

TOWN OF RHODHISS
RHODHISS, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2019

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

Morganton, North Carolina

TOWN OF RHODHISS
TOWN OFFICIALS
JUNE 30, 2019

MAYOR

Rick Justice

BOARD OF ALDERMEN

Mike Phillips

Allen Spencer

Rachel Pace

Joe Kirby

TOWN MANAGER

Christopher Wagoner

Town of Rhodhiss, North Carolina
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FINANCIAL SECTION

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Honorable Mayor and Board of Alderman
Town of Rhodhiss
Rhodhiss, 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 Rhodhiss, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Rhodhiss'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.

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Rhodhiss

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our 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 Rhodhiss, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rhodhiss's basic financial statements. The individual fund financial statements, budgetary schedules, other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the financial statements.

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Rhodhiss

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2019 on our consideration of the Town of Rhodhiss's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Rhodhiss's internal control over financial reporting and compliance.



S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
August 5, 2019

TOWN OF RHODHISS
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Town of Rhodhiss's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Town of Rhodhiss exceeded its liabilities at the close of the fiscal year by \$6 633 673 (*net position*).
- The government's net position increased by \$1 567 935 primarily due to increases in net income of business type activities.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$801 404, or 132 percent of total general fund expenditures for the fiscal year.
- Town of Rhodhiss's total long term debt decreased by \$18 057 or 9 percent during the current fiscal year. The key factor in this decrease was payment of debt principal with no additional borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - *management's discussion and analysis* (this section) and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Town's government, reporting the Town's operations in *more detail* than the government-wide statements.
 - The *government funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short* and *long term* financial information about the activities the government operates *like businesses*, such as the water and sewer operation.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-1
MAJOR FEATURES OF TOWN OF RHODHISS'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-wide	Fund Statements	
	Statements	Governmental Funds	Proprietary Funds
Scope	Entire Town government	The activities of the Town that are not proprietary or fiduciary, such as general government and transportation	Activities the Town operates similar to private businesses: the water and sewer operations
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's *net position* and how they have changed. Net position—the difference between the Town's total assets and total liabilities—is one way to measure the Town's financial health, or position.

- Over time, increases or decreases in the Town's *net position* are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town you need to consider additional nonfinancial factors such as changes in the Town's property tax base.

The government-wide financial statements of the Town are divided into two categories:

- *Governmental activities* - Most of the Town's basic services are included here, such as administration and transportation. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - The Town charges fees to customers to help it cover the costs of certain services it provides. The Town's water and sewer activities are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant *funds*-not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Aldermen establishes other funds to control and manage money for particular purposes.

The Town has two kinds of funds:

- *Governmental funds* - Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
 - In fact, the Town's *enterprise fund* (one type of proprietary fund) is the same as its business-type activities, but provides more detail and additional information, such as cash flows.

Notes to the financial statements provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Also included in this section are budgetary comparison statements for all major governmental funds.

Net position

Net position may serve over time as a useful indicator of a government's financial position. In the case of Town of Rhodhiss, assets exceeded liabilities and deferred inflows of resources by \$6 633 673 at the close of the most recent fiscal year (Table 1).

TABLE 1
NET POSITION

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 970 250	\$ 819 285	\$ 403 115	\$ 429 917	\$ 1 373 365	\$1 249 202
Capital Assets	605 160	551 618	4 909 355	3 507 358	5 514 515	4 058 976
Total Assets	<u>1 575 410</u>	<u>1 370 903</u>	<u>5 312 470</u>	<u>3 937 275</u>	<u>6 887 880</u>	<u>5 308 178</u>
Long-Term Debt Outstanding	123 416	136 903	50 270	54 840	173 686	191 743
Other Liabilities	22 592	10 233	41 529	26 042	64 121	36 275
Total Liabilities	<u>146 008</u>	<u>147 136</u>	<u>91 799</u>	<u>80 882</u>	<u>237 807</u>	<u>228 018</u>
Deferred Inflows of Resources	<u>16 400</u>				<u>16 400</u>	
Net Position:						
Net Investment in Capital						
Assets	481 744	414 715	4 859 085	3 452 518	5 340 829	3 867 233
Restricted	112 763	189 910			112 763	189 910
Unrestricted	<u>818 495</u>	<u>619 142</u>	<u>361 586</u>	<u>403 875</u>	<u>1 180 081</u>	<u>1 023 017</u>
Total Net Position	<u>\$1 413 002</u>	<u>\$1 223 767</u>	<u>\$5 220 671</u>	<u>\$3 856 393</u>	<u>\$ 6 633 673</u>	<u>\$5 080 160</u>

The largest portion of net position (81%) 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. Town of Rhodhiss uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Town of Rhodhiss's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in Net Position

The Town's total revenues were \$2 519 156 at June 30, 2019 (see Table 2). Capital Grants made up 61% of revenues. Property taxes and other taxes made up 9% and 11% of revenues respectively. The Town's expenses cover a range of services with 43% of those expenses being related to water and sewer.

TABLE 2
CHANGE IN NET POSITION

	<u>Governmental Activities</u>		<u>Business - Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Revenues</u>						
Program Revenues:						
Charges for Services	\$ 39 243	\$ 34 175	\$ 260 312	\$ 265 790	\$ 299 555	\$ 299 965
Capital Grants			1 525 992	1 059 144	1 525 992	1 059 144
Operating Grants and Contributions	39 365	41 614			39 365	41 614
General Revenues:						
Property Taxes	224 323	214 072			224 323	214 072
Other Taxes	272 994	247 077			272 994	247 077
Other	156 115	59 052	812	959	156 927	60 011
Total Revenues	<u>732 040</u>	<u>595 990</u>	<u>1 787 116</u>	<u>1 325 893</u>	<u>2 519 156</u>	<u>1 921 883</u>
<u>Expenses</u>						
General Government	178 502	143 080			178 502	143 080
Public Safety	102 791	96 897			102 791	96 897
Environment Protection	187 129	165 724			187 129	165 724
Transportation	61 525	37 490			61 525	37 490
Cultural and Recreational	8 778	5 968			8 778	5 968
Debt Service	4 080	4 470			4 080	4 470
Water and Sewer			408 416	343 103	408 416	343 103
Total Expenses	<u>542 805</u>	<u>453 629</u>	<u>408 416</u>	<u>343 103</u>	<u>951 221</u>	<u>796 732</u>
Increase (Decrease) in Net Position	189 235	142 361	1 378 700	982 790	1 567 935	1 125 151
Net Position, July 1	1 223 767	1 081 406	3 856 393	2 873 603	5 080 160	3 955 009
Restated			(14 422)		(14 422)	
Net Position, June 30	<u>\$ 1 413 002</u>	<u>\$1 223 767</u>	<u>\$5 220 671</u>	<u>\$3 856 393</u>	<u>\$6 633 673</u>	<u>\$5 080 160</u>

Table 3 presents the cost of each of the Town's six largest programs-general government, public safety, environmental protection, transportation, cultural and recreational, and debt service as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

- The cost of all governmental activities this year was \$543 thousand.
- However, the amount that our taxpayers paid for these activities through Town taxes was \$464 thousand. Some of the cost was paid by:
 - Those are directly benefited from the programs (39 thousand) or
 - Other governments and organizations that subsidized certain programs with grants and contributions (40 thousand).
- The Town paid for the \$464 thousand "public benefit" portion with \$497 thousand in taxes, and with other revenues such as interest and miscellaneous revenues.

TABLE 3
NET COST OF TOWN OF RHODHISS'S GOVERNMENTAL ACTIVITIES
(In Thousands of Dollars)

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
General Government	\$ 178	\$ 143	\$ 178	\$ 143
Public Safety	103	97	98	90
Environmental Protection	187	166	148	132
Transportation	62	37	27	2
Cultural and Recreational	9	6	9	6
Debt Service	4	5	4	5
Total	<u>\$ 543</u>	<u>454</u>	<u>\$ 464</u>	<u>\$ 378</u>

Business-type Activities

Revenues of the Town's business-type activities totaled \$1 787 116 with expenses totaling \$408 416 (see Table 2). This produced a surplus of \$1 378 700.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of Town of Rhodhiss's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing Town of Rhodhiss's financing requirements. Specifically, available 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 Town of Rhodhiss. At the end of the current fiscal year, available fund balance of the General Fund was \$801 404 while total fund balance was \$935 258. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 132 percent of total General Fund expenditures, while total fund balance represents 154 percent of that same amount.

At June 30, 2019, the governmental funds of Town of Rhodhiss reported a total fund balance of \$935 258. Approximately 12 percent of this amount or \$112 763 is nonspendable or restricted. The net change in fund balance was \$123 259.

General fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain service. Total amendments changed the General Fund's total budget by \$39 500.

Proprietary Funds. Town of Rhodhiss's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year was \$361 586.

Capital Asset and Debt Administration

Capital assets. Town of Rhodhiss's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$5 514 515 (net of accumulated depreciation). These assets include land, buildings, equipment, vehicles, distribution systems and infrastructure.

Major capital asset transactions during the year include:

- Boat
- Trailer
- Vehicle

Town of Rhodhiss's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 89 567	\$ 89 567	\$	\$	\$ 89 567	\$ 89 567
Construction in Progress				1 426 619		1 426 619
Buildings	49 666	51 944			49 666	51 944
Equipment	279 658	218 661	14 846	17 045	294 504	235 706
Distribution System Infrastructure	186 269	191 446	4 894 509	2 063 694	4 894 509	2 063 694
Total	\$ 605 160	\$ 551 618	\$4 909 355	\$3 507 358	\$5 514 515	\$4 058 976

Long-term Debt. As of June 30, 2019, Town of Rhodhiss had the following long term debt outstanding.

Town of Rhodhiss's Outstanding Debt
All Debt Funding Sources

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revolving Loan Notes Payable	\$ 123 416	\$ 136 903	\$ 50 270	\$ 54 840	\$ 173 686	\$ 191 743
Total	\$ 123 416	\$136 903	\$ 50 270	\$ 54 840	\$ 173 686	\$ 191 743

The State of North Carolina limits 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 the government's boundaries. The legal debt margin for Town of Rhodhiss is \$3 142 387.

Financial Highlights for the next Fiscal Year Ending June 30, 2020

Governmental Activities: The General Fund's expenditures are expected to increase approximately \$150 000 to be expended for street improvements.

Business-type Activities: Water and sewer operating revenues and expenditures will remain constant. The Water and Sewer improvement project will be funded by State grant and loan funds at an estimated cost of \$406 000.

Economic Factors and Next Year's Budgets and Rates

The Town has decided not to increase tax rates for the next fiscal year. Approximately \$21 000 of fund balance is expected to be used to balance the budget.

Request 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 Director of Finance, Town of Rhodhiss, P. O. Box 40, Rhodhiss, NC 28667.

TOWN OF RHODHISS
STATEMENT OF NET POSITION
JUNE 30, 2019

Exhibit 1

<u>Assets</u>	Total Government		
	Governmental Activities	Business - Type Activities	Total
<u>Current Assets:</u>			
Cash and Cash Equivalents	\$ 850 022	\$ 361 251	\$ 1 211 273
Restricted Cash and Cash Equivalents	55 542	22 477	78 019
Receivables (Net of Allowance for Uncollectibles)	61 482	22 591	84 073
Internal Balances	3 204	(3 204)	
Total Current Assets	970 250	403 115	1 373 365
<u>Non Current Assets:</u>			
<u>Capital Assets:</u>			
Land and Construction in Progress	89 567		89 567
Other Capital Assets, Net of Depreciation	515 593	4 909 355	5 424 948
Total Non Current Assets	605 160	4 909 355	5 514 515
Total Assets	1 575 410	5 312 470	6 887 880
<u>Liabilities:</u>			
<u>Current Liabilities:</u>			
Accounts Payable and Accrued Liabilities	11 127	14 227	25 354
Customer Deposits		22 477	22 477
Current Portion of Long Term Debt	13 889	4 570	18 459
Compensated Absences	11 465	4 825	16 290
Total Current Liabilities	36 481	46 099	82 580
<u>Non Current Liabilities:</u>			
Non Current Portion of Long Term Debt	109 527	45 700	155 227
Total Liabilities	146 008	91 799	237 807
Deferred Inflows of Resources	16 400		16 400
<u>Net Position</u>			
Net Investment in Capital Assets	481 744	4 859 085	5 340 829
<u>Restricted For:</u>			
Transportation-Streets	55 542		55 542
Stabilization by State Statute	57 221		57 221
Unrestricted	818 495	361 586	1 180 081
Total Net Position	\$ 1 413 002	\$ 5 220 671	\$ 6 633 673

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

TOWN OF RHODHISS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit 2

Functions/Programs	Expenses	Program Revenues			(Net Expense) Revenues and Changes in Net Position		
		Charges For Services	Capital Grants	Operating Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 178 502	\$	\$	\$	\$ (178 502)	\$	\$ (178 502)
Public Safety	102 791			4 739	(98 052)		(98 052)
Environmental Protection	187 129	39 243			(147 886)		(147 886)
Transportation	61 525			34 626	(26 899)		(26 899)
Cultural and Recreational	8 778				(8 778)		(8 778)
Debt Service	4 080				(4 080)		(4 080)
Total Governmental Activities	542 805	39 243		39 365	(464 197)		(464 197)
Business-Type Activities:							
Water and Sewer	408 416	260 312	1 525 992			1 377 888	1 377 888
Total Government	\$ 951 221	\$ 299 555	\$ 1 525 992	\$ 39 365	(464 197)	1 377 888	913 691
General Revenues:							
Taxes:							
Property Taxes					224 323		224 323
Local Option Sales					272 994		272 994
Investment Earnings					1 199	602	1 801
Miscellaneous					154 916	210	155 126
Total General Revenues					653 432	812	654 244
Changes in Net Position					189 235	1 378 700	1 567 935
Net Position - Beginning					1 223 767	3 856 393	5 080 160
Restated						(14 422)	(14 422)
Net Position - Ending					\$ 1 413 002	\$ 5 220 671	\$ 6 633 673

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

TOWN OF RHODHISS
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2019

Exhibit 3

	<u>General Fund</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 850 022
Restricted Cash and Cash Equivalents	55 542
Receivables, Net	54 017
Property Tax Receivable, Net	7 465
Due From Other Funds	<u>3 204</u>
 Total Assets	 <u>\$ 970 250</u>
<u>Liabilities</u>	
Accounts Payable and Accrued Liabilities	 <u>\$ 11 127</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Property Taxes	7 465
Unexpended Grant Proceeds	<u>16 400</u>
 Total deferred Inflows of Resources	 <u>23 865</u>
<u>Fund Balances</u>	
Restricted For:	
Streets	55 542
Stabilization by State Statute	57 221
Assigned To:	
Subsequent Year's Expenditures	21 091
Unassigned	<u>801 404</u>
 Total Fund Balances	 <u>935 258</u>
 Total Liabilities, Deferred Inflows of Resources and Fund balances	 <u>\$ 970 250</u>

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

TOWN OF RHODHISS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds	\$ 605 160
Liabilities for earned revenues considered deferred inflows of resources in the fund statements	7 465
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Notes Payable	(123 416)
Compensated Absences	(11 465)
Fund Balance - Governmental Funds (Exhibit 3)	<u>935 258</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 1 413 002</u>

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

TOWN OF RHODHISS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>
<u>Revenues</u>	
Taxes:	
Property	\$ 222 801
Local Option Sales	272 994
Intergovernmental	81 930
Charges for Services	39 243
Investment Earnings	1 199
Miscellaneous	<u>112 351</u>
Total Revenues	<u>730 518</u>
 <u>Expenditures</u>	
Current:	
General Government	174 551
Public Safety	186 955
Environmental Protection	165 887
Transportation	57 985
Cultural and Recreational	4 314
Debt Service	<u>17 567</u>
Total Expenditures	<u>607 259</u>
 Excess (Deficiency) of	
Revenues Over Expenditures	<u>123 259</u>
 Fund Balances:	
Beginning of Year	<u>811 999</u>
End of Year	<u>\$ 935 258</u>

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

TOWN OF RHODHISS
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

Net change in fund balances - Governmental Funds (Exhibit 4)	\$ 123 259
--	------------

Amounts reported for *Governmental Activities* in the Statement of Activities (Exhibit 2) are different because:

Governmental Funds report Capital Outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which Capital Outlays \$104 500 was more than depreciation of \$50 958 in the current period.	53 542
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds-Ad Valorem Taxes.	1 522
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds - Compensated Absences	(2 575)
Principal payments on debt owed are recorded as a use of funds in the fund statements but affect only the statement of net assets in the government-wide statements	<u>13 487</u>
Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ 189 235</u>

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

TOWN OF RHODHISS
 GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

General Fund				
	Original Budget	Final Budget	Actual	Variances With Final Favorable (Unfavorable)
Revenues:				
Ad Valorem Taxes	\$ 216 816	\$ 216 816	\$ 222 801	\$ 5 985
Local Option Sales Tax	230 000	230 000	272 994	42 994
Unrestricted Intergovernmental	39 000	39 000	42 565	3 565
Restricted Intergovernmental	100 000	40 000	39 365	(635)
Sales and Services	37 000	38 200	39 243	1 043
Investment Earnings	300	300	1 199	899
Miscellaneous	6 350	104 650	112 351	7 701
Total Revenues	629 466	668 966	730 518	61 552
Expenditures:				
Current:				
General Government	199 450	199 450	174 551	24 899
Public Safety	153 917	235 432	186 955	48 477
Environmental Protection	174 698	174 198	165 887	8 311
Transportation	100 000	58 485	57 985	500
Cultural and Recreational	11 500	11 500	4 314	7 186
Debt Service	17 567	17 567	17 567	
Total Expenditures	657 132	696 632	607 259	89 373
Revenues Over (Under) Expenditures	(27 666)	(27 666)	123 259	150 925
Other Financing Sources (Uses):				
Appropriated Fund Balance	27 666	27 666		(27 666)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$	\$	\$ 123 259	\$ 123 259
Fund Balance:				
Beginning of Year, July 1			811 999	
End of Year, June 30			\$ 935 258	

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

TOWN OF RHODHISS
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2019

	<u>Enterprise Fund</u> <u>Water and Sewer</u> June 30, <u>2019</u>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash	\$ 361 251
Restricted Cash	22 477
Accounts Receivable - Net	<u>22 591</u>
Total Current Assets	<u>406 319</u>
<u>Noncurrent Assets:</u>	
Fixed Assets - Net	<u>4 909 355</u>
Total Assets	<u>5 315 674</u>
<u>LIABILITIES AND NET POSITION</u>	
<u>Current Liabilities:</u>	
Accounts Payable and Accrued Liabilities	14 227
Customer Deposits	22 477
Accrued Vacation Pay	4 825
Current Portion of Long Term Debt	4 570
Due to Other Funds	<u>3 204</u>
Total Current Liabilities	<u>49 303</u>
<u>Noncurrent Liabilities:</u>	
Noncurrent Portion of Long Term Debt	<u>45 700</u>
Total Liabilities	<u>95 003</u>
<u>Net Position</u>	
Net Investment in Capital Assets	4 859 085
Unrestricted	<u>361 586</u>
Total Net Position	<u>\$5 220 671</u>

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

TOWN OF RHODHISS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Enterprise Fund Water and Sewer</u>
Operating Revenues	
Charges for Services	<u>\$ 260 312</u>
Operating Expenses:	
Water and Sewer Operations	298 843
Depreciation	<u>109 573</u>
Total Operating Expenses	<u>408 416</u>
Operating Income (Loss)	<u>(148 104)</u>
Non-Operating Revenues (Expenses):	
Interest Earned on Investments	602
Other	<u>210</u>
Total Non-Operating Revenues (Expenses)	<u>812</u>
Income (Loss) Before Contributions	<u>(147 292)</u>
Capital Contributions	<u>1 525 992</u>
Change in Net Position	1 378 700
Net Position - July 1	3 856 393
Restated	<u>(14 422)</u>
Net Position - June 30	<u>\$5 220 671</u>

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

TOWN OF RHODHISS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Enterprise</u> <u>Fund</u> <u>Water and Sewer</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 260 258
Cash Paid for Goods and Services	(214 009)
Cash Paid for Employees and Benefits	(69 003)
Customer Deposits Received (Refunded)	<u>(373)</u>
Net Cash Provided (Used) by Operating Activities	<u>(23 127)</u>
Cash Flows From Capital and Related Financing Activities:	
Capital Contributions - Federal Grant	1 720 395
Debt Principal Paid	(4 570)
Acquisition and Construction of Capital Assets	<u>(1 525 992)</u>
Total Cash Flows From Capital and Related Financing Activities	<u>189 833</u>
Cash Flows From Noncapital Financing Activities:	
Interfund Activity	<u>(41 865)</u>
Cash Flows From Investing Activities:	
Interest Earned on Investments	602
Other	<u>210</u>
Total Cash Flows From Investing Activities	<u>812</u>
Net Increase (Decrease) in Cash and Cash Equivalents	125 653
Cash and Cash Equivalents - Beginning of Year	<u>258 075</u>
Cash and Cash Equivalents - End of Year	<u>\$ 383 728</u>
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities:	
Operating Income (Loss)	<u>\$ (148 104)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	109 573
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(83)
Increase (Decrease) in Customer Deposits	(373)
Increase (Decrease) in Accounts Payable	14 227
Increase (Decrease) in Accrued Vacation Pay	<u>1 633</u>
Total Adjustments	<u>124 977</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (23 127)</u>

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

TOWN OF RHODHISS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

I. Summary of Significant Accounting Policies:

The accounting policies of Town of Rhodhiss 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 Rhodhiss is a municipal corporation which is governed by an elected mayor and a four member board of aldermen.

B. Basis of Presentation:

Government-wide Statements: The statement of net position and the statement of activities display information about the 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 funds, if any, 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental fund:

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 general government, street maintenance and public safety.

The Town reports the following major enterprise fund:

Water and Sewer Fund. The Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Water and sewer capital projects are included in the Water and Sewer Capital Project Fund.

C. Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connection for new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 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 Rhodhiss because the tax is levied by Burke and Caldwell Counties and then remitted to and distributed by the state. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursements grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

Budget - Budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the general and enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for all capital project funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for capital project funds. During the year several board approved amendments to the original budget were necessary.

Encumbrances - Under North Carolina General Statutes, the Town is not required to maintain encumbrance accounts which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. At June 30, 2019 there were no open purchase orders outstanding.

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

1. Deposits:

All deposits of the Town are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

2. Cash and Cash Equivalents:

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

3. Restricted Assets:

Powell bill funds are classified as restricted cash because it can only be expended for maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any service is rendered is also restricted.

Town of Rhodhiss Restricted Cash

Governmental Activities

General Fund

Streets \$ 55 542

Business-type Activities

Water and Sewer Fund

Customer Deposits 22 477

Total Restricted Cash \$ 78 019

4. Ad Valorem Taxes Receivable:

In accordance with [G.S. 105-347 and G.S 159-13(a)], ad valorem taxes are levied on July 1, the beginning of the fiscal year and are due on September 1; however, interest does not accrue until the following January 6. These taxes levied are based on the assessed values as of January 1, 2018.

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

6. Capital Assets:
 Capital assets are defined by the government as assets with an initial, individual cost of more than \$1 000 and an estimated useful life in excess of one year. 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. Beginning July 1, 2003 general infrastructure costs are capitalized as incurred. The Town has set a threshold of \$10 000 for capitalizing infrastructure. 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	40
Buildings	30-40
Vehicles	5
Furniture and equipment	5-7
Distribution Systems	25-40

7. Deferred Inflows of Resources
 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 meets the criterion for this category - property taxes receivable and unexpended grant funds.

8. Long-Term Obligations
 In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

Full-time employees shall earn paid vacation according to his/her length of service as follows:

<u>Length of Service</u>	<u>Vacation Leave Equivalent</u>
0 Years - 4 Years	10 Workdays
5 Years - 9 Years	12 Workdays
10 Years - 14 Years	15 Workdays
15 Years - 19 Years	18 Workdays
20 Years plus	20 Workdays

For full-time employees, vacation pay is a maximum of 80 hours per year and 30 days may be carried over.

For full-time employees, sick pay is accumulated at the rate of twelve days per year. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net Position

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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.

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town'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 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.

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

For purposes of fund balance classifications, funds are to be spent from restricted fund balance first followed by committed fund balance, assigned fund balance and last unassigned fund balance.

11. Uses of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

- A. Excess of Expenditures over Appropriations - For the year ended June 30, 2019 expenditures exceeded budgeted amounts at the department level as follows:

<u>Fund/Department</u>	<u>Excess</u>
Enterprise Fund	<u>\$ 2,970</u>

These over-expenditures were immaterial and approved by the Board subsequent to year-end. The town annually files a corrective action

plan. It is the town's intention to amend their budget on a more timely basis in the future.

III. Detail Notes on All Funds:

A. Assets:

1. Deposits - All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with security held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits. At year-end, the Town's deposits had a carrying amount of \$1 289 292 and a bank balance of \$1 325 427. The entire bank balance was covered by federal depository insurance or other sufficient collateral under the pooling method.

2. Receivables - Allowances for Doubtful Accounts - The receivables shown in the Balance Sheet and Statement of Net Position are presented net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2019</u>
General Fund - Property Taxes	<u>\$ 39 760</u>
Enterprise Fund - Utility Bills	<u>\$ 3 000</u>

Receivables - Net of Allowances

Accounts receivable at June 30, 2019 was as follows at the government wide level:

<u>Accounts</u>	<u>Customers</u>	<u>Taxes</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
\$ 7 624	\$ 22 591	\$ 7 465	\$ 46 393	<u>\$ 84 073</u>

3. Capital Assets

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

	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 89 567	\$ _____	\$ _____	\$ 89 567
Total Capital assets not being depreciated	<u>89 567</u>	<u>_____</u>	<u>_____</u>	<u>89 567</u>
Capital assets being depreciated:				
Buildings	80 398			80 398
Vehicles	455 029	104 500		559 529
Equipment	262 994			262 994
Infrastructure	<u>207 042</u>	<u>_____</u>	<u>_____</u>	<u>207 042</u>
Total capital assets being depreciated	<u>1 005 463</u>	<u>104 500</u>	<u>_____</u>	<u>1 109 963</u>
Less accumulated depreciation for:				
Buildings	28 454	2 278		30 732
Vehicles	252 729	38 509		291 238
Equipment	246 633	4 994		251 627
Infrastructure	<u>15 596</u>	<u>5 177</u>	<u>_____</u>	<u>20 773</u>
Total accumulated Depreciation	<u>543 412</u>	<u>50 958</u>	<u>_____</u>	<u>594 370</u>
Total capital assets being depreciated, net	<u>462 051</u>	<u>53 542</u>	<u>_____</u>	<u>515 593</u>
Governmental activity capital assets, net	<u>\$ 551 618</u>	<u>\$ 53 542</u>	<u>\$ _____</u>	<u>\$ 605 160</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 1 891
Public Safety	19 821
Environmental Protection	21 241
Transportation	3 541
Cultural and Recreation	<u>4 464</u>
Total	<u>\$ 50 958</u>

	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Construction In Progress	\$1 412 197	\$ _____	\$1 412 197	\$ _____
Capital assets being depreciated:				
Distribution Systems	3 546 401	2 938 189		6 484 590
Equipment	71 965			71 965
Total capital assets being depreciated	3 618 366	2 938 189		6 556 555
Less accumulated depreciation for:				
Distribution Systems	1 482 707	107 374		1 590 081
Equipment	54 920	2 199		57 119
Total accumulated depreciation	1 537 627	109 573		1 647 200
Total capital assets being depreciated, net	2 080 739	2 828 616		4 909 355
Water and Sewer fund capital assets, net	<u>\$3 492 936</u>	<u>\$2 828 616</u>	<u>\$1 412 197</u>	<u>\$4 909 355</u>

III. Detail Notes on All Funds - Continued

B. Liabilities

1. Pension Plan Obligations

a. Local Government Employee's Retirement System

Plan Description - Effective October 1, 2018 the Town of Rhodhiss became a participating employer in the statewide Local Governmental Employee's 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 Government 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' 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' Alternate Benefit for life or a return of the member's contributions.

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Rhodhiss 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 Rhodhiss's contractually required contribution rate for the year ended June 30, 2019, was 7.75% of compensation for general employees, and 8.50% for law enforcement officers, 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 Rhodhiss were \$9 312 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 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.

- b. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - As of June 30, 2019 it was determined that the Town of Rhodhiss's pension liabilities, pension expense, deferred outflows and deferred inflows of resources cannot be recorded because there were no retirement benefits paid at the measurement date of December 31, 2017, the date the net pension liability would have been measured at.

c. Law Enforcement Officers Special Separation Allowance

(1) Plan Description - Effective October 1, 2018 the Town of Rhodhiss began administering a public employee retirement system the *Separation Allowance*, a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	- 0 -
Terminated plan members entitled to but not yet receiving benefits	- 0 -
Active plan members	<u>1</u>
Total	<u><u>1</u></u>

(d) Summary of Significant Accounting Policies

Basis of Accounting - The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

(e) Contributions - The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$-0- as no benefits came due for the reporting period.

(f) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions As of June 30, 2019 it was determined that the Town of Rhodhiss's pension liabilities, pension expense, deferred outflows and deferred inflows of resources cannot be recorded because there were no separation benefits at the measurement date of December 31, 2017, the date the total pension liability would have been measured at.

(g) Supplemental Retirement Income Plan for Law Enforcement Officers -

Plan Description - The Town contributes to the Supplemental Retirement Income Plan, (Plan) a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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.

(h) Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$872 for the reporting year. No amounts were forfeited.

2. Payables - Payables and accrued liabilities at June 30, 2019 were as follows at the government-wide level:

	<u>Vendors</u>	<u>Benefits</u>	<u>Total</u>
Governmental Activities	<u>\$ 3 798</u>	<u>\$ 7 329</u>	<u>\$ 11 127</u>
Business-Type Activities	<u>\$ 13 203</u>	<u>\$ 1 024</u>	<u>\$ 14 227</u>

3. Deferred Inflows of Resources

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

	<u>Fund Statements</u>	<u>Government Wide</u>
Taxes receivable (General Fund),		
Less penalties	\$ 7 465	
Unexpended Grant Funds	16 400	\$ 16 400
Total	<u>\$ 23 865</u>	<u>\$ 16 400</u>

4. Risk Management - The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town has property coverage up to \$1 485 796, worker's compensation coverage of up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims of \$500 000 for property and \$300 000 up to statutory limit, for worker's compensation. The pools are insured for annual employee health claims in excess of \$150 000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance value. The Town carries commercial coverage for all other risk of loss. Claims have not exceeded coverage in any of the past three years. The Town does not maintain flood insurance at this time.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50 000. The remaining employees that have access to funds are bonded under a blanket bond of \$15 000.

5. Long-Term Obligations

The Town had the following debt at June 30, 2019:

<u>Description</u>	<u>Cost</u>	<u>Date</u>	<u>Term</u>	<u>Rate</u>	<u>Payment Amount</u>
General Fund - Direct Placement Installment Purchase - BB&T	\$ 150 000	06-09-17	10 Years	2.9%	\$ 17 567 Annual
Enterprise Fund- Drinking Water Direct Placement Revolving Loan:					
Water and Sewer Distribution Systems	182 801	05-01-10	40 Years	0%	4 570 Annual

Installment Purchase - In June, 2017, the Town entered into a \$150 000 direct placement installment purchase to finance the purchase of a garbage truck . The financing contract requires annual payments of \$17 567 including interest at 2.9 percent. The truck is pledged as collateral for the debt.

Revolving Loan - All revolving loans are collateralized by the faith, credit and taxing power of the town.

The following totals summarizes the annual requirement to amortize all long term obligations:

	<u>Enterprise</u>			<u>General</u>			<u>Total</u>		
	<u>Drinking Water</u>	<u>Direct Placement</u>	<u>Revolving Loan</u>	<u>Direct Placement</u>	<u>Installment</u>	<u>Obligation</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4 570		\$ 4 570	\$ 13 889	\$ 3 678	\$ 17 567	\$ 18 459	\$ 3 678	\$ 22 137
2021	4 570		4 570	14 303	3 264	17 567	18 873	3 264	22 137
2022	4 570		4 570	14 729	2 838	17 567	19 299	2 838	22 137
2023	4 570		4 570	15 168	2 399	17 567	19 738	2 399	22 137
2024	4 570		4 570	15 620	1 947	17 567	20 190	1 947	22 137
2025-2029	22 850		22 850	49 707	2 991	52 698	72 557	2 991	75 548
2030-2034	4 570		4 570				4 570		4 570
Total	<u>\$ 50 270</u>	<u>\$</u>	<u>\$ 50 270</u>	<u>\$ 123 416</u>	<u>\$ 17 117</u>	<u>\$140 533</u>	<u>\$ 173 686</u>	<u>\$ 17 117</u>	<u>\$ 190 803</u>

6. Changes in Long-Term Liabilities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Governmental Activities:					
Direct Placement Installment Purchase	\$136 903	\$ _____	\$ 13 487	\$ 123 416	\$13 889
Business Activities:					
Drinking Water Direct Placement Revolving Loan	\$ 54 840	\$ _____	\$ 4 570	\$ 50 270	\$ 4 570

At June 30, 2019, the Town had a legal debt margin of \$3 142 387.

7. Individual Balances and Activity

a. Interfund Receivables and Payables are as follows:

	Due To	Due From
General Fund	\$ 3 204	\$
Enterprise Fund		3 204
Total	<u>\$ 3 204</u>	<u>\$ 3 204</u>

The outstanding balances between funds result mainly from the correction of payment from the incorrect fund. This will be repaid in the next fiscal year.

8. Fund Balance

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

Total Fund Balance - General Fund	\$ 935 258
Less:	
Stabilization by State Statute	(57 221)
Streets - Powell Bill	(55 542)
Appropriated Fund Balance in 2020 Budget	(21 091)
Remaining Fund Balance	<u>\$ 801 404</u>

9. Subsequent Events

Subsequent events have been evaluated through August 5, 2019, which is the date the financial statements were available to be issued.

IV. Jointly Governed Organization

Western Piedmont Council of Governments - Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four municipalities and four counties within western North Carolina. WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The town paid fees of \$36 488 during fiscal year ended June 30, 2019.

V. Summary Disclosure of Significant Contingencies:

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

VI. Changes in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in the fiscal year ending June 30, 2019. The implementation of the statement required the Town to make changes to note disclosures related to debt.

VII. Restatement of Net Position - Enterprise Fund

It was determined that in the prior year the Town had overstated expenditures and revenues in the capital projects fund by \$14,422. This was corrected in the current year by decreasing Enterprise fund net position by \$14,422.

TOWN OF RHODHISS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2018 Actual</u>
Revenues:				
Ad Valorem Taxes:				
Current Year	\$ 209 316	\$ 216 202	\$ 6 886	\$ 209 995
Prior Years		6 626	6 626	5 434
Penalties and Interest	7 500	2 016	(5 484)	2 541
Discounts		(2 043)	(2 043)	(1 818)
Total	<u>216 816</u>	<u>222 801</u>	<u>5 985</u>	<u>216 152</u>
Other Taxes and Licenses:				
Local Option Sales Tax	230 000	204 185	(25 815)	183 131
Hold Harmless		68 809	68 809	63 946
Total	<u>230 000</u>	<u>272 994</u>	<u>42 994</u>	<u>247 077</u>
Unrestricted Intergovernmental Revenues:				
Solid Waste Tax		765	765	742
Utility Sales Tax	39 000	41 800	2 800	41 439
Total	<u>39 000</u>	<u>42 565</u>	<u>3 565</u>	<u>42 181</u>
Restricted Intergovernmental Revenues:				
Powell Bill Allocation	35 000	34 626	(374)	35 037
Grants	5 000	4 739	(261)	6 577
Total	<u>40 000</u>	<u>39 365</u>	<u>(635)</u>	<u>41 614</u>
Sales and Services:				
Police Fees		5	5	
Fundraising-Fire Dept	1 200	1 430	230	
Sanitation	37 000	37 808	808	34 175
Total	<u>38 200</u>	<u>39 243</u>	<u>1 043</u>	<u>34 175</u>
Investment Earnings:				
Interest Earned	300	1 199	899	825
Miscellaneous:				
Contributions	104 650	108 700	4 050	
Insurance Reimbursements				10 198
Other		3 651	3 651	5 848
Total	<u>104 650</u>	<u>112 351</u>	<u>7 701</u>	<u>16 046</u>
Total Revenues	<u>668 966</u>	<u>730 518</u>	<u>61 552</u>	<u>598 070</u>

	2019		Variance	2018
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures:				
General Government:				
Administration:				
Salaries & Benefits	\$	\$ 92 187	\$	\$ 66 555
Advertising		968		742
Travel & Training		2 159		185
Professional Services		25 527		26 995
Telephone and Postage		2 819		2 735
Utilities		1 905		1 824
Dues and Subscriptions		5 246		5 050
Insurance and Bonds		6 995		5 282
Maintenance		1 843		3 146
Departmental Supplies		8 098		6 931
Elections				3 392
Administration Fees		4 393		4 734
Contracted Services		20 041		8 608
Miscellaneous		2 370		5 041
Total General Government	199 450	174 551	24 899	141 220
Public Safety:				
Police:				
Salaries & Benefits		28 429		25 579
Telephone and Postage		2 615		2 584
Insurance		2 774		2 823
Uniforms		38		
Supplies		1 213		1 758
Utilities		1 593		2 354
Repairs and Maintenance		297		1 913
Travel and Training		61		718
Miscellaneous		250		430
Total	55 608	37 270	18 338	38 159

	2019		Variance	2018
	Budget	Actual	Favorable (Unfavorable)	Actual
Fire Department:				
Salaries & Benefits		5 839		7 403
Insurance and Bonds		6 344		6 116
Supplies		10 197		17 622
Utilities		1 593		1 495
Telephone and Postage		2 335		2 150
Repairs and Maintenance		7 002		5 737
Dues and Subscriptions		625		1 431
Training		274		1 380
Miscellaneous		1 498		1 922
Uniforms		9 478		3 647
Capital Outlay		104 500		4 305
Total	179 824	149 685	30 139	53 208
Total Public Safety	235 432	186 955	48 477	91 367
Environmental Protection:				
Public Works:				
Salaries & Benefits		92 878		86 265
Group Insurance		18 071		16 759
Utilities		14 041		14 980
Uniforms		713		502
Contracted Services		5 839		1 796
Departmental Supplies		16 891		14 583
Insurance		7 883		8 875
Maintenance and Repairs		8 935		6 363
Travel and Training				1 556
Miscellaneous		636		374
Capital Outlay				151 402
Total Environmental Protection	174 198	165 887	8 311	303 455
Transportation:				
Streets:				
Street Improvements		56 185		26 300
Maintenance		1 800		7 650
Total Transportation	58 485	57 985	500	33 950
Cultural and Recreational:				
Parks	11 500	4 314	7 186	1 504
Debt Service:				
Principal		13 487		13 097
Interest		4 080		4 470
Total Debt Service	17 567	17 567		17 567
Total Expenditures	696 632	607 259	89 373	589 063

	2019		Variance	2018
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues Over (Under) Expenditures	<u>(27 666)</u>	<u>123 259</u>	<u>150 925</u>	<u>9 007</u>
Other Financing Sources (Uses): Appropriated Fund Balance	<u>27 666</u>		<u>(27 666)</u>	
Total Other Financing Sources (Uses)	<u>27 666</u>		<u>(27 666)</u>	
Revenues and Other Sources Over(Under) Expenditures and Other Uses	<u>\$</u>	<u>123 259</u>	<u>\$ 123 259</u>	<u>9 007</u>
Fund Balance - Beginning of Year		<u>811 999</u>		<u>802 992</u>
Fund Balance - End of Year		<u>\$ 935 258</u>		<u>\$ 811 999</u>

TOWN OF RHODISS, NORTH CAROLINA
ENTERPRISE FUND - WATER AND SEWER
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>		Variance	2018
Revenues:	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	<u>Actual</u>
Operating Revenues:				
Charges for Services	\$ 270 050	\$ 259 512	\$ (10 538)	\$ 265 790
Other Operating Revenues:				
Taps and Connections	1 500	800	(700)	
Other		210	210	548
Total Operating Revenues	<u>271 550</u>	<u>260 522</u>	<u>(11 028)</u>	<u>266 338</u>
Non-operating Revenues:				
Interest Earned on Investments		602	602	411
Budgetary Appropriations:				
Appropriated Fund Balance	57 113		(57 113)	
Total Revenues	<u>328 663</u>	<u>261 124</u>	<u>(67 539)</u>	<u>266 749</u>
Expenditures:				
Operating Expenditures:				
Administration:				
Salaries & Benefits		71 543		72 462
Group Insurance		4 572		5 096
Insurance & Other		9 645		9 940
Telephone		2 323		589
Utilities		13 771		11 794
Supplies and Postage		7 812		8 504
Dues and Subscriptions		645		505
Permits		1 720		1 110
Miscellaneous		759		1 462
Total	<u>123 643</u>	<u>112 790</u>	<u>10 853</u>	<u>111 462</u>
Supply and Treatment:				
Purchase for Resale		42 339		34 631
Treatment and Transmission		87 368		66 885
Maintenance and Repairs		13 936		12 621
Testing		4 645		4 650
Contract Services		36 132		14 997
Total	<u>181 450</u>	<u>184 420</u>	<u>(2 970)</u>	<u>133 784</u>
Total Operating Expenditures	<u>305 093</u>	<u>297 210</u>	<u>7 883</u>	<u>245 246</u>

	2019		Variance	
	Budget	Actual	Favorable (Unfavorable)	2018 Actual
Expenditures - Continued:				
Budgetary Appropriations:				
Debt Interest and Principal Paid	\$ 4 570	\$ 4 570	\$	\$ 4 570
Capital Outlay	19 000		19 000	
 Total Budgetary Appropriations	 23 570	 4 570	 19 000	 4 570
 Total Expenditures	 328 663	 301 780	 26 883	 249 816
 Revenues and Other Sources Over (Under) Expenditures and Other Uses	 \$	 \$ (40 656)	 \$ (40 656)	 \$ 16 933
RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:				
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
			\$ (40 656)	
Add:				
Debt Principal Paid		4 570		
Grants Received - Capital Projects		1 525 992	1 530 562	
Less:				
Depreciation		109 573		
Increase in Vacation Pay		1 633	(111 206)	
Change in Net Position (Exhibit 7)			\$ 1 378 700	

TOWN OF RHODHISS
WATER AND SEWER CAPITAL PROJECTS FUND
WATER AND SEWER SYSTEM IMPROVEMENT PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2019

		<u>Actual</u>			
	<u>Project Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Intergovernmental					
Federal Grant-CDBG	\$ 3 000 000	\$1 412 197	\$ 1 525 992	\$ 2 938 189	\$ (61 811)
Expenditures:					
Water Administration	160 000	98 831	24 646	123 477	36 523
Sewer Administration	150 000	112 296	25 813	138 109	11 891
Water Improvements	1 250 000	439 930	803 200	1 243 130	6 870
Sewer Improvements	1 440 000	761 140	672 333	1 433 473	6 527
Total Expenditures	<u>3 000 000</u>	<u>1 412 197</u>	<u>1 525 992</u>	<u>2 938 189</u>	<u>61 811</u>
Revenues Over (Under) Expenditures	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

TOWN OF RHODHISS
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2019

<u>Fiscal Year</u>	Uncollected Balance <u>July 1, 2018</u>	<u>Additions</u>	Collections and <u>Credits</u>	Uncollected Balance <u>June 30, 2019</u>
2018-2019	\$	\$ 227 980	\$ 216 202	\$ 11 778
2017-2018	11 111		3 397	7 714
2016-2017	10 105		1 667	8 438
2015-2016	4 832		574	4 258
2014-2015	4 598		674	3 924
2013-2014	3 989		233	3 756
2012-2013	2 622		42	2 580
2011-2012	2 008		39	1 969
2000-2011	1 416			1 416
2009-2000	1 392			1 392
2008-2009	<u>822</u>		<u>822</u>	
 Total	 <u>\$ 42 895</u>	 <u>\$ 227 980</u>	 <u>\$ 223 650</u>	 <u>\$ 47 225</u>
 Less Allowance for Uncollectible Accounts				 <u>39 760</u>
 Ad Valorem Taxes Receivable - Net				 <u>\$ 7 465</u>

Reconciliation with Revenue:

Ad Valorem Tax Revenue	\$ 222 801	
Less Penalties and Interest	<u>2 016</u>	\$ 220 785
Discounts		2 043
Written Off Per Statute of Limitations		<u>822</u>
 Total Collections and Credits		 <u>\$ 223 650</u>

TOWN OF RHODHISS
ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Total</u> <u>Property</u> <u>Valuation</u>	<u>Rate</u>	<u>Amount</u> <u>of</u> <u>Levy</u>	<u>Excluding</u> <u>Vehicles</u>	<u>Motor</u> <u>Vehicles</u>
Tax Levy	\$ 32 356 000	.55	\$ 177 958	\$ 177 958	\$
Vehicle Taxes	4 938 545	.55	27 162		27 162
Discoveries	5 514 727	.55	30 331	30 331	
Releases	(1 358 363)	.55	(7 471)	(7 471)	
Total for Year	<u>\$ 41 450 909</u>		227 980	200 818	27 162
Less Uncollected Taxes at June 30, 2019			<u>11 778</u>	<u>11 778</u>	
Current Year Taxes Collected			<u>\$ 216 202</u>	<u>\$ 189 040</u>	<u>\$ 27 162</u>
Percent of Current Year's Taxes Collected			<u>94.83%</u>	<u>94.13%</u>	<u>100.00%</u>

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Board of Aldermen
Town of Rhodhiss
North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Rhodhiss, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Rhodhiss's basic financial statements, and have issued our report thereon dated August 5, 2019.

Internal Control Over Financial Reporting

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

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

To the Honorable Mayor
and Board of Aldermen
Town of Rhodhiss, North Carolina

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2019-001 to be a significant deficiency.

Compliance and Other Matters

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

Town of Rhodhiss's Response to Findings

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

Purpose of this Report

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



S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
August 5, 2019

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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Report On Compliance For Its Major Federal Program;
Report on Internal Control Over Compliance
Required by the Uniform Guidance
and the State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and
Board of Aldermen
Town of Rhodhiss, North Carolina

Report on Compliance for Its Major Federal Program

We have audited the Town of Rhodhiss, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Town of Rhodhiss's major federal program for the year ended June 30, 2019. The Town of Rhodhiss's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Rhodhiss's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, cost Principles and Audit Requirements for federal awards (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Rhodhiss's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination on the Town of Rhodhiss's compliance.

To the Honorable Mayor and
Board of Aldermen
Town of Rhodhiss, North Carolina

Opinion on Major Federal Program

In our opinion, the Town of Rhodhiss complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Town of Rhodhiss is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Rhodhiss's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Rhodhiss's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



S. Eric Bowman, P.A.
Certified Public Accountant

TOWN OF RHODHISS, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- * Material weakness(es) identified? yes no
- * Significant deficiencies identified that are not considered to be material weaknesses yes none reported

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal program:

- * Material weakness(es) identified? yes no
- * Significant deficiencies identified that are not considered to be material weaknesses yes none reported

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance yes no

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	<u>U.S. Department of Housing and Urban Development Community Development Block Grant</u>

TOWN OF RHODHISS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2019

Section I. Summary of Auditor's Results

Dollar threshold used to distinguish between
Type A and Type B Programs

\$750 000

Auditee qualified as low-risk auditee?

Yes No

Section II. Findings Related to the Audit of the Basic
Financial Statements of Town of Rhodhiss:

Internal Controls Over Financial Reporting

2019-001

Criteria: All Local Governments are to adopt a balanced budget and make necessary amendments to the original budget as conditions dictate.

Condition: The City overexpended one department in the Enterprise Fund totaling \$2 970.

Effect: Funds were expended out of one department before the appropriate budget amendments were made.

Cause: Unforeseen accounts payable.

Recommendation: The Town should not expend any funds unless there is adequate amounts in the particular department budget.

Management

Response: The Town agrees with this finding.

Section III. Findings and Questioned Costs Related to Federal Awards:

None Reported

Section IV. Findings and Questioned Costs Related to State Awards:

None Reported



TOWN OF RHODHISS

- 53 -

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TOWN OF RHODHISS, NORTH CAROLINA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2019

Finding: 2019-001

- A. Name of Contact Person: Christopher Wagoner, Finance Officer
- B. Corrective Action: The Town will continue to amend the budget as conditions warrant.
- C. Proposed Completion Date: The Board will implement the above as soon as possible.

TOWN OF RHODHISS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2018

There were no audit findings for the prior year ending June 30, 2018.

TOWN OF RHODHISS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
Cash Programs:					
U.S. Department of Housing and Urban Development					
Passed Through N.C. Department of Environmental Quality:					
Community Development Block Grant					
Infrastructure:					
Water Improvements	14.228	13-I-2634	827 846		
Sewer Improvements	14.228	13-I-2635	698 146		
			1 525 992		
Total Federal Cash Awards					
State Awards:					
Cash Programs:					
N.C. Department of Transportation					
Powell Bill				57 470	
N.C. Department of Insurance					
Fire Department Grant				4 739	4 739
				62 209	4 739
Total State Cash Awards					
			\$ 1 525 992	\$ 62 209	\$ 4 739
Total Federal and State Awards					

Note 1 - Basis of Presentation:

The accompanying schedule of Federal and State awards includes the Federal and State award activity of the Town of Rhodhiss under programs of federal and state governments for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Town of Rhodhiss, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Rhodhiss.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Rhodhiss has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.