TOWN OF ELK PARK

ELK PARK, NORTH CAROLINA FINANCIAL STATEMENTS June 30, 2020

TOWN OF ELK PARK

<u>Mayor</u>

Daniel Boone

Board of Aldermen

Brad Benfield
Tommy Norman
Tony Eller
Michael Smith
Joel Whitley

Town Clerk

Connie Guinn

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Board of Aldermen Elk Park, 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 Elk Park, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Elk Park'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. 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.

Member: American Institute of CPAs N.C. Association of CPAs
Offices located in Boone and Newland

Opinions

In our opinion, 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 Elk Park, North Carolina as of June 30, 2020, 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 3 through 12, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 51, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 49 and 50 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Elk Park, North Carolina. The individual fund financial 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 individual fund financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

COMBS, TONPANT + CAMPONTER, P.C.

COMBS, TENNANT & CARPENTER, P.C. Certified Public Accountants Boone, NC

September 29, 2020

Management's Discussion and Analysis

As management of the Town of Elk Park, we offer readers of the Town of Elk Park's financial statements this narrative overview and analysis of the financial activities of the Town of Elk Park for the fiscal year ended June 30, 2020. 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.

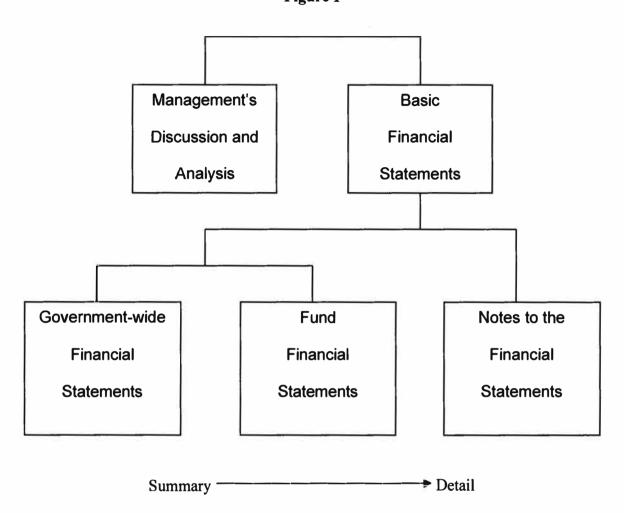
Financial Highlights

- The assets and deferred outflows of resources of the Town of Elk Park exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,400,549 (net position).
- The government's total net position decreased by \$55,541.
- As of the close of the current fiscal year, the Town of Elk Park's governmental fund reported combined ending fund balance of \$469,275 with a net increase of \$62,422 in fund balance. Approximately 9.27 percent of this total amount, or \$43,510, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$422,365, or 173.84% 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 Elk Park'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 Elk Park.

Required Components of Annual Financial Report Figure 1



Basic Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how 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 transportation 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 services. This includes the water and sewer services offered by the Town of Elk Park.

The government-wide financial statements are on 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 Elk Park, 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 the Town of Elk Park 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 Elk Park 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 – Town of Elk Park has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Elk Park uses enterprise funds to account for its water and sewer activity. 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 begin on page 23 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Elk Park's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 of this report.

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 government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Elk Park's Net Position Figure 2

	Governmenta		Business-type	:		
	Activities		Activities		Total	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Current and other assets	\$ 474,497	\$ 414,789	\$ 189,660	\$ 183,196	\$ 664,157	\$ 597,985
Capital assets	640,195	653,669	2,163,445	2,250,277	2,803,640	2,903,946
Deferred outflows of resources	20,584	14,694	23,915	14,825	44,499	29,519
Total assets	1,135,276	1,083,152	2,377,020	2,448,298	3,512,296	3,531,450
Long-term liabilities outstanding	555,732	559,261	463,029	435,901	1,018,761	995,162
Other Liabilities	8,921	9,377	49,456	32,128	58,377	41,505
Deferred inflows of resources	13,125	15,653	21,484	23,040	34,609	38,693
Total liabilities	577,778	584,291	533,969	491,069	1,111,747	1,075,360
Net position:						
Net investment in capital assets	246,648	253,350	1,964,945	2,044,277	2,211,593	2,297,627
Restricted	43,510	39,226	:#7	: = 5	43,510	39,226
Unrestricted	267,340	206,285	(121,894)	(87,048)	145,446	119,237
Total net position	\$ 557,498	\$ 498,861	\$ 1,843,051	\$ 1,957,229	\$ 2,400,549	\$ 2,456,090

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 Elk Park exceeded liabilities and deferred inflows by \$2,400,549 as of June 30, 2020. The Town's net position decreased by \$55,541 for the fiscal year ended June 30, 2020. However, the largest portion (92%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Elk Park uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Elk Park's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Elk Park's net position \$43,510 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$145,446 is unrestricted.

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

• The Town showed continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.59% excluding motor vehicles, which is slightly less than the statewide average of 98.52%.

Town of Elk Park Changes in Net Position

Figure 3

	Govern Activ	mental	Busines Activ	ss-type vities	То	tal
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 275,584	\$ 269,366	\$ 275,584	\$ 269,366
Operating grants and contributions	12,973	13,052	4,719	7,267	17,692	20,319
Capital grants and contributions	2	19,954	:=:	2	-	19,954
General revenues:						
Property taxes	67,620	65,839	(*)	=	67,620	65,839
Other taxes	2	(2)	2±3	ω	2	(4)
Grants and contributions not restricted						
to specific programs	211,649	203,495	8,00	-	211,649	203,495
Other	10,762	11,438	1,427	1,575	12,189	13,013
Total revenues	303,004	313,778	281,730	278,208	584,734	591,986
Expenses:						
General government	121,177	116,859		<u> </u>	121,177	116,859
Public safety	9,311	19,657	-	-	9,311	19,657
Transportation	101,479	107,066	; <u>=</u> ;	=	101,479	107,066
Interest on long-term debt	12,400	12,610	-	+	12,400	12,610
Water and sewer			395,908	355,413	395,908	355,413
Total expenses	244,367	256,192	395,908	355,413	640,275	611,605
Increase (decrease) in net position						
before transfers	58,637	57,586	(114,178)	(77,205)	(55,541)	(19,619)
Transfers	<u> </u>					
Increase (decrease) in net position	58,637	57,586	(114,178)	(77,205)	(55,541)	(19,619)
Net position, beginning, previously reported	498,861	441,275	1,957,229	2,034,434	2,456,090	2,475,709
Restatement	170,001	171,273	1,751,227	2,034,434	2,430,070	2,473,707
Net position, beginning, restated	_	-	:			:
Net position, June 30	\$ 557,498	\$ 498,861	\$ 1,843,051	\$ 1,957,229	\$ 2,400,549	\$ 2,456,090
	- 551,170	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	- 1,5 .5,551	,,	, .00,017	,,

Governmental activities. Governmental activities increased the Town's net position by \$58,637. Key elements of this increase are as follows:

- A slight increase in local option sales tax
- A decrease in salaries due to the retirement of a full-time employee

Business-type activities: Business-type activities decreased the Town of Elk Park's net position by \$114,178. Key elements of this decrease are as follows:

An increase in capital outlay expenditures

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Elk Park'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 Elk Park's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Elk Park. At the end of the current fiscal year, Town of Elk Park's fund balance available in the General Fund was \$422,365 while total fund balance reached \$469,275. The Governing Body of the Town of Elk Park has determined that the Town should maintain an available fund balance of 25% of the general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 174% of general fund expenditures, while the total fund balance represents 193% of the same amount.

At June 30, 2020, the governmental fund of Town of Elk Park reported a combined fund balance of \$469,275 with a net increase in fund balance of \$62,422.

General Fund Budgetary Highlights: During the fiscal year, the Town did revise the budget on one occasion. 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; 3) increases in appropriations that become necessary to maintain service.

Revenues were more than the budgeted amounts. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Fund. The Town of Elk Park'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 and Sewer Fund at the end of the fiscal year amounted to \$(121,894).

Capital Asset and Debt Administration

Capital assets. The Town of Elk Park's investment in capital assets for its governmental and business—type activities as of June 30, 2020, totals \$2,803,640 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions.

- Paving \$23,500
- Gear box \$10,357

Town of Elk Park's Capital Assets

(net of depreciation)

Figure 3

	Governmental Activities					Busine Acti		J.	Total Primary Government				
	6/	30/2020	6/	6/30/2019		6/30/2020		5/30/2019	(5/30/2020	6	6/30/2019	
Land	\$	2,000	\$	2,000	\$	18,511	\$	18,511	\$	20,511	\$	20,511	
Buildings		433,395		448,320		52,681		54,646		486,076		502,966	
Other improvements		81,431		88,129		2,024,587		2,128,212		2,106,018		2,216,341	
Infrastructure		106,238		87,217		9#1		¥		106,238		87,217	
Equipment													
and furniture		14,323		20,521		67,666		42,412		81,989		62,933	
Vehicles		2,808		7,482		; + (6,496		2,808		13,978	
Construction in Progress		1 <u>2</u> 8		2						<u> </u>		-	
Total	\$	640,195	\$	653,669	\$	2,163,445	\$	2,250,277	\$	2,803,640	\$	2,903,946	

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

Long-term Debt. As of June 30, 2020, the Town of Elk Park had notes payable and bonded debt outstanding of \$592,047. Of this amount, \$592,047 is debt backed by the full faith and credit of the Town.

Town of Elk Park's Outstanding Debt General Obligation and Installment Purchase

Figure 5

	2020		2019		2020		2019		2020		2019
Notes Payable	\$ 393,547	\$	400,319	\$	=	\$		\$	393,547	\$	400,319
General obligation bonds	-		-		198,500		206,000		198,500		206,000
OPEB	 144,462		139,008		235,185		200,942		379,647		339,950
Total	\$ 538,009	\$	539,327	\$	433,685	\$	406,942	\$	971,694	\$	946,269

The Town of Elk Park's Outstanding Debt

The Town of Elk Park's total debt increased by \$25,425.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Elk Park is \$1,291,462.

Additional information regarding the Town of Elk Park's long-term debt can be found in note III.B.5 beginning on page 45 of this report.

Economic Factors and Next Year's Budgets and Rates

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

• Property tax values will remain constant within the Town

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Budgeted revenues in the General Fund are expected to remain constant.

Budgeted expenditures in the General Fund are expected to remain constant.

Business – type Activities: The water and sewer rates in the Town will be reviewed to see if an increase is needed to help offset rising expenditures.

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:

Director of Finance Town of Elk Park 169 Winters Street Elk Park, NC 28622

Basic Financial Statements

Town of Elk Park, North Carolina Statement of Net Position June 30, 2020

	Primary Government							
		rnmental		Business-type				
ACCETC	Ac	tivities		Activities		Total		
ASSETS Current assets:								
Cash and cash equivalents	\$	428,022	e	132,952	\$	560,974		
Taxes receivable (net)	Ð	2,266	Ð	132,932	D	2,266		
Accrued interest receivable on taxes		699		-		699		
Accounts receivable (net)		2		28,958		28,958		
Accounts receivable (other)		72 22		20,730		20,730		
Due from other governments		34,572				34,572		
Prepaid expenses		31,372				34,372		
Restricted cash and cash equivalents		8,938		27,750		36,688		
Total current assets		474,497		189,660		664,157		
Non-current assets:								
Net pension assets		-		2 - 0				
Capital assets (Note 1):								
Land, non-depreciable improvements, and								
construction in progress		2,000		18,511		20,511		
Other capital assets, net of depreciation		638,195		2,144,934		2,783,129		
Total capital assets		640,195		2,163,445		2,803,640		
Total assets	\$	1,114,692	\$	2,353,105	\$	3,467,797		
DEFERRED OUTFLOWS OF RESOUR	CES							
Pension Deferrals	CES	8,239		11,424		19,663		
OPEB Deferrals		12,345		12,491		24,836		
Total deferred outflows of resources		20,584		23,915		44,499		
Current liabilities:	e	2.257	•	21.707	•	22.042		
Accounts payable	\$	2,257	\$	21,706	\$	23,963		
Unearned revenue				9 7 24		-		
Accrued interest payable		6,664				6,664		
Due to primary government Due to other governments		-		12-21		•		
Current portion of long-term liabilities		8,783		10,400		19,183		
Payable from restricted assets		0,703		27,750		27,750		
Total current liabilities		17,704		59,856		77,560		
Lang same linkilising								
Long-term liabilities:		12 122		10.002		22.226		
Net pension liability		13,132		19,093		32,225		
Due in more than one year Total liabilities		533,817 564,653		433,536 512,485		967,353 1,077,138		
Total natimies		304,033		312,403		1,077,130		
DEFERRED INFLOWS OF RESOURCE	S							
Pension deferrals		-		117		117		
OPEB deferrals		13,125		21,367		34,492		
Total deferred inflows of resources		13,125		21,484		34,609		
NET POSITION								
Net investment in capital assets		246,648		1,964,945		2,211,593		
Restricted for:								
Stabilization by State Statute		34,572		9#8		34,572		
Transportation		8,938		*		8,938		
Unrestricted		267,340		(121,894)		145,446		
Total net position	\$	557,498	\$	1,843,051	\$	2,400,549		

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

Town of Elk Park, North Carolina Statement of Activities For the Year Ended June 30, 2020

			Program Revenues			N	Net (Expense) Re	evenue	and Change	s in N	et Position				
					3				Primary Government						
Functions/Programs	Expenses		Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		Governmental Activities		Business-type Activities			Total	
Primary government:															
Governmental Activities:															
General government	\$	121,177	\$	38	\$	-	\$	1	\$	(121,177)	\$	-	\$	(121,177)	
Public safety		9,311		(,€)		7 2 57		-		(9,311)		-		(9,311)	
Transportation		101,479				12,973		- 1		(88,506)		-		(88,506)	
Interest on long-term debt		12,400		(<u>2</u>)		S=0		<u> </u>		(12,400)				(12,400)	
Total governmental activities (See															
Note 1)		244,367		(3)		12,973				(231,394)		-		(231,394)	
Business-type activities:															
Water and sewer		395,908		275,584		4,719		¥		20		(115,605)		(115,605)	
Total business-type activities		395,908		275,584		4,719		į.		-	(115,605)			(115,605)	
Total primary government	\$	640,275	\$	275,584	\$	17,692	\$	•		(231,394)		(115,605)		(346,999)	
	Conord	al revenues:													
	Taxe														
			wied f	or general purp	000					67,620		_		67,620	
		her taxes	vicu	or general purp	USC					07,020		2		07,020	
			itions	not restricted to	sneci	fic programs				211,649		<u> </u>		211,649	
		stricted invest) speci	ne programs				1,481		1,427		2,908	
		ellaneous	inone c	an mings						9,281		1,427		9,281	
			es not	including trans	ers					290,031		1,427		291,458	
	Transfe	•			5				_	250,051				271,130	
			evenue	es and transfers						290,031		1,427		291,458	
	(Change in net p	oositio	n						58,637		(114,178)		(55,541)	
		sition, beginni								498,861		1,957,229		2,456,090	
	-	sition, ending	_						\$		\$	1,843,051	\$	2,400,549	

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

H

Town of Elk Park, North Carolina Balance Sheet Governmental Funds June 30, 2020

		Major Fund		
		General Fund		Total Governmental Funds
ASSETS	_		ī.	
Cash and cash equivalents	\$	428,022	\$	428,022
Restricted cash		8,938		8,938
Receivables, net:				
Taxes		2,266		2,266
Accounts		9(0)		(=0)
Other		39=3		X = 07
Deposit on assets		72		/ 29
Due from other governments		34,572		34,572
Total assets	\$	473,798	\$	473,798
LIABILITIES				
Accounts payable and accrued liabilities	\$	2,257	\$	2,257
Unearned revenue	25	196		·
Total liabilities		2,257		2,257
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable		2,266		2,266
Total deferred inflows of resources		2,266		2,266
FUND BALANCES				
Restricted				
Stabilization by State statute		34,572		34,572
Streets		8,938		8,938
Assigned		2 400		2.400
Subsequent year's expenditures		3,400		3,400
Unassigned	_	422,365		422,365
Total fund balances	-	469,275		469,275
Total liabilities, deferred inflows of resources and fund balances	•	472 700		
and fund dalances	\$	473,798		

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

Town of Elk Park, North Carolina

Exhibit 3

Balance Sheet Governmental Funds June 30, 2020	•	
Amounts reported for governmental activities in the Statement of Net Position		
(Exhibit 1) are different because:		n 460.055
Total Fund Balance, Governmental Funds		\$ 469,275
Capital assets used in governmental activities are not financial resources and		
therefore are not reported in the funds.	f 1 101 701	
Gross capital assets at historical cost	\$ 1,121,721	640.105
Accumulated Depreciation	(481,526)	640,195
Deferred outflows of resources related to pensions are not reported in the		0.220
funds		8,239
Deferred outflows of resources related to OPEB are not reported in the		10.045
funds Other lang term coasts (commend interest receivable from tower) are not		12,345
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		(00
		699
Liabilities for earned revenues considered deferred inflows of resources in		
fund statements		2,266
Long-term liabilities used in governmental activities are not financial uses		
and therefore are not reported in the funds		
Gross loss-term debt	(398,138)	
Net pension liability	(13,132)	
OPEB Liability	(144,462)	(555,732)
Deferred inflows of resources related to pensions are not reported in the		
funds		-
		(10.105)
Deferred inflows of resources related to OPEB are not reported in the funds		(13,125)
Other long-term liabilities (accrued interest) are not due and payable in the		(6.664)
current period and therefore are not reported in the funds.		(6,664)
Net position of governmental activities		\$ 557,498

Exhibit 4

Town of Elk Park, North Carolina Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds For the Year Ended June 30, 2020

		Major Fund	7/200
		3 (3.5)	Total
			Governmental
	G	eneral Fund	Funds
REVENUES			#154E1E1
Ad valorem taxes	\$	69,993	\$ 69,993
Unrestricted intergovernmental		211,649	211,649
Restricted intergovernmental		12,973	12,973
Investment earnings		1,481	1,481
Miscellaneous		9,281	9,281
Total revenues		305,377	305,377
EXPENDITURES			
Current:			
General government		93,602	93,602
Public safety		13,984	13,984
Transportation		116,082	116,082
Debt service:			
Principal retirement		6,772	6,772
Interest and other charges		12,515	12,515
Capital outlay			
Total expenditures		242,955	242,955
Revenues over (under) expenditures		62,422	62,422
OTHER FINANCING SOURCES (USES)			
Transfer to other funds			-
Transfer from other funds		₩.	
Total other financing sources (uses)			
Net change in fund balance		62,422	62,422
Fund balances, beginning as		52, 122	02,722
previously reported		406,853	406,853
Fund balances, ending	\$	469,275	\$ 469,275

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

Town of Elk Park, North Carolina Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds For the Year Ended June 30, 2020

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

Total bookuse.			
Net changes in fund balances - total governmental funds		\$	62,422
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 in the current period Capital outlay expenditures which were capitalized Depreciation expense for governmental assets	\$ 27,452 (40,926)		(13,474)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			5,478
OPEB benefit payments and administrative cost made in the current fiscal year are not included on the Statement of Activities			7,742
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Change in unavailable revenue for tax revenues			(2,373)
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. New long-term debt issued Principal payments on long-term debt	6,772		
Decrease in accrued interest payable	115		6,887
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 the governmental fund. Compensated absences Pension expense OPEB plan expenses	2,738 (3,010) (7,773)		(8,045)
Total changes in net position of governmental activities	· / -/	\$	58,637
i otal changes in het position of governmental activities	2	<u> </u>	20,03/

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

For the Year Ended June 30, 2020

Town of Elk Park, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Exhibit 5

406,853

469,275

General Fund Variance with Final Budget -**Positive** Actual Original **Final Amounts** (Negative) Revenues: Ad valorem taxes 69,500 \$ 69,500 \$ 69,993 \$ 493 209,500 209,500 Unrestricted intergovernmental 211,649 2,149 Restricted intergovernmental 14,000 14,000 12,973 (1,027)500 981 Investment earnings 500 1,481 7,081 Miscellaneous 2,200 2,200 9,281 295,700 Total revenues 295,700 305,377 9,677 Expenditures: Current: General government 215,800 135,800 93,602 42,198 **Public Safety** 26,700 26,700 13,984 12,716 40,500 **Transportation** 120,500 116,082 4,418 Debt service: 6,772 Principal retirement 6,700 6,800 28 Interest and other charges 12,800 12,700 12,515 185 302,500 Total expenditures 302,500 242,955 59,545 Revenues over (under) expenditures (6,800)(6,800)62,422 69,222 Other financing sources (uses): Transfers from other funds Transfers to other funds Total other financing sources (uses) 6,800 Fund balance appropriated 6,800 (6,800)62,422 \$ Net change in fund balance \$ 62,422

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

Fund balances, beginning as previously

reported

Fund balances, ending

Town of Elk Park, North Carolina Statement of Fund Net Position Proprietary Funds June 30, 2020

	Ma	jor Enterprise Fund		
		Water and	İ	
		Sewer Fund		Total
ASSETS	-			
Current assets:				
Cash and cash equivalents	\$	132,952	\$	132,952
Accounts receivable (net) - billed		28,958		28,958
Accounts receivable - other		12		323
Due from other governments		(*)		>€0
Prepaid items		(5)		-
Restricted cash and cash equivalents		27,750		27,750
Total current assets		189,660		189,660
Noncurrent assets:				
Net pension asset		(#)(5 4 0
Capital assets:				
Land and other non-depreciable assets		18,511		18,511
Other capital assets, net of depreciation	10-	2,144,934		2,144,934
Capital assets (net)	8	2,163,445		2,163,445
Total noncurrent assets		2,163,445	_	2,163,445
Total assets	\$	2,353,105	\$	2,353,105
DEFERRED OUTFLOWS OF RESOURCES				
Pension Deferrals	\$	11,424	\$	11,424
OPEB Deferrals	-	12,491		12,491
Total deferred outflows of resources	\$	23,915	\$	23,915
LIABILITIES				
Current liabilities:				
Accounts payable and accrued				
liabilities	\$	21,706	\$	21,706
Compensated absences - current		2,400		2,400
General obligations bonds - current		8,000		8,000
Liabilities payable from restricted assets:				
Customer deposits		27,750		27,750
Total current liabilities	_	59,856		59,856
Noncurrent Liabilities:				
Compensated absences - noncurrent		7,851		7,851
Total OPEB liability		235,185		235,185
Net pension liability		19,093		19,093
General obligations bonds - noncurrent	-	190,500		190,500
Total noncurrent liabilities		452,629		452,629
Total liabilities	-	512,485	-	512,485
DEFERRED INFLOW OF RESOURCES				
Pension deferrals		117		117
OBEP deferrals		21,367		21,367
NET POSITION				
Net investment in capital assets		1,964,945		1,964,945
Unrestricted		(121,894)		(121,894)
Total net position		1,843,051	\$	1,843,051

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

Town of Elk Park, North Carolina Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds For the Year Ended June 30, 2020

	Major Enterprise Fund		
	Water and Sewer Fund		F133772.1 1
			Total
OPERATING REVENUES			
Charges for services	\$	275,584 \$	275,584
Water and sewer taps		2,650	2,650
Other operating revenues		2,069	2,069
Total operating revenues	*	280,303	280,303
OPERATING EXPENSES			
Water treatment and sewer operations		264,331	264,331
Depreciation		121,535	121,535
Total operating expenses		385,866	385,866
Operating income (loss)		(105,563)	(105,563)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings		1,427	1,427
Interest on bonds and other charges	24	(10,042)	(10,042)
Total nonoperating revenue (expenses)		(8,615)	(8,615)
Income (loss) before contributions and transfers		(114,178)	(114,178)
Transfer from other funds	<u> </u>	7 2	20 <u> </u>
Change in net position		(114,178)	(114,178)
Net position, beginning		1,957,229	1,957,229
Net position, ending	\$	1,843,051 \$	1,843,051

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

Town of Elk Park, North Carolina Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2020

	Major I	Enterprise Fund		1
		Vater and		
		Sewer		
		Fund		Totals
CASH FLOWS FROM OPERATING ACTIVITIES	22322 200000 3			2 0 0 0 0 0
Cash received from customers	\$	283,776	\$	283,776
Cash paid for goods and services	•	(128,100)	•	(128,100)
Cash paid to or on behalf of employees for services		(98,115)		(98,115)
Customer deposits received / returned		1,125		1,125
Other operating revenues		2,069		2,069
Net cash provided (used) by operating activities		60,755		60,755
		00,755		00,733
CASH FLOWS FROM NONCAPITAL FINANCING Transfer from other funds		(*		(38)
CASH FLOWS FROM CAPITAL AND RELATED				
FINANCING ACTIVITIES				
Principal paid on bond maturities		(7,500)		(7,500)
Interest paid on bond maturities		(10,042)		(10,042)
Acquisition and construciton of capital assets		(34,703)		(34,703)
Net increase (decrease) in cash and cash equivalents		(52,245)		(52,245)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends		1,427		1,427
Net increase (decrease) in cash and cash equivalents		9,937		9,937
Balances, beginning		150,765		150,765
Balances, ending	\$	160,702	\$	160,702
Reconciliation of operating income to net cash provided by operating		100,702	<u> </u>	100,702
activities				
Operating income	\$	(105,563)	\$	(105,563)
Adjustments to reconcile operating income to net cash provided by				
operating activities:				
Depreciation		121,535		121,535
Changes in assets deferred outflows or resources, and liabilities:				
(Increase) decrease in accounts receivable		3,473		3,473
(Increase) decrease in deferred outflows of resources - pensions		3,356		3,356
(Increase) decrease in deferred outflows of resources - OPEB		(12,446)		(12,446)
Increase (decrease) in net pension liability		858		858
Increase (decrease) in deferred inflows of resources - pensions		(297)		(297)
Increase (decrease) in deferred inflows of resources - OPEB		(1,259)		(1,259)
Increase (decrease) in accounts payable and accrued liabilities		16,202		16,202
Increase (decrease) in customer deposits		1,125		1,125
Increase (decrease) in vacation pay		(473)		(473)
Increase (decrease) in OPEB liability		34,244		34,244
Total adjustments		166,318		
Net cash provided by operating activities	\$	60,755	\$	166,318 60,755
	<u> </u>	00,733	<u> </u>	00,733
The notes to the financial statements are an integral part of this statement.				

Town of Elk Park, North Carolina

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Elk Park 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 Elk Park is a municipal corporation that is governed by an elected mayor and a fivemember 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 recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each

displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Elk Park because the tax is levied by Avery 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 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 Enterprise Fund. All annual appropriations lapse at the fiscal-year end. 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. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of 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. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a 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. Therefore, all cash and investments are essentially demand deposits and are considered 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 of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Elk Park Restricted Cash

Governmental Activities		
General Fund		
Streets	\$	8,938
Total Govermental Activities	\$	8,938
Business-type Activities		
Water and Sewer Fund		
Customer Deposits	_\$	27,750
Total Business-type Activities	\$	27,750
Total Restricted Cash	_\$	36,688

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. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$1,500 for all capital assets. 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 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	Estimated Useful Lives		
Asset Class			
Infrastructure	20		
Buildings	50		
Improvements	25		
Vehicles	5		
Furniture and equipment	7		
Computer Equipment	5		
Computer Software	5		

7. Deferred outflows / inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2020 fiscal year. In addition, to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and pension deferrals.

8. Long-Term Obligation

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

8. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of

using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position / Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of three 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:

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. 159-89(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 non-spendable. 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.

Assigned Fund Balance – portion of fund balance that Town of Elk Park 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 Elk Park has a revenue spending policy that provides guidance for programs with multiple revenue sources. 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.

The Town of Elk Park has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures. Any portion of the general fund balance in excess of 25% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

10. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Elk Park's employer contributions are recognized when due and the Town of Elk Park has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance and Accountability

Our audit for the fiscal year ended June 30, 2020 disclosed no <u>Material Violations of Finance-</u>Related Legal and Contractual Provisions.

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 exceeding the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's 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 with 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 \$384,838 and a bank balance of \$386,469. Of the bank balance, \$258,938 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

At June 30, 2020, the Town of Elk Park had \$212,824 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

General Fund:

Taxes receivable	<u>\$</u>	1,796
Total	_\$	1,796

4. Capital Assets

Primary Government

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

	Be	ginning					Ending
	B	alances	It	ncreases	Dec	reases	Balances
Governmental activities	7.0						
Capital assets not being depreciated:							
Land	\$	2,000	\$	-	\$	-	\$ 2,000
Construction in progress				•			
Total capital assets not being depreciated		2,000					2,000
Captial assets being depreciated:							
Buildings		591,812		: = (591,812
Other improvements		161,450		?=0		₩.	161,450
Equipment		93,127		S = 5		-	93,127
Vehicles		70,638		-		=	70,638
Infrastructure		175,242		27,452			 202,694
Total capital assets being depreciated	1	,092,269		27,452			1,119,721
Less accumulated depreciation for:							
Buildings		143,492		14,925		-	158,417
Other improvements		73,321		6,698		-	80,019
Equipment		72,606		6,198		-	78,804
Vehicles		63,156		4,674		-	67,830
Infrastructure		88,025		8,431			 96,456
Total accumulated depreciation	,	440,600	\$	40,926	\$	-	 481,526
'Total capital assets being depreciated, net		651,669					 638,195
Governmental activity capital assets, net	\$	653,669					\$ 640,195

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

General government	\$	28,421
Public safety		15
Transportation	*	12,505
Total depreciation expense	\$	40.926

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Business-type activities:				36
Water and sewer fund:				
Capital assets not being depreciated:				
Land	\$ 18,511	\$ -	\$ -	\$ 18,511
Construction in progress	<u>.</u>	\$ **	50 50	-
Total capital assets not being depreciated	18,511	Ç#.		18,511
Captial assets being depreciated:				
Buildings	75,439	15 -2 2	5	75,439
Wells, substations, lines, and related equipment	4,183,045	53.	-	4,183,045
Equipment	89,853	34,703	-	124,556
Vehicles	35,486	X 4		35,486
Total capital assets being depreciated	4,383,823	34,703		4,418,526
Less accumulated depreciation for:				
Buildings	20,793	1,965	š	22,758
Wells, substations, lines, and related equipment	2,054,833	103,625	~	2,158,458
Equipment	47,441	9,449		56,890
Vehicles	28,990	6,496		35,486
Total accumulated depreciation	2,152,057	\$ 121,535	\$ -	2,273,592
'Total capital assets being depreciated, net	2,231,766	-		2,144,934
Business-type activity capital assets, net	\$ 2,250,277			\$ 2,163,445

Construction commitments

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

B. Liabilities

1. Pension Plan and Postem ployment Obligations

a. Local Government Employees' Retirement System

Plan Description. The Town of Elk Park is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental

Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit of life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Elk Park 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 Elk Park's contractually required

contribution rate for the year ended June 30, 2020, was 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Elk Park were \$7,890 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$32,225 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.00118%, which was a decrease of .00012% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$14,396. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	\$	5,518	\$	-
Changes of assumptions		5,252		-
Net difference between projected and actual earnings on				
pension plan investments		786		8
Changes in proportion and differences between Town				
contributions and proporionate share of contributions		217		117
Town contributions subsequent to the measurement date	50100	7,890		-
	\$	19,663	\$	117

\$7,890 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 5,711
2022	1,851
2023	3,174
2024	921
2025	: = 3
Thereafter	220

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.0 percent

Salary increases 3.5 to 8.10 percent, including inflation and

productivity factor

Investment rate of return 7.00 percent, net of pension plan investment expense,

including inflation

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension

plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1%	Discount	1%
	Decrease (6.00%)	Rate (7.00%)	Increase (8.00%)
Town's proportionate share of the net			
pension liability (asset)	\$ 73,704	\$ 32,225	\$ (2,253)

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

b. Other Postemployment Benefit Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of September 1, 2015, this plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System). Retirees must have at least 10 years of creditable service with the Town and be at least 55 years of age. The Town pays the full cost of coverage for employees' benefits through private insurers. Once the retiree is eligible for Medicare supplements the Town will pay up to \$250 of Medicare supplements. Employees have the option of purchasing dependent coverage at the Town's group rates. Retirees must select retiree coverage for dependents within 30 days of retirement and dependents must be covered for one year or longer as a dependent of the retiree. Employees hired on or after September 1, 2015 who retire with less than 10 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. A separate report was not issued for the plan.

Retired Employees' Years of Creditable Service	D	ate Hired
of Creditable Service	Pre-September 1, 2015	On or After September 1, 2015
Less than 10 years	Not eligible for coverage	Not eligible for coverage
10+ years	Full coverage paid for by Town	Full coverage paid for by Town

Membership of the HCB Plan consisted of the following at December 31, 2018, the date of the latest actuarial valuation:

	General
	Employees
Retirees and dependents receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	
Active plan members	3
Total	4

Total OPEB Liability

The Town's total OPEB liability of \$379,647 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation 3.0 percent

Salary increases 2.5 percent, average, including inflation

Discount rate
3.18 percent
Healthcare cost trend rates
Medical - 6.5%

Prescription - 7.25% Admin Expenses - 3.00%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability			
Balance at June 30, 2018	\$	339,949		
Changes for the year				
Service cost		11,920		
Interest		13,135		
Changes of benefit terms		190		
Differences between expected and actual experience		24,271		
Changes in assumptions or other inputs		(4,998)		
Benefit payments		(4,630)		
Net changes	\$	39,698		
Balance at June 30, 2019	\$	379,647		

Changes in assumptions and other inputs reflect a change in the discount rate from 3.17% to 3.18%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.18 percent) or 1-percentage-point higher (4.18 percent) than the current discount rate:

	12	1% Decrease	Discount Rate (3.18%)	-	1% Increase
Total OPEB liability	\$	323,115	\$ 379,647	\$	451,289

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	(Medical - 5.5%,	Discount Rate (Medical -	(Medical - 7.5%,
	Prescription - 6.25%,	6.5%, Prescription - 7.25%,	Prescription - 8.25%,
	Admin Expenses - 2.00%)	Admin Expenses - 3.00%)_	Admin Expenses - 4.00%)
Total OPEB liability	\$ 443,572	\$ 379,647	\$ 328,316

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$20,454. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		ed Outflows Resources	Deferred Inflows of Resources			
Differences between expected and actual experience		20,163	\$	-		
Changes of assumptions Benefit payments and administrative costs made		1.5		34,492		
subsequent to the measurement date	-	4,673	-	_=_		
Total	\$	24,836	\$	34,492		

\$4,673 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ (4,601)
2021	(4,601)
2022	(4,601)
2023	(1,912)
2024	1,386
Thereafter	12

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and

have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

Source	Amount					
Contributions to pension plan in current fiscal year	\$ 24,836					
Total	\$ 24,836					

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

Source	Amount
Pension deferrals	\$ 34,492
Total	\$ 34,492

4. Risk Management

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

League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for 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 carries limited flood insurance through the North Carolina League of Municipalities. The flood insurance plan provides coverage to buildings and contents that are located in designated flood zones. The plan has a \$50,000 deductible for flood losses in designated flood zones.

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 and the tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$20,000.

5. Long-term Obligation

a. Note Payable/ Construction loan

On January 15, 2013, the Town signed a note payable to the USDA in the amount of \$436,850 for the new town hall building. The note is due and payable in yearly installments of \$19,287 with annual interest rate of 3.125%. The first payment was paid on January 15, 2014.

		Governmental Activities							
Year Ending June 30	Principal	Interest							
2021		6,983	12,304						
2022		7,202	12,085						
2023		7,427	11,860						
2024		7,659	11,628						
2025		7,899	11,388						
2026-2030		43,355	53,080						
2031-2035		50,569	45,866						
2036-2040		58,984	37,451						
2041-2045		68,799	27,636						
2046-2050		80,247	16,188						
2051-2053	1	54,423	3,438						
		\$ 393,547	\$ 242,924						

b. General Obligation Indebtedness

The Town's general obligation bonds serviced by the enterprise fund were issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2020 are comprised of the following individual issues: Serviced by the Water and Sewer Fund

Sewer bonds, dated January 20, 1998, at 4.875% interest, various annual maturities through June 1, 2037

\$ 198,500

At June 30, 2020, the Town of Elk Park had no bonds authorized but unissued and had a legal debt margin of \$1,291,462.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending		
June 30	Principal	Interest
2021	8,000	9,677
2022	8,500	9,287
2023	9,000	8,872
2024	9,500	8,434
2025	10,000	7,970
2026-2030	57,000	32,151
2031-2035	54,500	16,965
2036-2038	42,000	2,047
Total	\$ 198,500	\$ 95,403

b. Changes in Long-Term Liabilities

Compensated absences for governmental activities typically have been liquidated in the general fund.

Communicated authorities		Balance July 1, 2019					Balance	Current Portion			
Governmental activities	July	1, 2019		ncrease	 ecrease	June 30, 2020		OI	Balance		
Compensated absences	\$	7,329	\$	3,197	\$ 5,935	\$	4,591	\$	1,800		
Total OPEB liability	13	39,008		5,454	-		144,462		() -		
Net pension liability (LGERS)		12,605		527	·		13,132		989		
Note Payable		<u>#</u>		<u>=</u>) <u>+</u>		
Note Payable - USDA	4(00,319		Ē	6,772		393,547		6,983		
Governmental activity long-term liabilities	\$ 5	59,261	\$	9,178	\$ 12,707	\$	555,732	\$	8,783		
	8										
Business-type activities											
Installment purchases	\$	2	\$	2	\$ -	\$	\ <u>\</u>	\$	(=		
Total OPEB liability	20	00,942		34,243			235,185				
Net penison liability (LGERS)		18,235		858	· ·		19,093		3.00		
General obligation bonds	20	06,000		-	7,500		198,500		8,000		
Compensated absences		10,724		7,460	7,933		10,251		2,400		
	27			11.46							
Business-type activity long-term liabilities	\$ 43	35,901	\$	42,561	\$ 15,433	\$	463,029	\$	10,400		

C. Interfund Balances and Activity

There were no transfers to or from other funds at June 30, 2020.

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

D. Net Investment in Capital Assets

Capital assets		emmental	Business-type			
		640,195	\$	2,163,445		
less: long-term debt		393,547		198,500		
Net investment in capital assets	\$	246,648	\$	1,964,945		

E. 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	\$ 469,275
Less:	
Stabilization by State Statute	34,572
Streets - Powell Bill	8,938
Appropriated Fund Balance in 2021 Budget	3,400
Working Capital / Fund Balance Policy	75,800
Remaining Fund Balance	346,565

The Town of Elk Park has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures.

IV. Jointly Governed Organization

The Town, in conjunction with seven counties and eighteen municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$510 to the Council during the fiscal year ended June 30, 2020.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through September 29, 2020 – the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in the Total OPEB Liability

Town of Elk Park, North Carolina Town of Elk Park's Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information Last Five Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Town of Elk Park's proportion of the net pension liability (asset) (%)	0.00118%	0.00130%	0.00138%	0.14400%	0.15400%	0.00155%	0.00160%
Town of Elk Park's proportion of the net pension liability (asset) (\$)	32,225	30,840	21,083	30,562	6,911	(9,141)	19,286
Town of Elk Park's covered-employee payroll	88,019	95,909	98,186	92,438	90,598	86,029	85,981
Town of Elk Park's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.366%	0.322%	0.215%	.033%	7.63%	(10.62%)	0.224%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

Town of Elk Park, North Carolina Town of Elk Park's Contributions Required Supplementary Information Last Five Fiscal Years

Local Government Employees' Retirement System

	2020		2019		2018		2017		2016		2015		2014
Contractually required contribution	\$	7,890	\$	7,655	\$	7,193	\$	7,118	\$	6,166	\$	6,966	\$ 6,616
Contributions in relation to the contractually required contribution		7,890		7,655		7,193		7,118		6,166		6,966	6,616
Contribution deficiency (excess)	\$		\$	-	\$	-	\$		\$:	\$		\$
Town of Elk Park's covered-employee payroll		88153	\$	98,779	\$	95,909	\$	98,186	\$	92,438	\$	90,598	\$ 86,029
Contributions as a percentage of covered- employee payroll		8.95%		7.75%		7.50%		7.25%		6.67%		7.69%	7.69%

Town of Elk Park, North Carolina Schedule of Changes in the Total OPEB Liability and Related Ratios June 30, 2020

Total OPEB Liability		2020	 2019	55-	2018
Service cost	\$	11,920	\$ 12,602	\$	14,182
Interest		13,135	11,963		10,492
Changes of benefit terms		() = (3#2		7
Differences between expected and actual experience		24,271	84		7
Changes of assumptions		(4,998)	(18,456)		(32,822)
Benefit payments	22	(4,630)	(4,540)		(4,222)
Net change in total OPEB liability		39,698	1,653		(12,363)
Total OPEB liability - beginning		339,949	338,296		350,659
Total OPEB liability - ending	\$	379,647	\$ 339,949	\$	338,296
Covered payroll		88,153	100,081		97,049
Total OPEB liability as a percentage of covered payroll		4.31%	3.39%		3.48%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

Fiscal Year	Rate
2020	3.50%
2019	3.89%
2018	3.09%



Town of Elk Park, North Carolina General Fund

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

	I	Budget	Actual	Variance Positive (Negative)
Revenues:	10.	 	X 2	
Ad valorem taxes:				
Taxes	\$	\$	70,051 \$	
Interest			642	
Releases and refunds	_ 65543		(700)	
Total	(69,500	69,993	493
Unrestricted intergovernmental:				
Local option sales taxes			187,969	
Beer tax			1,231	
Telecommunications sales tax			2,669	
Utility franchise tax			15,955	
Solid waste tax Video franchise fee			346	
Total	¥ 	209,500	3,479 211,649	2,149
Total	7-17-	209,300	211,049	2,149
Restricted intergovernmental:				
PARTF Grant			10.070	
Powell Bill allocation		14.000	12,973	(1.027)
Total	1)	14,000	12,973	(1,027)
Investment earnings		500	1,481	981
Miscellaneous:				
Donations			(#)}	
Other	7-		9,281	
Total		2,200	9,281	7,081
Total revenues	ä) .	295,700	305,377	9,677
Expenditures:				
General government:				
Salaries and employee benefits			24,411	
Professional services			23,456	
Utilities			12,121	
Telephone and postage			3,696	
Insurance			13,544	
Election expense Supplies			- 285	
Other operating expenses			16,089	
Capital outlay			10,009	
Total	1	135,800	93,602	42,198
Public safety				
i wone suiety				

Town of Elk Park, North Carolina General Fund

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

			Variance Positive
	Budget	Actual	(Negative)
Other operating expenses		2,553	
Capital outlay	26 700	12.004	10.716
Total	26,700	13,984	12,716
Transportation:			
Streets and highways:			
Salaries and employee benefits		52,979	
Street repairs and maintenance		10,313	
Supplies		13,701	
Other operating expenses		11,637	
Capital outlay		27,452	
Total	120,500	116,082	4,418
Debt service:			
Principal retirement	6,800	6,772	
Interest and other charges	12,700	12,515	
Total debt service	19,500	19,287	213
Total expenditures	302,500	242,955	59,545
Revenues over (under) expenditures	(6,800)	62,422	69,222
Other financing sources (uses):			
Transfers from other funds:			
General fund - capital projects fund	•	•	
Enterprise fund			
Total	2		
Fund balance appropriated	6,800	₩.:	(6,800)
Net Change in Fund Balance	\$ -	62,422	\$ 62,422
Fund balances, beginning as previously reported	ğ	406,853	
Fund balances, ending	d	\$ 469,275	

Town of Elk Park, North Carolina Water and Sewer Fund Schedule of Revenues and Expenditures Budget and Actual (Non - GAAP) For the Fiscal Year Ended June 30, 2020

			Variance
	D 1 .	4 . 1	Positive
D	Budget	Actual	(Negative)
Revenues: Water and sewer sales	\$	P 275 504	c
	2	\$ 275,584	\$
Water and sewer taps		2,650	
Other operating revenues	200,000	2,069	303
Total operating revenues	280,000	280,303	303
Nonoperating revenues:			
Interest earnings		1,427	
Total nonoperating revenues	200	1,427	1,227
Total revenues	280,200	281,730	1,530
Expenditures:			
Water treatment and sewer operations			
Salaries and employee benefits		98,115	
Supplies		45,941	
Repairs and maintenance		22,501	
Utility service fees		43,759	
Postage and Telephone		8,327	
Contract services		15,172	
Miscellaneous		2,238	
Uniforms and Cleaning		299	
Permits and fees		1,681	
Professional fees		2,315	
Total water treatment and		2,313	-
sewer operations	252,500	240,348	12,152
D. 1.	-	·	
Debt service	10.500	10.042	450
Interest and other charges	10,500	10,042	458
Principal retirement	7,500	7,500	
Total debt service	18,000	17,542	458
Capital outlay:			
Water and sewer improvements	35,000	34,703	297
Total capital outlay	35,000	34,703	297
Total expenditures	305,500	292,593	12,907
Other financing sources (uses):			
Transfer to other fund:			
General fund	(c =)	} - €	
Appropriated fund balance	25,300		(25,300)

Town of Elk Park, North Carolina Water and Sewer Fund Schedule of Revenues and Expenditures Budget and Actual (Non - GAAP) For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Total other financing sources			
(uses)	25,300	17 <u>4</u> 2	(25,300)
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(10,863)	\$ (10,863)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over (under)			
expenditures and other uses		(10,863)	
Reconciling items:			
Principal retirements		7,500	
Decrease (Increase) in accrued vacation pay		473	
Capital outlay		34,703	
Decrease in net pension asset		3+3	
Increase (decrease) in deferred outflows of res	ources - pensions	(3,356)	
Increase (decrease) in deferred outflows of res	ources - OPEB	12,446	
(Increase) decrease in deferred inflows of reso	urces - OPEB	1,259	
(Increase) decrease in OPEB liability		(34,244)	
Decrease (increase) in net pension liability		(858)	
Decrease (increase) in deferred inflows of reso	ources - pensions	297	
Increase in accrued OPEB liability		150	
Capital contributions		S#6	
Depreciation		(121,535)	
Total reconciling items		(103,315)	
Net income		\$ (114,178)	

Town of Elk Park, North Carolina General Fund Schedule of Ad Valorem Taxes Receivable June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	: <u>A</u>	dditions	Collections and Credits		Uncollected Balance une 30, 2020
2019-2020	\$	\$	57,424	\$ 56,041	\$	1,383
Vehicle taxes			10,930	10,930		43
2018-2019	2,213		-	1,213		1,000
Vehicle taxes			25	2 5. 2		•
2017-2018	757		15 = 1	555		202
Vehicle taxes	1) = 3		7 = 1	9 2 5;		\$ = 4
2016-2017	176		044	176		(62)
Vehicle taxes	:€) -	(B)		(178)
2015-2016	3,50		÷ - €	(=)		(\$\frac{1}{2}\sqrt{\chi}\)
Vehicle taxes			: = :	1# 0		74
2014-2015	125		9 2 0	= 1		~
Vehicle taxes	58		-	58		
2013-2014	(8)		9.79	. 		8 7 6
Vehicle taxes	354		; = ;	354		. ≠ 1
2012-2013	9 2		500	363		-
Vehicle taxes	577			≟ *		577
2011-2012	3			3		V .5 0
Vehicle taxes	895			18 3		895
2010-2011	(=(*		(44)
Vehicle taxes	726			721		5
2009-2010	-			100		-
Vehicle taxes	1,133		(. 	1,133		n a n
	\$ 6,892	\$	68,354	\$ 71,184		4,062
	Less: allowance for	r uncollectil	ole accounts:			
	General Fund);—	1,796
	Ad valorem taxes re	eceivable - 1	net		\$	2,266
	Reconcilement with	revenues:				
	Ad valorem taxes -		nd		\$	69,993
	Reconciling items:					
	Interest collected					(642)
	Releases and ref					1,133
	Taxes written of		;			700
	Total collections an	d credits			\$	71,184

Town of Elk Park, North Carolina Analysis of Current Tax Levy Town - Wide Levy For the Fiscal Year Ended June 30, 2020

			- 1111 -	Total l	Levy	
	Town - Wide			Property excluding Registered	Registered	
	Property		Total	Motor	Motor	
	Valuation	Rate	Levy	Vehicles	Vehicles	
Original levy:						
Property taxed at current year's rate Penalties	\$ 22,717,923	0.30	\$ 68,154	\$ 57,224	\$ 10,930	
Total	22,717,923		68,154	57,224	10,930	
Discoveries:						
Current year taxes	446,387	0.30	1,339	1,339	33 -0 0	
Prior year taxes			(20)	3₩0	X (= 1	
Penalties			12/02/1	745	74	
Total	446,387		1,339	1,339	-	
Abatements	379,549	0.30	(1,139)	(1,139)		
Total property valuation	\$ 23,543,859					
Net levy			68,354	57,424	10,930	
Uncollected taxes at June 30, 2020			(1,383)	(1,383)		
Current year's taxes collected			\$ 66,971	\$ 56,041	\$ 10,930	
Current levy collection percentage			97.98%	97.59%	100.00%	