

Town of East Arcadia
East Arcadia, North Carolina
Financial Statements
June 30, 2020

Town of East Arcadia, North Carolina
Financial Statements
June 30, 2020

Mayor

Perry Blanks

Town Council

Carlee Carter

Pamela Graham

Horace Munn

Rhonda Hall

Lillian Graham

Town Clerk

Josephine Smith

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FINANCIAL SECTION



Independent Auditors' Report

To the Honorable Mayor and
Members of the Board and Town Commissioners
East Arcadia, 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 East Arcadia, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
January 15, 2021

Management Discussion and Analysis
Town of East Arcadia

As management of the Town of East Arcadia, we offer readers of the Town of East Arcadia’s financial statements this narrative overview and analysis of the financial activities of the Town of East Arcadia for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town’s financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of East Arcadia exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$574,127 (net position).

- The government’s total net position increased by \$36,893, due to an increase in net position of the governmental activities of \$38,830 and a decrease of business-type actives in the amount of \$ 1,938 respectively.

- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$266,392, with a net change of \$45,773 in fund balance. Approximately 33.79 percent of this total amount, or \$90,025 is restricted.

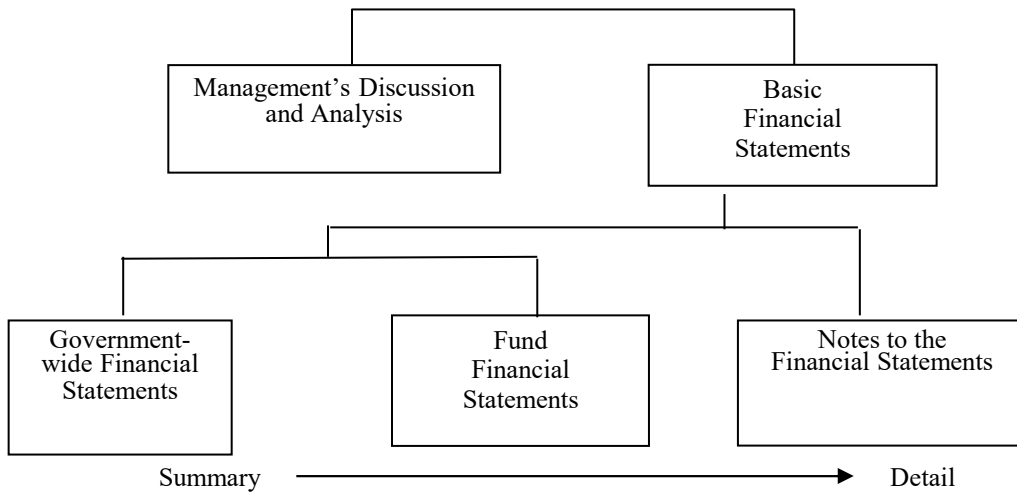
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$176,367 or 200.14% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, transportation, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water services offered by Town of East Arcadia.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of East Arcadia, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of East Arcadia can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town’s basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town’s programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of East Arcadia adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the Management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of East Arcadia has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of East Arcadia uses enterprise funds to account for its water operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start after Exhibit 9.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information. Required supplementary information can be found beginning at the schedules following directly after the notes.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of East Arcadia's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 274,759	\$ 234,033	\$ 47,210	\$ 38,307	\$ 321,969	\$ 272,340
Capital assets	30,493	34,255	229,825	243,565	260,318	277,820
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 305,252	\$ 268,288	\$ 277,035	\$ 281,872	\$ 582,287	\$ 550,160
Long-term liabilities outstanding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other liabilities	2,876	4,742	5,284	8,184	8,160	12,926
Deferred inflows of resources	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	\$ 2,876	\$ 4,742	\$ 5,284	\$ 8,184	\$ 8,160	\$ 12,926
Net Position:						
Net investment in capital assets	\$ 30,493	\$ 34,255	\$ 229,825	\$ 243,565	\$ 260,318	\$ 277,820
Restricted	90,025	81,867	-	-	90,025	81,867
Unrestricted	181,858	147,424	41,926	30,123	223,784	177,547
Total net position	\$ 302,376	\$ 263,546	\$ 271,751	\$ 273,688	\$ 574,127	\$ 537,234

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of East Arcadia exceeded liabilities and deferred inflows by \$574,127 as of June 30, 2020. The Town's net position increased \$36,893 for the fiscal year ended June 30, 2020. However, the largest portion (45.34%), reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of East Arcadia uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of East Arcadia's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of East Arcadia's net position, \$90,025, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$223,784 is unrestricted.

Town of East Arcadia Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 101,278	\$ 86,735	\$ 101,278	\$ 86,735
Operating grants and contributions	40,618	12,716	-	-	40,618	12,716
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	51,551	48,637	-	-	51,551	48,637
Other taxes	3,173	1,295	-	-	3,173	1,295
Grants and contributions not restricted to specific programs	33,594	33,536	-	-	33,594	33,536
Unrestricted investment income	-	-	-	-	-	-
Miscellaneous	1,780	7,156	-	-	1,780	7,156
	<u>130,716</u>	<u>103,340</u>	<u>101,278</u>	<u>86,735</u>	<u>231,994</u>	<u>190,075</u>
Expenses:						
General government	80,473	83,205	-	-	80,473	83,205
Transportation	11,413	13,445	-	-	11,413	13,445
Water and sewer	-	-	103,216	105,369	103,216	105,369
	<u>91,886</u>	<u>96,650</u>	<u>103,216</u>	<u>105,369</u>	<u>195,102</u>	<u>202,019</u>
Increase(decrease) in net position before transfers and special items	38,830	6,690	(1,938)	(18,634)	36,893	(11,944)
Transfers and special items	-	-	-	-	-	-
Increase (Decrease) in net position	<u>38,830</u>	<u>6,690</u>	<u>(1,938)</u>	<u>(18,634)</u>	<u>36,893</u>	<u>(11,944)</u>
Net position, July 1	263,546	256,856	273,688	292,322	537,234	549,178
Net position, June 30	<u>\$ 302,376</u>	<u>\$ 263,546</u>	<u>\$ 271,751</u>	<u>\$ 273,688</u>	<u>\$ 574,127</u>	<u>\$ 537,234</u>

Governmental activities. Governmental activities increased the Town's net position by \$38,830.

Business-type activities. Business-type activities decreased the Town's net position by \$1,938.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of East Arcadia's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of East Arcadia's financing requirements.

The general fund is the chief operating fund of the Town of East Arcadia. At the end of the current fiscal year, Town of East Arcadia's fund balance available in the General Fund was \$176,367 while total fund balance reached \$266,392. The Town currently has an available fund balance of 200.14% of general fund expenditures, while total fund balance represents 302.29% of the same amount.

At June 30, 2020, the governmental funds of Town of East Arcadia reported a fund balance of \$266,392, as compared to the fund balance of \$220,619 at June 30, 2019. The \$45,773 change in fund balance for the fiscal year ended June 30, 2020 represents a 20.75% increase from the prior year balance.

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

Proprietary Fund. The Town of East Arcadia's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$41,926. The total change in unrestricted net position was a increase of \$11,803. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of East Arcadia's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of East Arcadia’s capital assets for its governmental and business–type activities as of June 30, 2020, totals \$260,318 (net of accumulated depreciation). These assets include land, buildings, equipment, and plant and distribution systems.

Town of East Arcadia’s Capital Assets

Figure 4

	Governmental Business-type		Total
	Activities	Activities	
Land	\$ 11,866	\$ 14,826	\$ 26,692
Buildings	13,423	-	13,423
Furniture, fixtures and equipment	5,204	2,953	8,157
Vehicles	-	-	-
Distribution systems	-	212,046	212,046
Total	\$ 30,493	\$ 229,825	\$ 260,318

Additional information on the Town’s capital assets can be found in the notes to the financial statements.

Long-term Debt. The Town of East Arcadia has satisfied all long-term debt as of the end of the current fiscal year.

Economic Factors and Next Year’s Budgets and Rates

Major changes for the economic outlook for the Town of East Arcadia are not anticipated, with the outlook generally unfavorable. Two primary elements of the local economy, textiles and agriculture, have experienced significant losses in the past few years, resulting in a bleak economic outlook. The county administration is actively cultivating new alternatives to offset the dwindling impact of textiles and agriculture on the local economy. However, these efforts are more long range in nature and are not likely to produce significant improvements in the short term. These issues are further magnified by the global COVID-19 pandemic.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: No significant changes in revenue sources or amounts are anticipated during fiscal year 2020-2021. Existing revenue sources will continue to finance programs currently in place.

There are no significant changes in the budgeted expenditures for the General Fund for the upcoming fiscal year.

Business–type Activities: There are no significant budget changes for either the revenues or expenditures of the business-type activities expected for the 2020-2021 fiscal year.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer/Town Clerk, Town of East Arcadia, Post Office Box 68, East Arcadia, North Carolina 28424. You can also call (910) 655-4388 or send an email to earcadia@bellsouth.net for more information.

BASIC FINANCIAL STATEMENTS

**Town of East Arcadia
Statement of Net Position
June 30, 2020**

	Primary government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 179,242	\$ 82,445	\$ 261,687
Taxes receivables (net)	4,935	-	4,935
Accrued interest receivable on taxes	556	-	556
Accounts receivable (net)	-	16,745	16,745
Due from other governments	9,369	-	9,369
Internal Balances	55,437	(55,437)	-
Restricted cash and cash equivalents	25,220	3,457	28,677
Prepaid expenses	-	-	-
Total current assets	274,759	47,210	321,969
Capital assets:			
Land, non-depreciable improvements, and construction in progress	11,866	14,826	26,692
Other capital assets, net of depreciation	18,627	214,999	233,626
Total capital assets	30,493	229,825	260,318
Total assets	\$ 305,252	\$ 277,035	\$ 582,287
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,876	\$ 1,827	\$ 4,703
Customer deposits	-	3,457	3,457
Total Current liabilities	2,876	5,284	8,160
Long-term liabilities:			
Due within one year	-	-	-
Due in more that one year	-	-	-
Total liabilities	2,876	5,284	8,160
NET POSITION			
Net investment in capital assets	30,493	229,825	260,318
Restricted for:			
Stabilization by State Statute	64,805	-	64,805
Streets	25,220	-	25,220
Unrestricted	181,858	41,926	223,784
Total net position	\$ 302,376	\$ 271,751	\$ 574,127

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

**Town of East Arcadia
Statement of Activities
For the Year Ended June 30, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 80,473	\$ -	\$ -	\$ -	\$ (80,473)	\$ -	\$ (80,473)
Public Safety	-	-	-	-	-	-	-
Transportation	11,413	-	40,618	-	29,205	-	29,205
Total governmental activities	<u>91,886</u>	<u>-</u>	<u>40,618</u>	<u>-</u>	<u>(51,268)</u>	<u>-</u>	<u>(51,268)</u>
Business-type activities:							
Water	103,216	101,278	-	-	-	(1,938)	(1,938)
Total business-type activities	<u>103,216</u>	<u>101,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,938)</u>	<u>(1,938)</u>
Total primary government	<u>\$ 195,102</u>	<u>\$ 101,278</u>	<u>\$ 40,618</u>	<u>\$ -</u>	<u>\$ (51,268)</u>	<u>\$ (1,938)</u>	<u>\$ (53,206)</u>
General revenues:							
Taxes							
Property taxes, levied for general purpose					51,551	-	51,551
Other taxes					3,173	-	3,173
Grants and contributions not restricted to specific programs					33,594	-	33,594
Unrestricted investment earnings					-	-	-
Miscellaneous					1,780	-	1,780
Transfers					-	-	-
Total general revenues and transfers					<u>90,098</u>	<u>-</u>	<u>90,098</u>
Change in net position					38,830	(1,938)	36,893
Net position - beginning					263,546	273,688	537,234
Net position - ending					<u>\$ 302,376</u>	<u>\$ 271,751</u>	<u>\$ 574,127</u>

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

**Town of East Arcadia
Balance Sheet
Governmental Funds
June 30, 2020**

	Major Funds		Total Governmental Funds
	General		Funds
ASSETS			
Cash and cash equivalents	\$ 179,242	\$	179,242
Receivables, net:			
Taxes	4,935		4,935
Due from other funds	55,437		55,437
Due from other governments	9,369		9,369
Restricted Cash	25,220		25,220
Prepaid Expenses	-		-
Total assets	\$ 274,203	\$	274,203
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,876	\$	2,876
Total liabilities	\$ 2,876	\$	2,876
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	\$ 4,935	\$	4,935
Total deferred inflows of resources	\$ 4,935	\$	4,935
Fund balances:			
Nonspendable			
Prepaid Expense	\$ -	\$	-
Restricted			
Stabilization by State Statute	64,805		64,805
Streets	25,220		25,220
Assigned			
Subsequent Year's Expenditures	-		-
Unassigned	176,367		176,367
Total fund balances	\$ 266,392	\$	266,392
Total liabilities, deferred inflows of resources and fund balances	\$ 274,203		

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

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	30,493
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	556
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	4,935
Net position of governmental activities	\$ 302,376

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

Town of East Arcadia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>		
REVENUES			
Ad valorem taxes	\$ 54,732	\$	54,732
Other taxes and licenses	3,173		3,173
Unrestricted intergovernmental	33,594		33,594
Restricted intergovernmental	40,618		40,618
Miscellaneous	1,780		1,780
Total revenues	<u>133,897</u>		<u>133,897</u>
EXPENDITURES			
Current:			
General government	78,285		78,285
Public Safety	-		-
Transportation	9,839		9,839
Total expenditures	<u>88,124</u>		<u>88,124</u>
Excess (deficiency) of revenues over expenditures	<u>45,773</u>		<u>45,773</u>
Net change in fund balances	45,773		45,773
Fund balances - beginning	<u>220,619</u>		<u>220,619</u>
Fund balances - ending	<u>\$ 266,392</u>	\$	<u>266,392</u>

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

Town of East Arcadia
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, 2020

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

Net changes in fund balances -- total governmental funds	\$	45,773
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		(3,762)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in accrued interest receivable on taxes		
Change in unavailable revenue for tax revenues		(3,181)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		-
Total changes in net position of governmental activities	\$	38,830

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

Town of East Arcadia
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual
For the Year Ended June 30, 2020

	General Fund			Variance with Final Budget -- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 50,284	\$ 46,200	\$ 54,732	\$ 8,532
Other taxes and licenses	929	929	3,173	2,244
Unrestricted intergovernmental	29,593	28,852	33,594	4,742
Restricted intergovernmental	12,716	12,716	40,618	27,902
Miscellaneous	6,000	6,000	1,780	(4,220)
Total revenues	99,522	94,697	133,897	39,200
Expenditures:				
Current:				
General government	86,292	81,981	78,285	3,696
Transportation	12,716	12,716	9,839	2,877
Capital Outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	99,008	94,697	88,124	6,573
Revenues over (under) expenditures	514	(0)	45,773	45,773
Other financial sources (uses):				
Fund balance appropriated _ Powell Bill	-	-	-	-
Fund balance appropriated	(514)	-	-	-
Total other financing sources (uses)	(514)	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ (0)	45,773	\$ 45,773
Fund balance - beginning			220,619	
Fund balance - ending			\$ 266,392	

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

Exhibit 7

**Town of East Arcadia
Statement of Fund Net Position
Proprietary Funds
June 30, 2020**

		Major Enterprise Fund <hr/> Water Fund <hr/>
ASSETS		
Current assets:		
Cash and cash equivalents	\$	82,445
Accounts receivable (net)		16,745
Restricted cash		<u>3,457</u>
Total current assets		<u>102,647</u>
Capital assets:		
Land, non-depreciable improvements, and construction in progress		14,826
Other capital assets, net of depreciation		<u>214,999</u>
Capital assets (net)		<u>229,825</u>
Total noncurrent assets		<u>229,825</u>
Total assets	\$	<u><u>332,472</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$	1,827
Due to other funds		55,437
Customer deposits		<u>3,457</u>
Total current liabilities		<u>60,721</u>
Noncurrent liabilities:		
Other noncurrent liabilities		<u>-</u>
Total noncurrent liabilities		<u>-</u>
Total liabilities		<u>60,721</u>
NET POSITION		
Net investment in capital assets		229,825
Unrestricted		<u>41,926</u>
Total net position	\$	<u><u>271,751</u></u>

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

Exhibit 8

**Town of East Arcadia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020**

		Major Enterprise Fund <hr/> Water Fund <hr/>
OPERATING REVENUES		
Charges for services	\$	99,495
Water and sewer taps		-
Other income		1,783
Total operating revenues		<hr/> 101,278 <hr/>
OPERATING EXPENSES		
Administration		49,103
Water and sewer treatment and distribution		40,373
Depreciation		13,740
Total operating expenses		<hr/> 103,216 <hr/>
Operating income (loss)		<hr/> (1,938) <hr/>
NONOPERATING REVENUES (EXPENSES)		
Other Income		-
Total nonoperating revenues (expenses)		<hr/> - <hr/>
Income (loss) before contributions and transfers		<hr/> (1,938) <hr/>
Transfers to (from) other funds		<hr/> - <hr/>
Total income (loss) after contributions and transfers		<hr/> (1,938) <hr/>
Change in net position		(1,938)
Total net position, beginning		<hr/> 273,688 <hr/>
Total net position, ending	\$	<hr/> <hr/> 271,751 <hr/> <hr/>

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

**Town of East Arcadia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020**

	Major Enterprise Fund <u>Water</u> Fund <u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 98,141
Customer deposits received	-
Cash paid for goods and services	(54,696)
Cash paid to or on behalf of employees for services	(37,680)
Net cash provided (used) by operating activities	<u>5,766</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase in due to other funds	7,513
Transfers to other funds	-
Net cash provided (used) by noncapital financing activities	<u>7,513</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	-
Net cash provided (used) by capital and related financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	-
Net increase (decrease) in cash and cash equivalents	13,279
Balances, beginning	<u>72,623</u>
Balances, ending	<u>\$ 85,902</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,938)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	13,740
Changes in assets and liabilities:	
(Increase) decrease in trade receivables	(3,137)
Increase (decrease) in accounts payable and accrued liabilities	(2,900)
Increase (decrease) in customer deposits	-
Total adjustments	<u>7,703</u>
Net cash provided (used) by operating activities	<u>\$ 5,766</u>

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

Town of East Arcadia, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of East Arcadia 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 East Arcadia is a municipal corporation which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

Water Fund. This fund is used to account for the Town's water operations.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water 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 nonoperating revenues and expenses.

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

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

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning investment contracts are reported at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of East Arcadia Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 25,220
Total Governmental Activities	<u>\$ 25,220</u>
Business-type Activities	
Water Fund	
Customer Deposits	\$ 3,457
Total Business-type Activities	<u>\$ 3,457</u>
Total Restricted Cash	<u>\$ 28,677</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)] the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. The taxes 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. Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Due to very limited capital asset acquisition, minimum capitalization costs are \$500 for all items. 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. There were no general infrastructure assets acquired prior to July 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Other Improvements	50 years
Equipment	10 years
Furniture and Fixtures	10 years
Computers	10 years
Vehicles	6 years
Miscellaneous	3 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only one item that meet the criterion for this category - property taxes receivable.

9. 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.

10. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financials 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 and regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balance 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). Any changes or removal of specific purpose requires majority action by the governing body. 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. The governing body approves the appropriation.

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

The Town of East Arcadia does not have a revenue spending policy that provides guidance for programs with multiple revenue sources; however, the Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

The Town did not comply with [G.S. 159-28 (d1)] which ensures pre-audit procedures have been executed prior to issuing payment for disbursements. Additionally, the language specifically set forth in the statute is missing from the face of the purchase order/invoice. The Town will immediately implement the pre-audit process.

2. Contractual Violations

None.

B. Deficit in Fund Balance of Individual Funds not appropriated in subsequent year's budget ordinance

None.

C. Excess of Expenditures Over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in this unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount 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 formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$290,364 and a bank balance of \$294,757. Of the bank balance, \$250,000 is covered under FDIC and the remaining \$44,757 was covered by collateral held under the pooling method.

2. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

	General	Enterprise
Taxes Receivable	\$ 12,960	\$ -
Accounts Receivable	-	26,568
Total Receivables	<u>\$ 12,960</u>	<u>\$ 26,568</u>

3. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 11,866	\$ -	\$ -	\$ 11,866
Total capital assets not being depreciated	<u>11,866</u>	<u>-</u>	<u>-</u>	<u>11,866</u>
Capital assets being depreciated:				
Buildings	35,037	-	-	35,037
Furniture and Equipment	79,333	-	-	79,333
Vehicles	3,500	-	-	3,500
Total capital assets being depreciated	<u>117,870</u>	<u>-</u>	<u>-</u>	<u>117,870</u>
Less accumulated depreciation for:				
Buildings	21,045	569	-	21,614
Furniture and Equipment	70,936	3,193	-	74,129
Vehicles	3,500	-	-	3,500
Total accumulated depreciation	<u>95,481</u>	<u>\$ 3,762</u>	<u>\$ -</u>	<u>99,243</u>
Total capital assets being depreciated, net	<u>22,389</u>			<u>18,627</u>
Governmental activity capital assets, net	<u>\$ 34,255</u>			<u>\$ 30,493</u>

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

General government	\$ 2,188
Transportation	1,574
Total depreciation expense	<u>\$ 3,762</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water Fund</i>				
Capital assets not being depreciated				
Land	\$ 14,826	\$ -	\$ -	\$ 14,826
Total capital assets not being depreciated	14,826	-	-	14,826
Capital assets being depreciated:				
Plant and distribution systems	700,081	-	-	700,081
Equipment	8,475	-	-	8,475
Total capital assets being depreciated	706,868	-	-	708,556
Less accumulated depreciation for:				
Plant and distribution systems	474,779	13,256	-	488,035
Equipment	5,038	484	-	5,522
Total accumulated depreciation	479,817	\$ 13,740	\$ -	493,557
Total capital assets being depreciated, net	227,051			214,999
Business-type activities capital assets, net	\$ 241,877			\$ 229,825

The Town has no active construction projects as of June 30, 2020.

B. Liabilities

1. Pension Plan Obligations

The Town of East Arcadia does not participate in the Local Government Employees' Retirement System, nor do they participate in any other pension programs or other postemployment benefit plans.

2. Deferred Outflows and Inflows of Resources

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes Receivable, net	-	4,935
Total	\$ -	\$ 4,935

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in self-funded risk-financing pools administered by the North Carolina League of Municipalities. These pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professionals liability and public officials liability in excess of \$1,000,000; property in excess of \$500,000. 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 values.

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

The Town does not have a flood insurance policy, as they are not considered to be in a high-risk area.

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.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2020, the Town had no claims or judgments outstanding or pending.

5. Long-Term Obligations

The Town has no long-term obligations at June 30, 2020.

C. Interfund Balances and Activity

	General Fund	Water Fund
Due to other funds	\$ -	\$ 55,437
Due from other funds	55,437	-
	<u>\$ 55,437</u>	<u>\$ 55,437</u>

The balances exist because of loans between funds to fund operations.

D. Fund Balance

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

Total Fund Balance - General Fund	\$ 266,392
Less:	
Stabilization by State Statute	64,805
Streets - Powell Bill	25,220
Appropriated Fund Balance in 2020 Budget	-
Remaining Fund Balance	\$ 176,367

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. There were no outstanding encumbrances at June 30, 2020.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State programs. Periodic audits of these programs 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 program moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

IV. Significant Effects of Subsequent Events

No events or occurrences have taken place between the end of the fiscal year and the statement issuance date that would have a significant impact on the Town or its financial statements for the fiscal year ended June 30, 2020.

SUPPLEMENTARY STATEMENTS

This section contains additional statements required by the Local Government Commission
in North Carolina.

Town of East Arcadia, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances -- Budget and Actual
For the Fiscal year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 46,200	\$ 50,795	\$ 4,595	\$ 46,594
Prior years	-	3,937	3,937	6,183
Penalties and interest	-	-	-	-
Total	<u>46,200</u>	<u>54,732</u>	<u>8,532</u>	<u>52,777</u>
Other taxes and licenses:				
4 County Refund	929	3,173	2,244	1,295
Privilege licenses	-	-	-	-
Total other taxes and licenses	<u>929</u>	<u>3,173</u>	<u>2,244</u>	<u>1,295</u>
Unrestricted intergovernmental:				
Beer and wine tax	-	2,025	2,025	2,029
Sales and Use Tax Distribution	20,207	21,180	973	20,613
Utility franchise tax	8,645	10,389	1,744	10,894
Total unrestricted intergovernmental	<u>28,852</u>	<u>33,594</u>	<u>4,742</u>	<u>33,536</u>
Restricted intergovernmental:				
Parks and Recreation Grant	-	28,000	28,000	-
Sewer Study	-	-	-	-
Powell Bill allocation	12,716	12,618	(98)	12,716
Total restricted intergovernmental	<u>12,716</u>	<u>40,618</u>	<u>27,902</u>	<u>12,716</u>
Miscellaneous:				
Miscellaneous revenues	6,000	1,780	(4,220)	7,156
Total miscellaneous	<u>6,000</u>	<u>1,780</u>	<u>(4,220)</u>	<u>7,156</u>
Total revenues	<u>94,697</u>	<u>133,897</u>	<u>39,200</u>	<u>107,480</u>
Expenditures:				
General government:				
Administration:				
Salaries and employee benefits	30,000	27,851	2,149	29,655
Contract Services	5,404	4,809	595	3,520
Election expense	-	1,346	(1,346)	-
Fire District Tax	1,500	1,500	-	-
Insurance	4,164	4,164	-	2,525
Meetings and workshops	572	-	572	-
Office supplies	3,050	3,047	3	2,219
Professional fees	13,000	11,300	1,700	15,265
Repairs and maintenance	2,821	2,672	149	3,413
Telephone	5,300	5,293	7	3,321
Travel	360	310	50	373
Utilities	15,245	15,584	(339)	12,796
Sewer Study	-	-	-	-
Other operating expenditures	565	409	156	7,875
Capital outlay	-	-	-	6,600
Total	<u>81,981</u>	<u>78,285</u>	<u>3,697</u>	<u>87,562</u>
Total general government	<u>81,981</u>	<u>78,285</u>	<u>3,697</u>	<u>87,562</u>

Town of East Arcadia, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances -- Budget and Actual
For the Fiscal year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Transportation:				
Streets and highways:				
Street maintenance	9,800	9,569	231	11,601
Capital Outlay		-	-	-
Other operating expenditures	2,916	270	2,646	270
Total transportation	<u>12,716</u>	<u>9,839</u>	<u>2,877</u>	<u>11,871</u>
Debt Service:	-	-	-	-
Total expenditures	<u>94,697</u>	<u>88,124</u>	<u>6,574</u>	<u>99,433</u>
Revenues over (under) expenditures	<u>(0)</u>	<u>45,773</u>	<u>45,774</u>	<u>8,047</u>
Other financing sources (uses):				
Appropriated fund balance - Powell Bill			-	
Appropriated fund balance	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>(0)</u>	45,773	\$ <u>45,774</u>	8,047
Fund balances, beginning		<u>220,619</u>		<u>212,572</u>
Fund balances, ending		\$ <u>266,392</u>		\$ <u>220,619</u>

Town of East Arcadia, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for services - water	\$ 98,740	\$ 99,495	\$ 755	\$ 86,330
Taps and connection fees	850	-	(850)	-
Total operating revenues	<u>99,590</u>	<u>99,495</u>	<u>(95)</u>	<u>86,330</u>
Other operating revenues:				
Miscellaneous income	-	1,783	1,783	405
Total revenues	<u>99,590</u>	<u>101,278</u>	<u>1,688</u>	<u>86,735</u>
Expenditures:				
Water administration:				
Salaries and employee benefits	41,476	37,680	3,797	36,602
Contract services	10,100	9,600	500	9,533
Insurance and bonding	800	-	800	1,567
Professional fees	1,500	1,000	500	-
Telephone and postage	850	823	27	613
Other operating expenditures	-	-	-	-
Total water administration	<u>54,726</u>	<u>49,103</u>	<u>5,624</u>	<u>48,315</u>
Water distribution:				
Salaries and employee benefits	-	-	-	-
Contracted services	-	-	-	-
Maintenance, supplies and repairs	23,811	22,808	1,003	28,530
Utilities	12,000	10,017	1,983	9,491
Water treatment analysis	5,000	3,960	1,040	2,030
Other operating expenditures	4,053	3,588	465	3,227
Total water distribution	<u>44,864</u>	<u>40,373</u>	<u>4,491</u>	<u>43,278</u>
Total expenditures	<u>99,590</u>	<u>89,476</u>	<u>10,115</u>	<u>91,593</u>
Other financing sources (uses):				
Transfers in (out)	-	-	-	-
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>11,803</u>	<u>\$ 11,803</u>	<u>(4,858)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues over (under) expenditures		11,803		(4,858)
Reconciling items				
Depreciation		<u>(13,740)</u>		<u>(13,776)</u>
Change in Net Position		<u>\$ (1,938)</u>		<u>\$ (18,634)</u>

OTHER SCHEDULES

This section includes additional information on property taxes and assessments.

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

**Town of East Arcadia, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020**

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 52,029	\$ 46,325	\$ 5,704
2018-2019	4,926	-	2,071	2,855
2017-2018	2,895	-	1,273	1,622
2016-2017	2,288	-	1,039	1,249
2015-2016	1,498	-	562	936
2014-2015	739	-	394	345
2013-2014	1,783	-	379	1,404
2012-2013	1,693	-	122	1,571
2011-2012	1,142	-	91	1,051
2010-2011	1,235	-	77	1,158
	<u>\$ 18,199</u>	<u>\$ 52,029</u>	<u>\$ 52,333</u>	17,895
Less: allowance for doubtful accounts -- General Fund				<u>(12,960)</u>
Ad valorem taxes receivable -- net				<u>\$ 4,935</u>
Reconciliation with revenues:				
Ad valorem taxes -- General Fund				\$ 54,732
Reconciling items:				
Interest collected				-
Taxes written off				-
Adjustments/releases				<u>(2,399)</u>
Total collections and credits				<u>\$ 52,333</u>

**Town of East Arcadia, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2020**

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 14,452,500	0.36	\$ 52,029	\$ 43,258	\$ 8,771
Penalties	-		-	-	-
Total	14,452,500		52,029	43,258	8,771
Net levy			52,029	43,258	8,771
Uncollected taxes at June 30, 2020			5,704	5,590	114
Current year's taxes collected			\$ 46,325	\$ 37,668	\$ 8,657
Current levy collection percentage			89.04%	87.08%	98.70%