

TOWN OF OAK CITY
OAK CITY, NORTH CAROLINA
FINANCIAL STATEMENTS
JUNE 30, 2019

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

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Independent Auditor's Report

To the Honorable Mayor
and Members of the Board
Oak City, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Oak City, 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

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

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

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the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-10, the Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Liability and Contributions on pages 43 and 44, respectively, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Winston, Williams, Creech, Evans and Co., LLP

Oxford, NC

February 28, 2020

Management's Discussion and Analysis

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

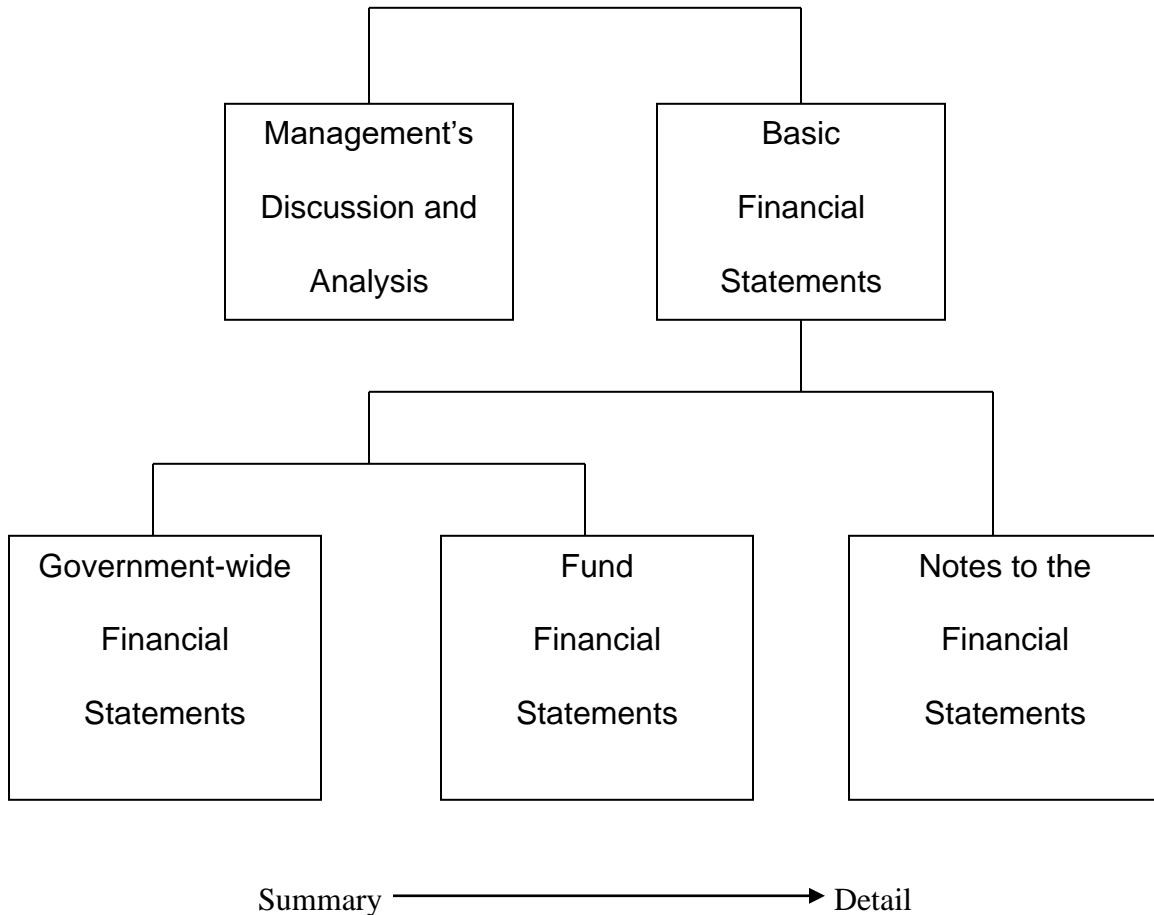
- The assets and deferred outflows of resources of the Town of Oak City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,428,328 (net position).
- The government's total net position decreased by \$32,434 mainly due to a decrease in business-type activities net position.
- As of the close of the current fiscal year, the Town of Oak City's governmental funds reported combined ending fund balances of \$399,162, an increase of \$12,665 in comparison with the prior year. Approximately 69.48 % of this total amount, or \$277,333 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$277,333, or 153.43 % 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 Town of Oak 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 (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.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town's individual funds.

Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, culture 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 electric services offered by the Town.

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 Oak City, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Oak City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting 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 adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the

Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Oak City has one proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Oak City uses an enterprise fund to account for its electric operations. 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.

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 26-41 of this report.

Government-Wide Financial Analysis

Figure 2
Condensed Statement of Net position
as of June 30, 2019

	Governmental Activities		Business Type Activities		Total	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Current and other assets	\$ 443,045	\$ 420,436	\$ 777,334	\$ 810,672	\$ 1,220,379	\$ 1,231,108
Capital assets	252,765	266,551	16,088	18,834	268,853	285,385
Deferred outflows of resources	5,231	3,483	-	-	5,231	3,483
Total assets and deferred outflows of resources	<u>701,041</u>	<u>690,470</u>	<u>793,422</u>	<u>829,506</u>	<u>1,494,463</u>	<u>1,519,976</u>
Other liabilities	6,965	4,734	58,681	53,828	65,646	58,562
Deferred inflows of resources	489	652	-	-	489	652
Total liabilities and deferred inflows of resources	<u>7,454</u>	<u>5,386</u>	<u>58,681</u>	<u>53,828</u>	<u>66,135</u>	<u>59,214</u>
Net position:						
Net investment in capital assets	252,765	266,551	16,088	18,834	268,853	285,385
Restricted	67,371	52,571	-	-	67,371	52,571
Unrestricted	<u>374,351</u>	<u>365,962</u>	<u>718,653</u>	<u>756,844</u>	<u>1,093,004</u>	<u>1,122,806</u>
Total net position	<u>\$ 693,587</u>	<u>\$ 685,084</u>	<u>\$ 734,741</u>	<u>\$ 775,678</u>	<u>\$ 1,428,328</u>	<u>\$ 1,460,762</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Oak City exceeded liabilities and deferred inflows by \$1,428,328 as of June 30, 2019. The Town's net position decreased by \$32,434 for the fiscal year ended June 30, 2019. However, 18.82% reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Oak City's net investment in 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's net position (4.65%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,092,104 is unrestricted.

Figure 3
Condensed Statement of Revenues, Expenses, and Changes in Net position
as of June 30, 2019

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,800	\$ 250	\$ 389,693	\$ 364,983	\$ 391,493	\$ 365,233
Operating grants and contributions	12,599	12,792	-	-	12,599	12,792
General revenues:						
Property taxes	79,577	76,787	-	-	79,577	76,787
Other taxes	1,023	2,059	-	-	1,023	2,059
Grants and contributions not restricted to specific programs	46,119	49,073	-	-	46,119	49,073
Other	5,015	2,946	18,958	10,553	23,973	13,499
Total revenues	<u>146,133</u>	<u>143,907</u>	<u>408,651</u>	<u>375,536</u>	<u>554,784</u>	<u>519,443</u>
Expenses:						
General government	110,137	116,007	-	-	110,137	116,007
Public safety	26,550	28,672	-	-	26,550	28,672
Transportation	51,762	53,157	-	-	51,762	53,157
Culture and recreation	4,181	9,124	-	-	4,181	9,124
Electric	-	-	394,588	353,457	394,588	353,457
Total expenses	<u>192,630</u>	<u>206,960</u>	<u>394,588</u>	<u>353,457</u>	<u>587,218</u>	<u>560,417</u>
Increase/(decrease) in net position before transfers	(46,497)	(63,053)	14,063	22,079	(32,434)	(40,974)
Transfers	<u>55,000</u>	<u>55,000</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>-</u>	<u>-</u>
Increase/(decrease) in net position	8,503	(8,053)	(40,937)	(32,921)	(32,434)	(40,974)
Beginning net position	685,084	690,753	775,678	828,683	1,460,762	1,519,436
Restatement	-	2,384	-	(20,084)	-	(17,700)
Net position, beginning, restated	<u>685,084</u>	<u>693,137</u>	<u>775,678</u>	<u>808,599</u>	<u>1,460,762</u>	<u>1,501,736</u>
Net position, June 30	<u>\$ 693,587</u>	<u>\$ 685,084</u>	<u>\$ 734,741</u>	<u>\$ 775,678</u>	<u>\$ 1,428,328</u>	<u>\$ 1,460,762</u>

Governmental activities. Governmental activities increased the Town's net position by \$8,503. Key elements of this increase are as follows:

- Overall revenues were up slightly from the prior year while expenditures were slightly down from the prior year.

Business-type activities: Business-type activities decreased the Town's net position by \$40,937. Key elements of this increase are as follows:

- Revenues were slightly up from the prior year, while expenditures increased from prior year, a result of increased electricity purchase.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. 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. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$280,425 while total fund balance reached \$399,162. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 155.14% of total General Fund expenditures, while the total fund balance represents 220.83% of total General Fund expenditures.

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 recognized new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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 Electric Fund amounted to \$718,653 while total net position amounted to \$734,741. The decrease in net position was \$40,937. Other factors concerning the finances of this fund decrease have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$268,853 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

Figure 4
Summary of Capital Assets (Net of Depreciation)
as of June 30, 2019

	Governmental Activities		Business Type Activities		Total	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Land	\$ 34,326	\$ 34,326	\$7,405	\$7,405	\$ 41,731	\$ 41,731
Buildings and Systems	218,439	232,225	-	-	218,439	232,225
Distribution Systems	-	-	8,683	11,429	8,683	11,429
Total	<u>\$ 252,765</u>	<u>\$ 266,551</u>	<u>\$ 16,088</u>	<u>\$ 18,834</u>	<u>\$ 268,853</u>	<u>\$ 285,385</u>

Additional information on the Town's capital assets can be found in Note III.A.4 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2019, the Town had no long-term debt or long-term liabilities.

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 Oak City is \$1,356,604.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the conditions of the Town:

Oak City is a municipality of Martin County, North Carolina. Oak City, a rural community as well as much of Martin County, North Carolina, continues to face unemployment problems.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Revenues and expenses for the governmental activities and business-type activities are expected to be similar for the fiscal year ending June 30, 2020 as they were for June 30, 2019. The Town did not increase electric rates for the June 30, 2019 fiscal year.

The Town has appropriated fund balance in the general fund in the amount of \$54,500 to cover operating expenditures instead of transferring funds from the electric fund. The Town also appropriated fund balance in the electric fund in the amount of \$53,010 for the purchase of new electric meters.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk or Mayor of the Town of Oak City, PO Box 298, Oak City, NC 27587 (Telephone 252-798-7721).

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Primary Government		Total
	Governmental Activities	Business-type Activities	June 30 2019
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 343,880	\$ 688,217	\$ 1,032,097
Taxes receivable (net)	26,771	-	26,771
Due from other governments	11,890	-	11,890
Accounts receivable	-	40,141	40,141
Accounts receivable unbilled	-	13,007	13,007
Accrued interest receivable	10,147	533	10,680
Internal balances	(5,082)	5,082	-
Prepaid items	858	-	858
Restricted cash and cash equivalents	54,581	30,354	84,935
Total current assets	<u>443,045</u>	<u>777,334</u>	<u>1,220,379</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	34,326	7,405	41,731
Other capital assets, net of depreciation	218,439	8,683	227,122
Total capital assets	<u>252,765</u>	<u>16,088</u>	<u>268,853</u>
Total assets	<u>695,810</u>	<u>793,422</u>	<u>1,489,232</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension deferrals	5,231	-	5,231
Total deferred outflows of resources	<u>5,231</u>	<u>-</u>	<u>5,231</u>
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable and accrued liabilities	6,965	28,327	35,292
Customer deposits	-	30,354	30,354
Total current liabilities	<u>6,965</u>	<u>58,681</u>	<u>65,646</u>
Total liabilities	<u>6,965</u>	<u>58,681</u>	<u>65,646</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension deferrals	489	-	489
Total deferred inflows of resources	<u>489</u>	<u>-</u>	<u>489</u>
<u>NET POSITION</u>			
Net investment in capital assets	252,765	16,088	268,853
Restricted for:			
Transportation	54,581	-	54,581
Stabilization by State Statute	11,890	-	11,890
Unrestricted	<u>374,351</u>	<u>718,653</u>	<u>1,093,004</u>
Total net position	<u>\$ 693,587</u>	<u>\$ 734,741</u>	<u>\$ 1,428,328</u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT 2

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 110,137	\$ 1,800	\$ -	\$ -	\$ (108,337)	\$ -	\$ (108,337)
Public safety	26,550	-	-	-	(26,550)	-	(26,550)
Transportation	51,762	-	12,599	-	(39,163)	-	(39,163)
Cultural and recreation	4,181	-	-	-	(4,181)	-	(4,181)
Total governmental activities	192,630	1,800	12,599	-	(178,231)	-	(178,231)
Business-type activities:							
Electric	394,588	389,693	-	-	-	(4,895)	(4,895)
Total business-type activities	394,588	389,693	-	-	-	(4,895)	(4,895)
Total primary government	\$ 587,218	\$ 391,493	\$ 12,599	\$ -	\$ (178,231)	\$ (4,895)	\$ (183,126)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					79,577	-	79,577
Other taxes and licenses					1,023	-	1,023
Grants and contributions not restricted to specific program					46,119	-	46,119
Unrestricted investment earnings					3,965	3,364	7,329
Miscellaneous					1,050	15,594	16,644
Total general revenues not including transfers					131,734	18,958	150,692
Transfers					55,000	(55,000)	-
Total general revenues and transfers					186,734	(36,042)	150,692
Change in net position					8,503	(40,937)	(32,434)
Net position - beginning					685,084	775,678	1,460,762
Net position - ending					\$ 693,587	\$ 734,741	\$ 1,428,328

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

EXHIBIT 3

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

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 343,880	\$ 343,880
Restricted cash	54,581	54,581
Taxes receivable	26,771	26,771
Due from other governments	11,890	11,890
Prepaid items	858	858
	<u>437,980</u>	<u>437,980</u>
Total assets	<u>437,980</u>	<u>437,980</u>
LIABILITIES		
Accounts payable and accrued liabilities	6,965	6,965
Due to proprietary funds	5,082	5,082
Total liabilities	<u>12,047</u>	<u>12,047</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	26,771	26,771
Total deferred inflows of resources	<u>26,771</u>	<u>26,771</u>
FUND BALANCES		
Non Spendable		
Prepays	858	858
Restricted for:		
Stabilization by State Statute	11,890	11,890
Streets - Powell Bill	54,581	54,581
Assigned:		
Subsequent year's expenditures	54,500	54,500
Unassigned	277,333	277,333
	<u>399,162</u>	<u>399,162</u>
Total fund balances	<u>399,162</u>	<u>399,162</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 437,980</u>	<u>\$ 437,980</u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT 3 (cont.)

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

Amounts reported for governmental activities in the statement of net position
(Exhibit 1) are different because:

Total Fund Balance - Governmental Funds	\$ 399,162
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	252,765
Deferred outflows of resources related to pensions are not reported in the funds	5,231
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds.	10,147
Deferred inflows of resources related to pensions are not reported in the funds	(489)
Earned revenues considered deferred inflows of resources in fund statements	<u>26,771</u>
Net position of governmental activities	<u><u>\$ 693,587</u></u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT 4

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

	<u>Major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental</u>
		<u>Funds</u>
REVENUES		
Ad valorem taxes	\$ 74,259	\$ 74,259
Other taxes and licenses	1,023	1,023
Unrestricted intergovernmental revenues	46,119	46,119
Restricted intergovernmental revenues	12,599	12,599
Sales and services	1,800	1,800
Investment earnings	1,569	1,569
Miscellaneous	1,050	1,050
Total revenues	<u>138,419</u>	<u>138,419</u>
EXPENDITURES		
General government	101,432	101,432
Public safety	24,896	24,896
Transportation	50,245	50,245
Cultural and recreational	4,181	4,181
Total expenditures	<u>180,754</u>	<u>180,754</u>
Excess (deficiency) of revenues over expenditures	(42,335)	(42,335)
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	<u>55,000</u>	<u>55,000</u>
Net change in fund balance	12,665	12,665
Fund balance:		
Beginning of year	386,497	386,497
End of year - June 30	<u>\$ 399,162</u>	<u>\$ 399,162</u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT 4 (cont.)

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

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

Net changes in fund balances - total governmental funds	\$ 12,665
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's exceeded depreciation in the current period.	
Depreciation expense	(13,786)
Contributions to the pension plan in the current fiscal year are not included in the statement of activities	2,950
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.	
Pension expense	(861)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenue	2,688
Change in accrued interest income	2,396
Change in accrued interest receivable	<u>2,451</u>
Total changes in net position of governmental activities	<u>\$ 8,503</u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT 5

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

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 81,850	\$ 81,850	\$ 74,259	\$ (7,591)
Other taxes & licenses	2,700	2,700	1,023	(1,677)
Unrestricted intergovernmental revenues	44,750	44,750	46,119	1,369
Restricted intergovernmental revenues	13,000	13,000	12,599	(401)
Sales and services	3,000	3,000	1,800	(1,200)
Investment earnings	1,600	1,600	1,569	(31)
Miscellaneous	1,250	1,250	1,050	(200)
Total revenues	148,150	148,150	138,419	(9,731)
Expenditures:				
General government	102,350	101,890	101,432	458
Public safety	29,500	29,500	24,896	4,604
Transportation	68,100	69,100	50,245	18,855
Cultural and recreational	3,200	6,200	4,181	2,019
Total expenditures	203,150	206,690	180,754	25,936
Revenues over (under) expenditures	(55,000)	(58,540)	(42,335)	16,205
Other financing sources (uses):				
Transfers from other funds	55,000	55,000	55,000	-
Fund Balance appropriated	-	3,540	-	(3,540)
Net change in fund balance	\$ -	\$ -	12,665	\$ 12,665
FUND BALANCE:				
Beginning of Year			386,497	
End of Year - June 30			\$ 399,162	

The accompanying notes are an integral part of the financial statements.

EXHIBIT 6

Town of Oak City, North Carolina
Statement of Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Electric Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 688,217	\$ 688,217
Accounts receivable	40,141	40,141
Accounts receivable -unbilled	13,007	13,007
Accrued interest - CD	533	533
Due from other funds	5,082	5,082
Restricted cash and cash equivalents	30,354	30,354
Total current assets	<u>777,334</u>	<u>777,334</u>
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	7,405	7,405
Other capital assets, net of depreciation	8,683	8,683
Capital assets (net)	<u>16,088</u>	<u>16,088</u>
Total noncurrent assets	<u>16,088</u>	<u>16,088</u>
Total assets	<u>\$ 793,422</u>	<u>\$ 793,422</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	28,327	28,327
Customer deposits	30,354	30,354
Total current liabilities	<u>58,681</u>	<u>58,681</u>
Total liabilities	<u>58,681</u>	<u>58,681</u>
NET POSITION:		
Net investment in capital assets	16,088	16,088
Unrestricted	<u>718,653</u>	<u>718,653</u>
Total net position	<u>\$ 734,741</u>	<u>\$ 734,741</u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT 7

**Town of Oak City, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Net Position
For the Year Ended June 30, 2019**

	<u>Enterprise Fund</u>	
	<u>Electric Fund</u>	<u>Total</u>
OPERATING REVENUES:		
Electricity sales	<u>\$ 389,693</u>	<u>\$ 389,693</u>
Total operating revenues	<u>389,693</u>	<u>389,693</u>
OPERATING EXPENSES:		
Purchase of electricity	298,140	298,140
Contract labor	34,790	34,790
Repairs and maintenance	3,588	3,588
Supplies	3,544	3,544
Sales tax	25,543	25,543
Depreciation expense	2,746	2,746
Other operating expenses	<u>5,921</u>	<u>5,921</u>
Total operating expenses	<u>394,588</u>	<u>394,588</u>
Operating income (loss)	<u>(4,895)</u>	<u>(4,895)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	3,364	3,364
Capital credit refunds	<u>15,594</u>	<u>15,594</u>
Total nonoperating revenues (expenses)	<u>18,958</u>	<u>18,958</u>
Income (loss) before contributions and transfers	14,063	14,063
Transfers to other funds	<u>(55,000)</u>	<u>(55,000)</u>
Change in net position	(40,937)	(40,937)
Beginning net position	<u>775,679</u>	<u>775,679</u>
Total net position, ending	<u>\$ 734,741</u>	<u>\$ 734,741</u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT 8

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

	<u>Electric Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 377,079	\$ 377,079
Cash paid for goods and services	(369,656)	(369,656)
Cash paid for employee services	(20,316)	(20,316)
Customer deposits returned	2,450	2,450
Net cash provided (used) by operating activities	<u>(10,442)</u>	<u>(10,442)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due to/from other funds	3,088	3,088
Transfers to other funds	<u>(55,000)</u>	<u>(55,000)</u>
Net cash provided (used) by noncapital financing activities	<u>(51,912)</u>	<u>(51,912)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital credit refunds	15,594	15,594
Interest on investments	<u>3,364</u>	<u>3,364</u>
Net cash provided (used) by investing activities	18,958	18,958
Net increase (decrease) in cash and cash equivalents	(43,396)	(43,396)
Beginning of year	<u>761,967</u>	<u>761,967</u>
End of year	<u><u>\$ 718,571</u></u>	<u><u>\$ 718,571</u></u>

The accompanying notes are an integral part of the financial statements.

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

	Electric Fund	Total
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (4,895)	\$ (4,895)
Adjustments to reconcile operating income (loss) to Net cash provided (used) by operating activities:		
Depreciation	2,746	2,746
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(27,814)	(27,814)
(Increase) decrease in accounts receivable - unbilled	15,200	15,200
(Increase) decrease in accrued interest	(533)	(533)
Increase (decrease) in accounts payable	2,403	2,403
Increase (decrease) in deposits	2,450	2,450
Total adjustments	<u>(5,548)</u>	<u>(5,548)</u>
Net cash provided (used) by operating activities	<u>\$ (10,442)</u>	<u>\$ (10,442)</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE I. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Oak 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 Oak City is a municipal corporation that is governed by an elected mayor and a five-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 nonmajor funds.

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the City's electric 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 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 in which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. 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 nonoperating 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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 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

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

received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State Law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States, or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Oak City Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 54,581
Total governmental activities	<u>54,581</u>
Business-type activities	
Electric Fund	
Customer Deposits	<u>30,354</u>
Total Business-type activities	<u>30,354</u>
Total Restricted Cash	<u>\$ 84,935</u>

4. Ad Valorem Taxes Receivables

In accordance with State Law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State Law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

Enterprise fund supplies are recorded as expenditures when purchased and not inventoried at year-end because the amounts are considered immaterial by the Town.

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, substations, lines, and other plant and distribution systems, infrastructure, furniture and equipment, and vehicles, \$500. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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>Estimate Useful Lives</u>
Buildings	50
Improvements	25
Vehicles	6
Infrastructure	30
Furniture and Equipment	10
Computer Equipment	3

8. Deferred outflows/inflows of resources

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

9. Compensated Absences

The policy of the Town provides for the accumulation of up to six days earned vacation each year. At June 30, 2019, any accumulated amounts are considered immaterial, and accordingly, no accrued liability for accumulated earned vacation leave has been recorded in the accompanying financial statements.

The Town does not have a formal sick leave policy; therefore, no accurate accrual of accumulated sick leave can be determined. Any amounts that may be accrued, however, are not considered material.

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

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

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.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted Fund Balance – This classification includes amounts that are restricted specific purpose 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.
- 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 total unexpended Powell Bill funds.

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

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

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

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

11. Defined Benefit Cost-Sharing Plan

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 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 Oak City's employer contributions are recognized when due and the Town of Oak 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.

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

Expenditures made in the Town's General Fund exceeded authorized appropriations made by the governing board for administration by \$1,066, a result of over-expenditures in salaries and employee benefits, administrative expenses, and office supplies. Management and the Town will more closely review the budget reports to ensure compliance in future years.

B. Noncompliance with North Carolina General Statutes

None

NOTE III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's 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 the Town's 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. 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 Oak City, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

At June 30, 2019, the Town's deposits had a carrying amount of \$991,108, and a bank balance of \$1,013,137. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$0.

2. Investments

At June 30, 2019, the Town of Oak City had \$125,924, 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 no policy regarding credit risk.

3. Receivables

Receivables at the Government-wide level at June 30, 2019, were as follows:

	<u>Accounts</u>	<u>Due from Other Governments</u>	<u>Taxes Receivable, Net</u>	<u>Accrued Interest Receivable</u>	<u>Total</u>
Governmental Activities:					
General	\$ _____	\$ 11,890	\$ <u>26,771</u>	\$ <u>10,147</u>	\$ <u>48,808</u>
Total governmental activities	\$ _____	\$ <u>11,890</u>	\$ <u>26,771</u>	\$ <u>10,147</u>	\$ <u>48,808</u>
Business-type Activities:					
Accounts receivable	\$ 70,203	\$ -	\$ -	\$ 533	\$ 70,736
Accounts receivable, unbilled	13,007				13,007
Allowance for doubtful accounts	<u>(30,062)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,062)</u>
Total Business-type activities	\$ <u>53,148</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>533</u>	\$ <u>53,681</u>

Due from other governments that is owed to the Town consists of the following:

Franchise tax	\$ 3,448
Ad valorem taxes	3,228
Local option sales tax	5,160
Licenses	<u>54</u>
Total	\$ <u>11,890</u>

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

4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 34,326	\$ -	\$ -	\$ 34,326
Capital Assets being depreciated:				
Buildings	526,088	-	-	526,088
Vehicles	-	-	-	-
Equipment	<u>37,066</u>	<u>-</u>	<u>-</u>	<u>37,066</u>
Total capital assets being depreciated	<u>563,154</u>	<u>-</u>	<u>-</u>	<u>563,154</u>
Less accumulated depreciation for:				
Buildings	294,654	13,286	-	307,940
Vehicles	-	-	-	-
Equipment	<u>36,275</u>	<u>500</u>	<u>-</u>	<u>36,775</u>
Total accumulated depreciation	<u>330,929</u>	<u>\$ 13,786</u>	<u>\$ -</u>	<u>344,715</u>
Total capital assets being depreciated, net	<u>232,225</u>			<u>218,439</u>
Government activity capital assets, net	<u>\$ 266,551</u>			<u>\$ 252,765</u>

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

General government	\$ 10,615
Public safety	1,654
Transportation	<u>1,517</u>
Total depreciation expense	<u>\$ 13,786</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balances</u>
<u>Business-type activities</u>				
Electric Fund:				
Capital assets not being depreciated:				
Land	\$ 7,405	\$ -	\$ -	\$ 7,405
Capital Assets being depreciated:				
Distribution System	171,731	-	-	171,731
Equipment	11,283	-	-	11,283
Vehicles	<u>40,560</u>	<u>-</u>	<u>-</u>	<u>40,560</u>
Total capital assets being depreciated	<u>223,574</u>	<u>-</u>	<u>-</u>	<u>223,574</u>
Less accumulated depreciation for:				
Distribution System	169,636	413	-	170,049
Equipment	11,283	-	-	11,283
Vehicles	<u>31,226</u>	<u>2,333</u>	<u>-</u>	<u>33,559</u>
Total accumulated depreciation	<u>212,145</u>	<u>\$ 2,746</u>	<u>\$ -</u>	<u>214,891</u>
Total capital assets being depreciated, net	<u>11,429</u>			<u>8,683</u>
Electric Fund capital assets, net	<u>\$ 18,834</u>			<u>\$ 16,088</u>

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

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description - The Town of Oak 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 consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, or by calling (919) 981-5454, or at 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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Oak 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 Oak City's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, 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 Oak City were \$2,950 for the year ended June 30, 2019.

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 \$0 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension asset used to calculate the net pension liability 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 liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00000%, which was an decrease of 0.00000% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$861. 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	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between the Town contributions and proportionate share of contributions	2,281	489
Town contributions subsequent to the measurement date	<u>2,950</u>	<u>-</u>
Total	<u><u>\$ 5,231</u></u>	<u><u>\$ 489</u></u>

\$2,950 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

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

asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	683
2021		466
2022		239
2023		404
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2017 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 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%

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

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 <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
The Town's proportionate share of the net pension liability (asset)	-	-	-

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

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is made up of the following:

Source	Amount
Changes in proportionate differences between the town contributions and proportionate share of contributions	\$ 2,281
Contributions to pension plan in current fiscal	<u>2,950</u>
Total	<u>\$ 5,231</u>

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

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes Receivable	\$ -	\$ 26,771
Changes in proportion and differences between Town's contributions and proportionate share of contributions	489	-
Total	<u>\$ 489</u>	<u>\$ 26,771</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial coverage for the following: general liability, auto liability, property, and worker's compensation. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past three fiscal years. The Town has assessed the risks of floods at very low and decided not to purchase 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 Town Finance Officer is bonded for \$50,000.

4. Commitments

On July 6, 2010, the Board approved an annual contribution to the fire department of \$15,000. The fire department operates out of the building owned by the Town. The Town also pays for gas and utilities.

5. Legal Debt Margin

At June 30, 2019, the Town had a legal debt margin of \$1,356,604.

C. Interfund Balances and Activities

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

Due from the General Fund for its activity allocation to the Electric Fund	\$5,082
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The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Repayments are expected within the year.

Transfers to/from Other Funds at June 30, 2019, consist of the following:

From the Electric Fund to the General Fund	\$55,000
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Town of Oak City, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

To Supplement General Fund Revenues

D. Fund Balance

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

Total fund balance-General Fund	\$399,162
Less:	
Non-spendable - Prepaids	858
Stabilization by State Statute	11,890
Streets- Powell Bill	54,581
Appropriated Fund Balance in 2020 budget	54,500
Remaining Fund Balance	277,333

NOTE IV. **JOINTLY GOVERNED ORGANIZATION**

The Town, in conjunction with the five counties and thirty-nine other municipalities, is a member of the Mid-East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The Town paid membership fees of \$350 to the Commission during the fiscal year ended June 30, 2019.

NOTE V. **SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

NOTE VI. **SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

The Town has evaluated events and transactions that occurred between June 30, 2019 and February 28, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Oak City, North Carolina
Town of Oak 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
Oak City's proportion of the net pension liability (asset) (%)	0.0000%	0.0000%	0.0017%	0.0016%	0.0002%	0.0002%
Oak City's proportion of the net pension liability (asset) (\$)	-	-	3,608	720	(1,060)	2,411
Oak City's covered payroll	28,796	28,820	32,930	29,784	26,730	24,192
Oak City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.000%	0.000%	10.957%	2.417%	-3.966%	9.966%
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 Oak City, North Carolina
Town of Oak City's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System						
	2019	2018	2017	2016	2015	2014
Contractually required contribution	2,950	2,190	373	1,712	2,106	1,652
Contributions in relation to the contractually required contribution	2,950	2,190	373	1,712	2,106	1,652
Contribution deficiency (excess)	-	-	-	-	-	-
Oak City's covered payroll	35,210	28,796	28,820	32,930	29,784	26,730
Contributions as a percentage of covered payroll	8.38%	7.61%	1.29%	5.20%	7.07%	6.18%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Oak City, North Carolina
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			
Current year	\$ 77,500	\$ 68,974	\$ (8,526)
Prior years	3,150	3,975	825
Penalties and interest	1,200	1,310	110
Total	81,850	74,259	(7,591)
Other taxes and licenses			
ABC distributions	1,100	118	(982)
Motor vehicle license	1,600	905	(695)
Total	2,700	1,023	(1,677)
Unrestricted intergovernmental revenues			
Local option sales tax	28,250	29,353	1,103
Utility franchise tax	15,000	15,457	457
Beer and wine tax	1,500	1,309	(191)
Total	44,750	46,119	1,369
Restricted intergovernmental revenues			
Powell Bill allocation	13,000	12,599	(401)
Total	13,000	12,599	(401)
Sales and services			
Cemetery lot sales	3,000	1,800	(1,200)
Total	3,000	1,800	(1,200)
Investment earnings			
General Fund	1,600	1,569	(31)
Total	1,600	1,569	(31)
Miscellaneous revenues:			
Farm water	1,250	1,050	(200)
Miscellaneous	-	-	-
Total	1,250	1,050	(200)
Total revenues	\$ 148,150	\$ 138,419	\$ (9,731)

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

	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
EXPENDITURES			
General government:			
Administration:			
Salaries and employee benefits	\$ 19,240	\$ 20,563	\$ (1,323)
Accounting services	16,000	15,457	543
Professional fees	10,000	9,780	220
Meetings & travel	300	42	258
Utilities and telephone	2,500	2,410	90
Office and other supplies	6,500	6,843	(343)
Miscellaneous	6,200	5,665	535
Repairs & maintenance	4,100	4,486	(386)
Administrative expenses	-	1,496	(1,496)
Tax collection	2,500	1,953	547
Travel	400	664	(264)
Insurance & bonds	7,000	6,447	553
Total administration	74,740	75,806	(1,066)
Governing body:			
Salaries and employee benefits	23,100	23,952	(852)
Travel	200	-	200
Utilities and telephone	1,000	657	343
Insurance & bonds	350	-	350
Miscellaneous	1,900	1,017	883
Advertising	600	-	600
Total governing body	27,150	25,626	1,524
Total general government	101,890	101,432	458
Public safety:			
Fire department:			
Fire protections	15,000	15,037	(37)
Rescue	1,500	1,500	-
Utilities	3,000	2,059	941
Total fire department	19,500	18,596	904
Police			
Police contract	10,000	6,300	3,700
Total police	10,000	6,300	3,700
Total public safety	\$ 29,500	\$ 24,896	\$ 4,604

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

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Transportation:			
Contract labor	\$ 28,000	\$ 26,051	\$ 1,949
Miscellaneous expenses	5,700	5,454	246
Utilities	15,400	12,343	3,057
Street repairs and maintenance	20,000	6,397	13,603
Total transportation	<u>69,100</u>	<u>50,245</u>	<u>18,855</u>
Cultural and recreation:			
Parks and recreation:			
Repairs and maintenance	3,000	-	3,000
Park administration	500	1,350	(850)
Special event	500	313	187
Supplies	2,200	2,518	(318)
Total parks & recreation	<u>6,200</u>	<u>4,181</u>	<u>2,019</u>
Total expenditures	<u>206,690</u>	<u>180,754</u>	<u>25,936</u>
Revenues over (under) expenditures	<u>(58,540)</u>	<u>(42,335)</u>	<u>16,205</u>
Other financing sources (uses)			
Transfers from other funds:			
Electric fund	55,000	55,000	-
Fund balance appropriated	<u>3,540</u>	<u>-</u>	<u>(3,540)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	12,665	<u>\$ 12,665</u>
FUND BALANCES:			
Beginning of year, July 1		<u>386,497</u>	
End of year, June 30		<u>\$ 399,162</u>	

Town of Oak City, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:			
Operating revenues:			
Electricity sales	<u>\$ 390,000</u>	<u>\$ 389,693</u>	<u>\$ (307)</u>
NONOPERATING REVENUES (EXPENDITURES)			
Investment earnings	2,900	3,364	464
Capital credit refund	<u>15,600</u>	<u>15,594</u>	<u>(6)</u>
Total nonoperating revenues	<u>18,500</u>	<u>18,958</u>	<u>458</u>
TOTAL REVENUES	<u>408,500</u>	<u>408,651</u>	<u>151</u>
EXPENDITURES:			
Operating:			
Purchase of electricity	308,000	298,140	9,860
Contract labor	36,800	34,790	2,010
Maintenance and repairs	6,200	3,588	2,612
Supplies	6,000	3,544	2,456
Sales tax	26,000	25,543	457
Salaries and benefits	19,240	20,316	(1,076)
Other operating expenses	<u>3,000</u>	<u>5,921</u>	<u>(2,921)</u>
Total	<u>405,240</u>	<u>391,842</u>	<u>13,398</u>
Capital outlay	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>407,740</u>	<u>391,842</u>	<u>15,898</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 760</u>	<u>\$ 16,809</u>	<u>\$ 16,049</u>

Town of Oak City, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE POSITIVE (NEGATIVE)
REVENUES OVER (UNDER) EXPENDITURES-FORWARDED	\$ 760	\$ 16,809	\$ 16,049
OTHER FINANCING SOURCES (USES):			
Appropriated fund balance	55,240	-	(55,240)
Transfers to other funds:			
General Fund	<u>(56,000)</u>	<u>(55,000)</u>	<u>1,000</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	(38,191)	<u>\$ 17,049</u>

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

Reconciling items:	
Depreciation	<u>(2,746)</u>
Net Income	<u>\$ (40,937)</u>

OTHER SCHEDULES

Town of Oak City, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

FISCAL YEAR	UNCOLLECTED BALANCE June 30, 2018	ADDITIONS	COLLECTIONS AND CREDITS	ABATEMENTS/ ADJUSTMENTS	UNCOLLECTED BALANCE June 30, 2019
2018-2019	\$ -	\$ 76,309	\$ 69,275	\$ -	7,034
2017-2018	7,200		2,267	-	4,933
2016-2017	4,582		481	-	4,101
2016-2016	3,638	-	624	-	3,014
2014-2015	2,728	-	508	-	2,220
2013-2014	1,683	-	-	-	1,683
2012-2013	1,575	-	95	-	1,480
2011-2012	873	-	-	-	873
2010-2011	884	-	-	-	884
2009-2010	549	-	-	-	549
2008-2009	370	-	-	(370)	-
	<u>\$ 24,082</u>	<u>\$ 76,309</u>	<u>\$ 73,250</u>	<u>\$ (370)</u>	<u>26,771</u>

Reconciliation to revenues:

Ad valorem tax - General Fund	74,259
Reconciling items:	
Tax penalties and interest	(1,310)
Discounts allowed	301
Total collections and credits	<u>\$ 73,250</u>

Town of Oak City, North Carolina
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2019

	Property Valuation	Town - Wide		Total Levy	
		Rate per \$100	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at					
Current year rate	\$ 16,957,556	0.45	\$ 76,309	\$ 65,377	\$ 10,932
Releases	-	0.45	-	-	-
Total property valuation	<u>\$ 16,957,556</u>				
Net levy			76,309	65,377	10,932
Less: Unpaid (by taxpayer) taxes at June 30, 2019			<u>(7,034)</u>	<u>(6,909)</u>	<u>(125)</u>
Current year taxes Collected			<u>\$ 69,275</u>	<u>\$ 58,468</u>	<u>\$ 10,807</u>
Current levy collection %			<u>90.78%</u>	<u>89.43%</u>	<u>98.86%</u>