\$ -	\$ -	\$ (76,860)	\$ -	\$ (76,860)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					40	-	40
Other taxes					13,303	-	13,303
Intergovernmental revenue					57,461	-	57,461
Unrestricted investment earnings					1,034	-	1,034
Miscellaneous					-	-	-
Total general revenues					71,838	-	71,838
Change in net position					(5,022)	-	(5,022)
Net position, beginning,					721,401	-	721,401
Net position, ending					\$ 716,379	\$ -	\$ 716,379

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

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

Exhibit 3

*Balance Sheet
Governmental Funds
June 30, 2019*

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 478,727	\$ 478,727
Other receivables	3,465	3,465
Due from other governments	15,119	15,119
Total assets	<u>\$ 497,311</u>	<u>\$ 497,311</u>
LIABILITIES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 784	\$ 784
Total liabilities	<u>784</u>	<u>784</u>
FUND BALANCES		
Restricted		
Stabilization by State Statute	18,584	18,584
Unassigned	477,943	477,943
Total fund balance	<u>496,527</u>	<u>496,527</u>
Total liabilities, deferred inflows of resources, and fund balances.	<u>\$ 497,311</u>	<u>497,311</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 219,852
Net position of governmental activities	<u>\$ 716,379</u>

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

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the Fiscal Year Ended June 30, 2019

	Primary Government	
	Governmental Activities	Total
REVENUES		
Ad valorem taxes	\$ 40	\$ 40
Other taxes and licenses	13,303	13,303
Unrestricted intergovernmental	57,461	57,461
Investment earnings	1,034	1,034
Miscellaneous	8,660	8,660
Total revenues	<u>80,498</u>	<u>80,498</u>
EXPENDITURES		
Current:		
General government	37,425	37,425
Parks and recreation	34,762	34,762
Total expenditures	<u>72,187</u>	<u>72,187</u>
Excess (deficiency) of revenues over expenditures	<u>8,311</u>	<u>8,311</u>
OTHER FINANCING SOURCES (USES)		
Transfers to other funds	<u>-</u>	<u>-</u>
Net change in fund balance	8,311	8,311
FUND BALANCE		
Fund balances, beginning	488,216	488,216
Fund balances, ending	<u>\$ 496,527</u>	<u>\$ 496,527</u>

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

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

Exhibit 5

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019***

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

Net changes in fund balances - total governmental funds \$ 8,311

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

(13,333)

Total changes in net position of governmental activities

\$ (5,022)

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

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ 40	\$ 40
Other taxes and licenses	10,900	10,900	13,303	2,403
Unrestricted intergovernmental	46,240	46,240	57,461	11,221
Investment earnings	550	550	1,034	484
Miscellaneous	10,000	10,000	8,660	(1,340)
Total revenues	<u>67,690</u>	<u>67,690</u>	<u>80,498</u>	<u>12,808</u>
Expenditures:				
Current:				
General government	47,185	39,685	37,425	2,260
Parks and Recreation	27,505	35,005	34,762	243
Contingency	-	-	-	-
Total expenditures	<u>74,690</u>	<u>74,690</u>	<u>72,187</u>	<u>2,503</u>
Revenues over (under) expenditures	<u>(7,000)</u>	<u>(7,000)</u>	<u>8,311</u>	<u>15,311</u>
Fund balance appropriated	7,000	7,000		7,000
Net change in fund balance	<u>-</u>	<u>-</u>	<u>8,311</u>	<u>8,311</u>
Fund balance				
Fund balances, beginning			<u>488,216</u>	
Fund balances, ending			<u>\$ 496,527</u>	

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

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Hemby Bridge, North Carolina, in Union County, was incorporated under The General Statutes of The State of North Carolina on November 3, 1998. It is governed by an elected five-member board who appoints their own mayor. As required by generally accepted accounting principles, these financial statements present the Town, which has no component units.

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 activities of the overall government. The Town only has governmental type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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 program or function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include (a) fees and charges paid by the recipients 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those required to be accounted for in another fund.

The primary revenue sources are State-shared revenues. The primary expenditures are for general government services.

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019*

NOTE 1- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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 Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, including 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 they are 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 to the extent they matured. General capital asset acquisitions are reported as expenditures in government funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019*

NOTE 1- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Hemby Bridge because the tax is levied by the counties and then remitted to and distributed by the State. Most intergovernmental revenues are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the general fund. All annual appropriations lapse at fiscal-year end. Project ordinances are adopted for the Capital Projects Fund. 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 project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019*

NOTE 1- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

The Town maintains a general checking account and money market account for all general fund revenues. The Town considers all cash and investments to be demand deposits and are considered cash and cash equivalents.

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town has decided not to assess property taxes for the fiscal year ended June 30, 2019.

4. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of any allowance for doubtful accounts. This amount is generally estimated by analyzing the amount of receivables that were written off in prior years. No allowance for doubtful accounts was required as of June 30, 2019.

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019*

NOTE 1- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

5. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: furniture and equipment, \$1,000.00. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings	20
Improvements	5-10
Vehicles	5
Furniture and equipment	5
Computer equipment	3

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019*

NOTE 1- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

6. 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 for 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 does not have any items meeting this criterion 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 does not have any items meeting this criterion in the 2019 fiscal year.

7. Long-Term Obligations

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type statement of net position. The face amount of debt issued is reported as other financial sources. The Town has no long-term obligations for the 2019 fiscal year.

8. Compensated Absences

The Town does not provide for vacation or sick pay for its employees.

9. Net Position/Fund Balances

Net Position

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

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019*

NOTE 1- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019*

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances - continued

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

The Town of Hemby Bridge has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least 50% of the budgeted expenditures. Any portion of the general fund balance in excess of 50% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

None

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

B. Deficit in Fund Balance or Net Assets of Individual Funds

None

C. Excess of Expenditures Over Appropriations

None.

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019*

NOTE 3- **DETAIL NOTES ON ALL FUNDS**

A. ASSETS

1. Deposits

All 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 agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

A. ASSETS

1. Deposits - continued

The State Treasurer does not confirm this information with the Town 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 undercollateralization, and the 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 collateralize public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance.

At June 30, 2019, the Town's deposits with three banks had a carrying amount of \$478,727 and bank balances of \$459,695. Of the bank balances, \$409,991 was covered by federal depository insurance. The remaining \$49,704 was covered by collateral held under the pooling method.

2. Other Receivables

Other receivables consist of sales tax refunds due from North Carolina.

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019*

NOTE 3- **DETAIL NOTES ON ALL FUNDS – Continued**

3. Intergovernmental

The amounts presented in Exhibit 1 for intergovernmental receivables include the following:

State of North Carolina:	
Telecommunications Sales Tax	\$ 2,690
Piped Natural Gas	331
Video Programming	3,013
Utility Franchise tax	9,085
	\$ 15,119

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
Capital assets not being depreciated:				
Land	\$ 131,582	\$ -	\$ -	\$ 131,582
Total not being depreciated	131,582	-	-	131,582
Capital assets being depreciated:				
Furniture & equipment	73,153	-	-	73,153
Buildings	182,443	-	-	182,443
Vehicles	19,000	-	-	19,000
Total being depreciated	274,596	-	-	274,596
Less accumulated depreciation for:				
Furniture & equipment	69,755	2,252	-	72,007
Buildings	85,538	9,781	-	95,319
Vehicles	17,700	1,300	-	19,000
Total accumulated depreciation	172,993	13,333	-	186,326
Total capital assets being depreciated, net	101,603			88,270
Governmental activity capital assets, net	\$ 233,185			\$ 219,852

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

General Government	\$ 3,931
Parks and Receptions	9,402
Total depreciation expense	\$ 13,333

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019*

NOTE 3- **DETAIL NOTES ON ALL FUNDS - Continued**

2. LIABILITIES

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

The employees of the Town do not participate in the state wide Local Government Employees' Retirement System. Therefore, the Town did not incur expenditures for retirement contributions.

2. Deferred Outflows and Inflows of Resources

The Town had no deferred outflows or inflows of resources at June 30, 2019.

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets, including flood insurance; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all risks of loss. As required by general statute, the Town carries surety bonds on its financial officer of \$50,000. The Town does not participate in the National Flood Insurance Program.

4. Claims, Judgements and contingent Liabilities

None.

5. Fund Balance

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

<u>Total fund balance - General Fund</u>	<u>496,527</u>
Less:	
Stabilization by State Statute	18,584
Remaining Fund Balance	477,943

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019*

NOTE 3- **DETAIL NOTES ON ALL FUNDS - Continued**

The Town of Hemby Bridge has adopted a minimum fund balance policy for the General fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 50% of budgeted expenditures.

NOTE 4- **SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

None.

NOTE 6- **DATE OF MANAGER'S REVIEW**

In preparing the financial statements, the Town of Hemby Bridge has evaluated events and transactions for potential recognition or disclosure through October 31, 2019, the date that the financial statements were available to be issued.

SUPPLEMENTAL STATEMENTS

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

Statement 1

Page 1 of 2

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 40	\$ 40
Penalties and interest	-	-	-
Total	-	40	40
Other taxes and licenses:			
Cable franchise fees	10,900	13,303	2,403
Total	10,900	13,303	2,403
Unrestricted intergovernmental:			
Telecommunications sales tax	9,600	11,375	1,775
Utility sales tax	29,300	38,444	9,144
Piped natural gas tax	640	918	278
Beer and wine tax	6,700	6,724	24
Video franchise fee	-	-	-
Total	46,240	57,461	11,221
Investment earnings	550	1,034	484
Miscellaneous:			
Rental of building	10,000	8,660	(1,340)
Miscellaneous	-	0	-
Total	10,000	8,660	(1,340)
Total revenues	67,690	80,498	12,808

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

Statement 1
Page 2 of 2

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
General government:			
Salaries and employee benefits	11,450	10,995	455
Other operating expenditures	28,235	26,430	1,805
Capital outlay	-	-	-
Total	<u>39,685</u>	<u>37,425</u>	<u>2,260</u>
Parks and Recreation:			
Salaries and employee benefits	3,000	3,000	-
Other operating expenditures	30,005	29,842	163
Capital outlay	2,000	1,920	80
Total	<u>35,005</u>	<u>34,762</u>	<u>243</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>74,690</u>	<u>72,187</u>	<u>2,503</u>
Revenues over (under) expenditures	<u>(7,000)</u>	<u>8,311</u>	<u>15,311</u>
Fund balance appropriated	7,000	-	7,000
Net change in fund balance	<u>-</u>	<u>8,311</u>	<u>8,311</u>
Fund balance, beginning		<u>488,216</u>	
Fund balance , ending		<u>\$ 496,527</u>	

OTHER SCHEDULES

This section contains additional information required on property taxes.

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

TOWN OF HEMBY BRIDGE, NORTH CAROLINA

Schedule 2

*Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2019*

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ -	0.000	\$ -	\$ -	\$ -
Discoveries - current and prior years	-		-	-	-
Releases	-		-	-	-
Total property valuation	<u>\$ -</u>				
Net levy			-	-	-
Uncollected taxes at June 30, 2016			-	-	-
Current year's taxes collected			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Current levy collection percentage			<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>