

TOWN OF ELM CITY, NORTH CAROLINA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2020

GREGORY T. REDMAN, CPA
TARBORO, NORTH CAROLINA

Financial Statements

Town of Elm City, North Carolina

Board of Commissioners

Grady Smith, Mayor
Melvin Cooke, Mayor Pro Tem
Dale Childress
Lewis Crockett
Marsha Wells
Gil Wheeler

Administrative and Financial Staff

Dena H. Cordell, Town Clerk

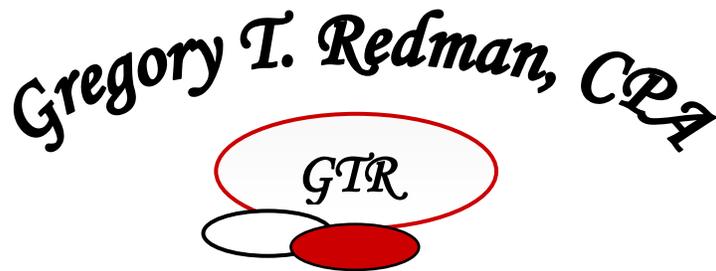
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Elm City, North Carolina
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Financial Section



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Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Elm City, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Elm City, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Town of Elm City as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

My 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 Elm City, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 14, 2021 on my consideration of Elm City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elm City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gregory T. Redman, CPA". The signature is written in a cursive style with a large initial 'G'.

Gregory T. Redman, CPA
Tarboro, North Carolina
May 14, 2021

Management's Discussion and Analysis

**Town of Elm City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

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

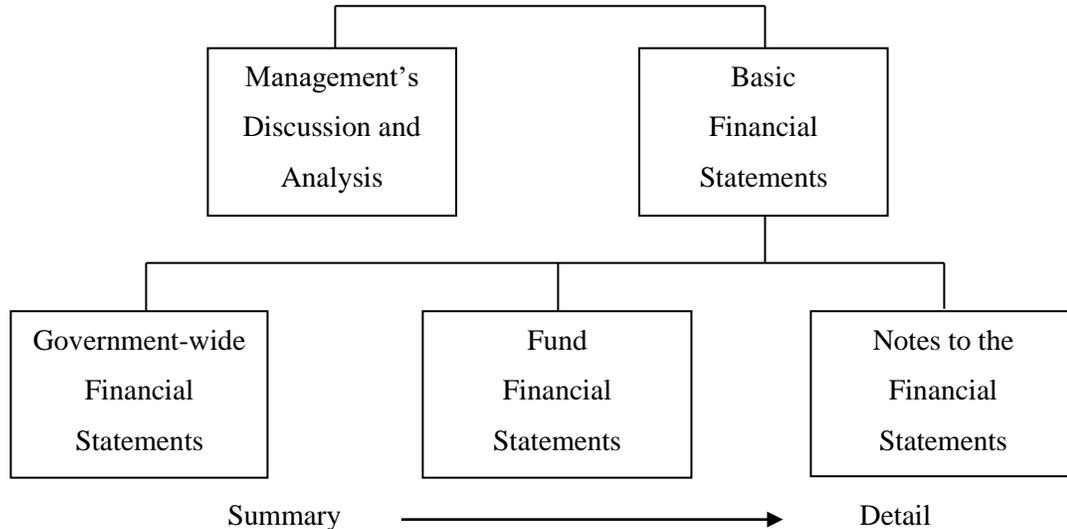
- The assets of the Town of Elm City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,413,753 (net position).
- The government's total net position increased by \$128,589 due to operations and had a (\$136,176) prior period adjustment.
- At the close of the current fiscal year, the Town of Elm City's governmental funds reported an ending fund balance of \$525,079, an increase of \$53,213 due to operations and had a \$109,318 prior period adjustment.
- At the end of the current fiscal year, unreserved fund balance for the general fund was 59,296 or 6 percent 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 Elm City's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. 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 Elm City.

**Town of Elm City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

Town of Elm City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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 service such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Elm City.

Fund Financial Statements

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

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

The Town of Elm City 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's, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds. Town of Elm City has two proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Elm City uses an enterprise fund to account for its water and sewer activities. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Town of Elm City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Elm City's ad valorem tax receivable and current tax levy.

Government-wide Financial Analysis

The Town of Elm City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 618,712	\$ 502,927	\$ (133,148)	\$ (47,226)	\$ 485,564	\$ 455,701
Non-current assets	1,210,835	1,397,458	9,851,365	9,963,786	11,062,200	11,361,244
Deferred outflows of resources	11,201	33,150	1,180	3,684	12,381	36,834
Total Assets and Deferred Outflows of Resources	\$ 1,840,748	\$ 1,933,535	\$ 9,719,397	\$ 9,920,244	\$ 11,560,145	\$ 11,853,779
Long-term liabilities outstanding	\$ 1,171,604	\$ 1,262,568	\$ 2,769,296	\$ 2,849,996	\$ 3,940,900	\$ 4,112,564
Current liabilities	66,000	147,320	124,801	167,447	190,801	314,767
Deferred inflows of resources	13,221	4,658	1,470	450	14,691	5,108
Total Liabilities and Deferred Inflows of Resources	\$ 1,250,825	\$ 1,414,546	\$ 2,895,567	\$ 3,017,893	\$ 4,146,392	\$ 4,432,439
Net Position:						
Net investment in capital assets	\$ 6,509	\$ 97,696	\$ 7,006,921	\$ 7,045,136	\$ 7,013,430	\$ 7,142,832
Restricted	465,783	407,373	-	-	465,783	407,373
Unrestricted	117,631	13,920	(183,091)	(142,785)	(65,460)	(128,865)
Total Net Position	\$ 589,923	\$ 518,989	\$ 6,823,830	\$ 6,902,351	\$ 7,413,753	\$ 7,421,340

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Elm City exceeded liabilities and deferred inflows of resources by \$7,413,753 as of June 30, 2020. The Town's net position decreased by \$7,587 for the fiscal year ended June 30, 2020. However, the largest portion (95%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Elm City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Elm City'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 Elm City's net position (5%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of the Town of Elm City's net position (\$65,460) is unrestricted.

**Town of Elm City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

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

- The Town's financial operations are positively influenced by the tax collection rate of 95% on property (excluding registered motor vehicles).

Town of Elm City Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 145,893	\$ 143,567	\$ 644,449	\$ 637,604	\$ 790,342	\$ 781,171
Operating grants and contributions	38,671	39,075	-	-	38,671	39,075
Capital grants and contributions	-	-	192,315	806,035	192,315	806,035
General revenues:						
Property taxes	555,932	414,729	-	-	555,932	414,729
Other taxes	-	-	-	-	-	-
Unrestricted investment earnings	2,107	2,498	228	-	2,335	2,498
Unrestricted grants and contributions	271,527	266,974	-	-	271,527	266,974
Miscellaneous	2,404	-	16,639	-	19,043	-
Total Revenues	<u>\$ 1,016,534</u>	<u>\$ 866,843</u>	<u>\$ 853,631</u>	<u>\$ 1,443,639</u>	<u>\$ 1,870,165</u>	<u>\$ 2,310,482</u>
Expenses:						
General government	\$ 207,720	\$ 287,760	\$ -	\$ -	\$ 207,720	\$ 287,760
Public safety	163,110	119,410	-	-	163,110	119,410
Cultural and recreation	68,249	185,142	-	-	68,249	185,142
Environmental protection	255,389	138,610	-	-	255,389	138,610
Economic and physical development	-	-	-	-	-	-
Transportation	146,539	192,012	-	-	146,539	192,012
Interest expense	54,331	42,849	120,257	122,927	174,588	165,776
Water and sewer	-	-	725,981	707,414	725,981	707,414
Total Expenses	<u>\$ 895,338</u>	<u>\$ 965,783</u>	<u>\$ 846,238</u>	<u>\$ 830,341</u>	<u>\$ 1,741,576</u>	<u>\$ 1,796,124</u>
Increase(decrease) in net position						
before transfers	121,196	(98,940)	7,393	613,298	128,589	514,358
Transfers	-	-	-	-	-	-
Increase(decrease) in net position	<u>121,196</u>	<u>(98,940)</u>	<u>7,393</u>	<u>613,298</u>	<u>128,589</u>	<u>514,358</u>
Net position, July 1	518,989	617,929	6,902,351	6,289,053	7,421,340	6,906,982
Prior Period Adjustment	(50,262)	-	(85,914)	-	(136,176)	-
Net position, June 30	<u>\$ 589,923</u>	<u>\$ 518,989</u>	<u>\$ 6,823,830</u>	<u>\$ 6,902,351</u>	<u>\$ 7,413,753</u>	<u>\$ 7,421,340</u>

**Town of Elm City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Governmental Activities. Governmental activities increased the Town's net position by \$70,934.

Business-type Activities. Business-type activities decreased the Town of Elm City's net position by \$7,587.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Elm City'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 Elm City'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 Elm City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$59,296, while total fund balance was \$525,079. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6 percent of total General Fund expenditures. Total fund balance represents 54% of total General Fund expenditures.

At June 30, 2020, the governmental funds of Town of Elm City reported a fund balance of \$525,079, a 45 percent increase from last year.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. There are several areas where budget amendments should have been made but were not. The Town will monitor expenditures going forward and make budget amendments when necessary.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to (\$183,091). The total change in net position for the fund was an decrease of \$7,587. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Elm City's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$11,062,200 (net of accumulated depreciation). These assets include buildings, roads, and bridges, land, machinery and equipment, and vehicles.

**Town of Elm City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

The Town of Elm City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
	Land	\$ 40,467	\$ 92,032	\$ 265,383	\$ 265,383	\$ 305,850
Buildings and systems	1,170,368	1,305,426	-	-	1,170,368	1,305,426
Vehicles and motorized equipment	-	-	-	-	-	-
Water and sewer	-	-	8,269,975	8,546,340	8,269,975	8,546,340
Construction in progress	-	-	1,316,007	1,152,063	1,316,007	1,152,063
Total	<u>\$ 1,210,835</u>	<u>\$ 1,397,458</u>	<u>\$ 9,851,365</u>	<u>\$ 9,963,786</u>	<u>\$ 11,062,200</u>	<u>\$ 11,361,244</u>

**The Town of Elm City's Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
	General obligation bonds	\$ -	\$ -	\$ 2,689,000	\$ 2,741,000	\$ 2,689,000
Water quality loan	-	-	155,444	177,650	155,444	177,650
Installment purchases	1,152,088	1,299,762	-	-	1,152,088	1,299,762
Total	<u>\$ 1,152,088</u>	<u>\$ 1,299,762</u>	<u>\$ 2,844,444</u>	<u>\$ 2,918,650</u>	<u>\$ 3,996,532</u>	<u>\$ 4,218,412</u>

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 Elm City is \$2,037,195.

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:

Town Administrator
Town of Elm City
117 S. Railroad Street
Elm City, NC 27822
(252) 236-4917

Financial Section

Basic Financial Statements

Town of Elm City, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 72,125	\$ 31,488	\$ 103,613
Taxes receivable (net)	62,283	-	62,283
Accounts receivable - net	4,867	254,094	258,961
Accrued interest receivable	17,588	-	17,588
Internal balances	418,730	(418,730)	-
Restricted cash and cash equivalents	43,119	-	43,119
Total Current Assets	<u>\$ 618,712</u>	<u>\$ (133,148)</u>	<u>\$ 485,564</u>
Non-current Assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	\$ 40,467	\$ 265,383	\$ 305,850
Other capital assets, net of depreciation	1,170,368	9,585,982	10,756,350
Total capital assets	<u>\$ 1,210,835</u>	<u>\$ 9,851,365</u>	<u>\$ 11,062,200</u>
Total Assets	<u>\$ 1,829,547</u>	<u>\$ 9,718,217</u>	<u>\$ 11,547,764</u>
Deferred Outflows of Resources			
Pension deferrals	\$ 11,201	\$ 1,180	\$ 12,381
Liabilities			
Current liabilities:			
Accounts payable - trade	\$ 13,762	\$ -	\$ 13,762
Compensated absences-current	-	-	-
Current portion of long-term liabilities	52,238	77,206	129,444
Customer deposits	-	47,595	47,595
Total Current Liabilities	<u>\$ 66,000</u>	<u>\$ 124,801</u>	<u>\$ 190,801</u>
Long-term liabilities:			
Net pension liability	\$ 19,516	\$ 2,058	\$ 21,574
Prepaid taxes	-	-	-
Due in more than one year	1,152,088	2,767,238	3,919,326
Total Long-term liabilities	<u>\$ 1,171,604</u>	<u>\$ 2,769,296</u>	<u>\$ 3,940,900</u>
Total Liabilities	<u>\$ 1,237,604</u>	<u>\$ 2,894,097</u>	<u>\$ 4,131,701</u>
Deferred Inflows of Resources			
Pension deferrals	\$ 13,221	\$ 1,470	\$ 14,691
Other	-	-	-
Total Deferred Inflows of Resources	<u>\$ 13,221</u>	<u>\$ 1,470</u>	<u>\$ 14,691</u>
Net Position			
Net investment in capital assets	\$ 6,509	\$ 7,006,921	\$ 7,013,430
Restricted for:			
Other functions	43,119	-	43,119
Stabilization by State Statute	422,664	-	422,664
Unrestricted	117,631	(183,091)	(65,460)
Total Net Position	<u>\$ 589,923</u>	<u>\$ 6,823,830</u>	<u>\$ 7,413,753</u>

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

Town of Elm City, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary government:							
Governmental Activities:							
General government	\$ 207,720	\$ -	\$ -	\$ -	\$ (207,720)	\$ -	\$ (207,720)
Public safety	163,110	-	-	-	(163,110)	-	(163,110)
Cultural and recreation	68,249	28,997	-	-	(39,252)	-	(39,252)
Environmental protection	255,389	116,896	714	-	(137,779)	-	(137,779)
Economic development	-	-	-	-	-	-	-
Transportation	146,539	-	37,957	-	(108,582)	-	(108,582)
Interest expense	54,331	-	-	-	(54,331)	(120,257)	(174,588)
Total governmental activities	<u>\$ 895,338</u>	<u>\$ 145,893</u>	<u>\$ 38,671</u>	<u>\$ -</u>	<u>\$ (710,774)</u>	<u>\$ (120,257)</u>	<u>\$ (831,031)</u>
Business-type activities:							
Water	259,474	229,288	-	-	-	(30,186)	(30,186)
Sewer	466,507	415,161	-	192,315	-	140,969	140,969
Total business-type activities	<u>\$ 725,981</u>	<u>\$ 644,449</u>	<u>\$ -</u>	<u>\$ 192,315</u>	<u>\$ -</u>	<u>\$ 110,783</u>	<u>\$ 110,783</u>
Total primary government	<u>\$ 1,621,319</u>	<u>\$ 790,342</u>	<u>\$ 38,671</u>	<u>\$ 192,315</u>	<u>\$ (710,774)</u>	<u>\$ (9,474)</u>	<u>\$ (720,248)</u>
General Revenues							
Taxes:							
Property taxes, levied for general purpose					\$ 555,932	\$ -	\$ 555,932
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					271,527	-	-
Unrestricted investment earnings					2,107	228	2,335
Miscellaneous					2,404	16,639	19,043
Total general revenues					<u>831,970</u>	<u>16,867</u>	<u>577,310</u>
Change in Net Position					\$ 121,196	\$ 7,393	\$ 128,589
Net Position, Beginning of year					518,989	6,902,351	7,421,340
Prior period adjustments					(50,262)	(85,914)	(136,176)
Net Position, End of year					<u>\$ 589,923</u>	<u>\$ 6,823,830</u>	<u>\$ 7,413,753</u>

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

Town of Elm City, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	Major Fund
	General Fund
Assets	
Cash and cash equivalents	\$ 72,125
Restricted cash	43,119
Receivables, net:	
Taxes	62,283
Accounts	4,867
Due from other funds	418,730
Total Assets	\$ 601,124
Liabilities	
Liabilities:	
Accounts payable - trade	\$ 13,762
Due to other funds	-
Total Liabilities	\$ 13,762
Deferred Inflows of Resources	
Property taxes receivable	\$ 62,283
Prepaid taxes	-
Garbage fees receivable	-
Total Deferred Inflows of Resources	\$ 62,283
Fund Balances	
Restricted:	
Stabilization by State Statute	\$ 422,664
Streets	43,119
Unassigned	59,296
Total Fund Balances	\$ 525,079
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 601,124

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

Town of Elm City, North Carolina
Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
June 30, 2020

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

Ending fund balance - governmental funds	\$ 525,079
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,210,835
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are not reported in the funds.	17,588
Net pension liability	(19,516)
Deferred outflows of resources related to pensions are not reported in the funds	11,201
Liabilities for earned but deferred revenues in fund statements.	62,283
Deferred outflows of resources related to pensions are not reported in the funds	(13,221)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Gross long-term debt	(1,204,326)
Some liabilities, including funds payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	-
Net position of governmental activities	\$ 589,923

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

Town of Elm City, North Carolina
Statement of Revenues, Expenditures And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Fund
	General Fund
Revenues	
Ad valorem taxes	\$ 556,189
Other taxes and licenses	-
Unrestricted intergovernmental	271,527
Restricted intergovernmental	38,671
Sales and services	145,893
Investment earnings	2,107
Miscellaneous	2,404
Total Revenues	\$ 1,016,791
Expenditures	
Current:	
General government	\$ 202,378
Public safety	163,110
Cultural and recreation	68,249
Environmental protection	255,389
Economic development	-
Transportation	146,539
Debt Service:	
Principal retirement	127,913
Interest	-
Total Expenditures	\$ 963,578
Excess of Revenues Over (Under) Expenditures	\$ 53,213
Other Financing Sources (Uses)	
Loan proceeds	\$ -
Transfer of funds	-
Total Other Financing Sources (Uses)	-
Net Change in Fund Balance	\$ 53,213
Fund balances	
Beginning of year	362,548
Prior period adjustment and correction of errors	109,318
End of year	\$ 525,079

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

Town of Elm City, North Carolina
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement Activities
For the Year Ended June 30, 2020

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

Net change in fund balance - total governmental funds	\$	53,213
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		-
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in funds.		
Change in deferred revenue for tax revenues		(257)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		-

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 affect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued		-
Principal payments on long-term debt		73,582

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		(5,342)
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Total changes in net position of governmental activities	\$	<u>121,196</u>
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The notes to the financial statements are an integral part of this statement.

Town of Elm City, North Carolina
General Fund
Statement of Revenues, Expenditures, And
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Ad valorem taxes	\$ 439,863	\$ 439,863	\$ 556,189	\$ 116,326
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	249,541	249,541	271,527	21,986
Restricted intergovernmental	38,575	38,575	38,671	96
Sales and services	161,181	161,181	145,893	(15,288)
Investment earnings	500	500	2,107	1,607
Miscellaneous	3,500	3,500	2,404	(1,096)
Total Revenues	<u>\$ 893,160</u>	<u>\$ 893,160</u>	<u>\$ 1,016,791</u>	<u>\$ 123,631</u>
Expenditures				
Current				
General government	\$ 362,498	\$ 223,135	\$ 202,378	\$ 20,757
Public safety	150,475	139,413	163,110	(23,697)
Cultural and recreation	87,350	97,850	68,249	29,601
Environmental protection	119,691	257,836	255,389	2,447
Transportation	38,575	158,252	146,539	11,713
Debt Service				
Principal retirement	134,571	136,991	127,913	9,078
Interest expense	-	-	-	-
Total Expenditures	<u>\$ 893,160</u>	<u>\$ 1,013,477</u>	<u>\$ 963,578</u>	<u>\$ 49,899</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (120,317)</u>	<u>\$ 53,213</u>	<u>\$ 173,530</u>
Other Financing Sources (Uses)				
Fund balance appropriated		120,317	-	(120,317)
Loan proceeds	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 120,317</u>	<u>\$ -</u>	<u>\$ (120,317)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,213</u>	<u>\$ 53,213</u>
Fund Balances				
Beginning of year			362,548	
Prior period adjustment and correction of errors			109,318	
End of year			<u>\$ 525,079</u>	

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

Town of Elm City, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2020

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 31,488	\$ 31,488
Accounts receivable (net)	2,772	5,131	7,903
Due from other governments	54,572	191,619	246,191
Due from other funds	-	-	-
Total Current Assets	<u>\$ 57,344</u>	<u>\$ 228,238</u>	<u>\$ 285,582</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	\$ -	\$ 265,383	\$ 265,383
Other capital assets, net of depreciation	827,131	8,758,851	9,585,982
Capital assets (net)	<u>\$ 827,131</u>	<u>\$ 9,024,234</u>	<u>\$ 9,851,365</u>
Total Assets	<u>\$ 884,475</u>	<u>\$ 9,252,472</u>	<u>\$ 10,136,947</u>
Deferred Outflows of Resources			
Pension deferrals	\$ 590	\$ 590	\$ 1,180
Liabilities			
Current liabilities:			
Accounts payable - trade			\$ -
Due to other funds	53,310	365,420	418,730
Customer deposits	46,595	1,000	47,595
Compensated absences - current	-	-	-
General obligation bonds payable - current	-	55,000	55,000
Note payable - current	-	22,206	22,206
Total Current Liabilities	<u>\$ 99,905</u>	<u>\$ 443,626</u>	<u>\$ 543,531</u>
Noncurrent liabilities:			
Compensated absences	\$ -	\$ -	\$ -
Net pension liability	1,029	1,029	2,058
Bonds payable - non-current	-	2,634,000	2,634,000
Note payable - non-current	-	133,238	133,238
Total non-current liabilities	<u>\$ 1,029</u>	<u>\$ 2,768,267</u>	<u>\$ 2,769,296</u>
Total Liabilities	<u>\$ 100,934</u>	<u>\$ 3,211,893</u>	<u>\$ 3,312,827</u>
Deferred Inflows of Resources			
Pension deferrals	\$ 735	\$ 735	\$ 1,470
Net Position			
Net investment in capital assets	\$ 827,131	\$ 6,179,790	\$ 7,006,921
Restricted net position			-
Unrestricted net position	(43,735)	(139,356)	(183,091)
Total Net Position	<u>\$ 783,396</u>	<u>\$ 6,040,434</u>	<u>\$ 6,823,830</u>

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

Town of Elm City, North Carolina
Statement of Revenues, Expenses, And Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenues			
Charges for services	\$ 224,248	\$ 394,235	\$ 618,483
Other operating revenues	5,040	20,926	25,966
Total Operating Revenues	<u>\$ 229,288</u>	<u>\$ 415,161</u>	<u>\$ 644,449</u>
Operating Expenses			
Water operations	\$ 257,155	\$ -	\$ 257,155
Sewer operations		192,461	192,461
Depreciation	2,319	274,046	276,365
Total Operating Expenses	<u>\$ 259,474</u>	<u>\$ 466,507</u>	<u>\$ 725,981</u>
Operating income (loss)	<u>\$ (30,186)</u>	<u>\$ (51,346)</u>	<u>\$ (81,532)</u>
Non-operating Revenues (Expenses)			
Investment earnings	\$ -	\$ 228	\$ 228
Miscellaneous revenue	16,639	-	16,639
Interest and other charges	-	(120,257)	(120,257)
Total Non-operating Revenues (expenses)	<u>\$ 16,639</u>	<u>\$ (120,029)</u>	<u>\$ (103,390)</u>
Income (loss) before contributions and transfers	<u>\$ (13,547)</u>	<u>\$ (171,375)</u>	<u>\$ (184,922)</u>
Capital contributions		192,315	192,315
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Change in net position	<u>\$ (13,547)</u>	<u>\$ 20,940</u>	<u>\$ 7,393</u>
Net position, beginning	796,943	6,105,408	6,902,351
Prior period adjustment	-	(85,914)	(85,914)
Net position, beginning as restated	<u>796,943</u>	<u>6,019,494</u>	<u>6,816,437</u>
Net position, ending	<u><u>\$ 783,396</u></u>	<u><u>\$ 6,040,434</u></u>	<u><u>\$ 6,823,830</u></u>

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

Town of Elm City, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 414,223	\$ 412,973	\$ 827,196
Cash paid for goods and services	(420,115)	(304,062)	(724,177)
Cash paid to or on behalf of employees for services	-	-	-
Other operating revenues	5,040	20,926	25,966
Net cash provided (used) by operating activities	<u>\$ (852)</u>	<u>\$ 129,837</u>	<u>\$ 128,985</u>
Cash Flows From Noncapital Financing Activities			
Other revenue	\$ -	\$ -	\$ -
Transfers to other funds	-	-	-
Increase in due to other funds	852	67,515	68,367
Net cash provided by noncapital financing activities	<u>\$ 852</u>	<u>\$ 67,515</u>	<u>\$ 68,367</u>
Cash Flows From Capital and Related Financing			
Acquisition of capital assets	\$ -	\$ (163,944)	\$ (163,944)
Principal paid on notes payable	-	(74,206)	(74,206)
Interest paid on notes payable	-	(120,257)	(120,257)
Capital contributions	-	192,315	192,315
Net cash provided (used) by capital and related financing activities	<u>\$ -</u>	<u>\$ (166,092)</u>	<u>\$ (166,092)</u>
Cash Flows From Investing Activities			
Interest and dividends	\$ -	\$ 228	\$ 228
Net increase (decrease) in cash and cash equivalents	\$ -	\$ 31,488	\$ 31,488
Balances - Beginning of year	-	-	-
Balances - End of year	<u>\$ -</u>	<u>\$ 31,488</u>	<u>\$ 31,488</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	<u>\$ (30,186)</u>	<u>\$ (51,346)</u>	<u>\$ (81,532)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	\$ 2,319	\$ 274,046	\$ 276,365
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	16,377	(38,729)	(22,352)
Increase (decrease) in net pension liability	(1,747)	(1,747)	(3,494)
Increase (decrease) in deferred inflows of resources	510	510	1,020
(Increase) decrease in deferred outflows of resources	1,252	1,252	2,504
Increase (decrease) in accounts payable and accrued liabilities	(3,363)	(55,149)	(58,512)
Increase (decrease) in customer deposits	13,986	1,000	14,986
Increase (decrease) in accrued vacation pay	-	-	-
Total adjustments	<u>\$ 29,334</u>	<u>\$ 181,183</u>	<u>\$ 210,517</u>
Net cash provided by operating activities	<u>\$ (852)</u>	<u>\$ 129,837</u>	<u>\$ 128,985</u>

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

Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of Town of Elm City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Elm City is a municipal corporation that is governed by an elected mayor and a four-member council.

B. Basis of Presentation

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

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

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

Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

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 funds:

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

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

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

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

Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

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 is 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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

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. 15-31]. The Town may designate, as an official depository, and 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 investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 day, it is presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, reporting, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Elm City Restricted Cash

Governmental Activities
General Fund
Streets

\$ 43,119

Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. 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. The Town has not adopted minimum capitalization policies. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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 estimate historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	20-40
Buildings	20-40
Improvements	20
Furniture and equipment	5-10
Computer equipment	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 meet this criterion, pension deferrals in the 2020 fiscal year. In

Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

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 receivables and deferrals of pension expenses that result from GASB 68.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related 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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty (30) 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

10. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

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. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by the law through constitutional provisions or enabling legislation". RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

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.

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

11. Pensions

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

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2020, the Town's expenditures exceeded approved budget authorization in the Water Fund by \$10,148. The Town also exceeded approved budget authorization for the Public Safety expenditures in the General Fund by \$23,697. Management and the Board will more closely monitor the budget reports to ensure compliance in the future.

B. Non-compliance with North Carolina General Statutes

Annual Audit

In accordance with G.S. 159-34, each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year. The audit for the year ended June 30, 2020 was not completed until May 14, 2021. Due to changeover in management personnel, the final accounting records were not received for audit until May 2021. The prior year audit was also eight months late. The Town has hired new staff and an outside accountant and anticipates more timely audits in the future.

**Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020**

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$55,668 which is comprised of cash and cash equivalents, and a bank balance of \$152,392. Of the bank balance, all of it was covered by federal depository insurance.

2. Investments

At June 30, 2020, the Town of Elm City had \$91,064 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 adopted a formal policy regarding credit risk.

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2020	Maturity	Rating
NC Capital Management Trust Government Portfolio	Fair Value-Level 1	\$ 91,064	N/A	AAAM
Total		\$ 91,064		

a. Interest Rate Risk

The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's

Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

investment policy limits as least half of the Town's investment portfolio to maturities of less than 12 months.

b. Credit Risk

The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2020.

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 - accounts receivable	\$ -
Enterprise	<u>80,100</u>
	<u><u>\$ 80,100</u></u>

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,032	\$ -	\$ 51,565	\$ 40,467
Construction in progress	-	-	-	-
Total capital assets not being	<u>\$ 92,032</u>	<u>\$ -</u>	<u>\$ 51,565</u>	<u>\$ 40,467</u>
Capital assets being depreciated:				
Buildings	\$ 1,438,047	\$ -	\$ 115,507	\$ 1,322,540
Vehicles, furniture and equipment	96,469	14,168	-	110,637
Total capital assets being depreciated	<u>\$ 1,534,516</u>	<u>\$ 14,168</u>	<u>\$ 115,507</u>	<u>\$ 1,433,177</u>
Less accumulated depreciation for:				
Buildings	\$ 118,454	\$ 33,719	\$ -	\$ 152,173
Vehicles, furniture and equipment	110,636	-	-	110,636
Total accumulated depreciation	<u>\$ 229,090</u>	<u>\$ 33,719</u>	<u>\$ -</u>	<u>\$ 262,809</u>
Total capital assets being				
depreciated, net	<u>\$ 1,305,426</u>			<u>\$ 1,170,368</u>
Governmental activity capital assets, net	<u><u>\$ 1,397,458</u></u>			<u><u>\$ 1,210,835</u></u>

Town of Elm City, North Carolina
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For the Year Ended June 30, 2020

Governmental-type depreciation expense was charged to:

Cultural and recreation	\$ 33,719
General government	-
Total Depreciation Expense	\$ 33,719

Capital asset activity for the Town's business-type activities for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 265,383	\$ -	\$ -	\$ 265,383
Construction in progress	1,152,063	163,944	-	1,316,007
Total capital assets not being depreciated	\$ 1,417,446	\$ 163,944	\$ -	\$ 1,581,390
Capital assets being depreciated:				
Water and sewer systems	\$ 12,163,959	\$ -	\$ -	\$ 12,163,959
Less accumulated depreciation for:				
Water and sewer systems	3,617,619	276,365	-	3,893,984
Total capital assets being depreciated, net	\$ 8,546,340			\$ 8,269,975
Business-type activities capital assets	\$ 9,963,786			\$ 9,851,365

C. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Elm City is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consist 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Town of Elm City, North Carolina
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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. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Elm City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Elm City contractually required contribution rate for the year ended June 30, 2020, was 8.95% of compensation for general employees, 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 Elm City were \$4,055 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 \$21,574 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 asset 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 asset 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, the Town's proportion was 0.00079%, which was a decrease of 0.00155% from its proportion measured as of June 30, 2018.

Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

For the year ended June 30, 2020, the Town recognized pension expense of \$5,342. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,694	\$ -
Changes of assumptions	3,516	-
Net difference between projected and actual earnings on pension plan investments	526	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	14,691
Town contributions subsequent to the measurement date	<u>4,055</u>	<u>-</u>
Total	<u>\$ 11,791</u>	<u>\$ 14,691</u>

\$4,055 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2020	\$ (437)
2021	(2,796)
2022	(1,358)
2023	(2,365)
2024	-
Thereafter	-
	<u>\$ (6,956)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

**Town of Elm City, North Carolina
Notes to the Financial Statements
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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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020**

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 49,344	\$ 21,574	\$ (1,508)

b. Law Enforcement Officers Special Separation Allowances

The Town of Elm City had no law enforcement officers during the year.

2. Other Employment Benefits

The Town has also 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 month’s salary in a row during the 24 months prior to the employee’s death, but the benefit must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The Town’s required contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

**Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020**

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows. Deferred outflows of resources at year-end are composed of the following elements:

Contributions to pension plan in current fiscal year	\$ 4,055
Pension deferrals	7,736
Total	<u>\$ 11,791</u>

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

Property taxes receivable (General Fund)	\$ 62,283
Pension deferrals	14,691
	<u>\$ 76,974</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance 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 all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town is not deemed to be located in a flood zone and is not required to carry flood insurance.

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

5. Long-Term Obligations

a. Governmental Activities

In October 2015, the Town purchased land to be used for future purposes. The Town borrowed \$475,000 from Southern Bank. The loan is based on 3.25% interest rate with a 59-month repayment schedule of \$8,050.85 principal payment plus interest paid monthly. Annual debt service requirements are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2021	8,354	8,284	70
June 30, 2022	-	-	-
June 30, 2023	-	-	-
	<u>\$ 8,354</u>	<u>\$ 8,284</u>	<u>\$ 70</u>

In September 2017, the Town entered into two installment financing contracts with USDA Rural Development to pay off an existing loan to Southern Bank for the Train Depot renovation. One loan was for \$711,500 at an interest rate of 3.75% for thirty years. The second loan was for \$460,000 at an interest rate of 2.875% for thirty years. Future obligations are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	23,092	10,443	12,649
2022	23,092	10,743	12,349
2023	23,092	11,052	12,040
2024	23,092	11,369	11,723
2025	23,092	11,696	11,396
2026-2030	115,460	63,721	51,739
2031-2035	115,460	73,424	42,036
2036-2040	115,460	85,117	30,343
2041-2045	115,460	100,289	15,171
2046-2050	64,044	62,128	1,916
	<u>\$ 641,344</u>	<u>\$ 439,982</u>	<u>\$ 201,362</u>

Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	39,909	14,238	25,671
2022	39,909	14,772	25,137
2023	39,909	15,326	24,583
2024	39,909	15,901	24,008
2025	39,909	16,497	23,412
2026-2030	199,545	92,244	107,301
2031-2035	199,545	110,886	88,659
2036-2040	199,545	133,296	66,249
2041-2045	199,545	160,235	39,310
2046-2050	119,587	111,154	8,433
	<u>\$ 1,117,312</u>	<u>\$ 684,549</u>	<u>\$ 432,763</u>

In November 2018, the Town borrowed \$124,590 from Southern Bank to finance paving expenditures for the Train Depot and other areas around Town. The loan payments are based on 3.87% for 60 months. Annual debt service requirements are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	19,554	19,273	281
2022	-	-	-
2023	-	-	-
	<u>\$ 19,554</u>	<u>\$ 19,273</u>	<u>\$ 281</u>

b. Business-type Activities

During the year ended June 30, 2009, general obligation bonds were issued to finance the rehabilitation of the Town's sewer system and are being retired by resources reported as long-term debt in the Sewer Fund. The bonds were issued on March 1, 2008 and are due on June 1, 2047. The bonds bear interest at 4.375 percent. The town owes \$1,723,000 on these notes as of June 30, 2020. Future obligations are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	111,913	37,000	74,913
2022	112,381	38,000	74,381
2023	111,763	40,000	71,763
2024	112,100	42,000	70,100
2025	112,350	43,000	69,350
2026-2030	558,594	246,000	312,594
2031-2035	558,795	305,000	253,795
2036-2040	558,993	378,000	180,993
2041-2045	543,001	452,000	91,001
2046-2050	150,401	142,000	8,401
	<u>\$ 2,930,291</u>	<u>\$ 1,723,000</u>	<u>\$ 1,207,291</u>

Town of Elm City, North Carolina
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For the Year Ended June 30, 2020

During the year ended June 30, 2008, the Town received a loan from the Division of Water Quality. The loan was for the total amount of \$444,125 with an interest rate of 2.265%. The loan will be repaid over twenty years with annual principal payments of \$22,206 and semi-annual interest payments of varying amounts. Future obligations under this note are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	25,726	22,206	3,520
2022	25,224	22,206	3,018
2023	24,720	22,206	2,514
2024	24,218	22,206	2,012
2025	23,714	22,206	1,508
2026-2030	45,922	44,414	1,508
	<u>\$ 169,524</u>	<u>\$ 155,444</u>	<u>\$ 14,080</u>

During the year ended June 30, 2020, the Town received a Sanitary Sewer general obligation bond to finance the rehabilitation of the Town's sewer system in the amount of \$1,087,000. The bonds were issued on July 7, 2020 and are due on June 1, 2050. The bonds bear interest at 4.00%. Future obligations are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	56,640	18,000	38,640
2022	56,920	19,000	37,920
2023	56,160	19,000	37,160
2024	56,400	20,000	36,400
2025	56,600	21,000	35,600
2026-2030	284,600	120,000	164,600
2031-2035	283,600	145,000	138,600
2036-2040	282,360	175,000	107,360
2041-2045	282,440	213,000	69,440
2046-2050	239,280	216,000	23,280
	<u>\$ 1,655,000</u>	<u>\$ 966,000</u>	<u>\$ 689,000</u>

6. Changes in Long-Term Liabilities

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installment purchases	\$ 1,299,762	\$ -	\$ 73,582	\$ 1,152,088	\$ 52,238
Net pension liability	49,961	-	-	19,596	-
Compensated absences	-	-	-	-	-
	<u>\$ 1,349,723</u>	<u>\$ -</u>	<u>\$ 73,582</u>	<u>\$ 1,171,684</u>	<u>\$ 52,238</u>

Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

Business-type activities:

General obligation bonds	\$ 2,741,000	\$ -	\$ 52,000	\$ 2,689,000	\$ 55,000
Water quality loan	177,650	-	22,206	155,444	22,206
Net pension liability	5,552	-	3,394	2,158	-
Compensated absences	-	-	-	-	-
	<u>\$ 2,924,202</u>	<u>\$ -</u>	<u>\$ 77,600</u>	<u>\$ 2,846,602</u>	<u>\$ 77,206</u>

At June 30, 2020, the Town had a legal debt margin of \$2,037,195.

7. Interfund Balances and Activities

Balances due to/from other funds at June 30, 2020 consist of the following:

Due to the General Fund:

Water fund	\$ 53,310
Sewer fund	\$ 175,375
Sewer sprayfield expansion fund	190,045
Total	<u>\$ 418,730</u>

The interfund balances are a result of the Enterprise Funds not fully supporting themselves. The Sewer Capital Project Fund expenses through June 30, 2020 were \$190,045. The Town will be reimbursed these funds once construction starts.

8. Fund Balance

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

Total fund balance - General Fund	\$ 525,079
Less:	
Stabilization by State Statute	422,664
Streets-Powell Bill	43,119
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	59,296

9. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 1,210,835	\$ 9,851,365
Less: Long-term debt	1,204,326	2,844,444
Net Investment in Capital Assets	<u>\$ 6,509</u>	<u>\$ 7,006,921</u>

**Town of Elm City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020**

IV. Related Party Transaction

The Town has participated in no related party transactions for the 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. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts revenues and expenses during the reporting period. Actual results could differ from those estimates.

VII. Subsequent Events

As of May 14, 2021, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contribution to Local Government Employees' Retirement System

Town of Elm City, North Carolina
Town of Elm City's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Town of Elm City's proportion of the net pension liability (asset) (%)	0.00079%	0.00234%	0.00223%	0.00220%	0.20300%	0.00171%	16.00000%
Town of Elm City's proportion of the net pension liability (asset) (\$)	\$ 21,574	\$ 55,513	\$ 34,068	\$ 46,691	\$ 9,111	\$ (10,085)	\$ 19,286
Town of Elm City's covered-employee payroll	\$ 75,529	\$ 107,148	\$ 100,861	\$ 92,674	\$ 82,600	\$ 87,033	\$ 85,600
Town of Elm City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.56%	51.81%	33.78%	50.38%	11.03%	-11.59%	22.53%
Plan fiduciary net position as a percentage of the total pension liability	94.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

**Town of Elm City, North Carolina
Town of Elm City's Contributions
Required Supplementary Information
Last Seven Fiscal Years**

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,055	\$ 5,854	\$ 8,036	\$ 7,312	\$ 6,181	\$ 5,840	\$ 6,154
Contributions in relation to the contractually required contributions	<u>4,055</u>	<u>5,854</u>	<u>8,036</u>	<u>7,312</u>	<u>6,181</u>	<u>5,840</u>	<u>6,154</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Town of Elm City's covered-employee payroll	\$ 45,303	\$ 75,529	\$ 107,148	\$ 100,861	\$ 92,674	\$ 82,600	\$ 87,033
Contributions as a percentage of covered-employee payroll	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

Individual Fund Statements and Schedules

Town of Elm City, North Carolina
General Fund
Schedule of Revenues, Expenditures, And
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes:			
Taxes		\$ 552,067	\$ 552,067
Penalties and interest		4,122	4,122
Total	<u>\$ 439,863</u>	<u>\$ 556,189</u>	<u>\$ 116,326</u>
Unrestricted intergovernmental revenues:			
Local option sales tax		\$ 173,609	\$ 173,609
Telecommunication sales tax		14,738	14,738
Utility franchise tax		73,985	73,985
Video programming		3,810	3,810
Beer and wine tax		5,385	5,385
Total	<u>\$ 249,541</u>	<u>\$ 271,527</u>	<u>\$ 21,986</u>
Restricted intergovernmental revenues:			
Powell bill allocation		\$ 37,957	\$ 37,957
Solid waste disposal tax		714	714
Total	<u>\$ 38,575</u>	<u>\$ 38,671</u>	<u>\$ 96</u>
Sales and Services:			
Cemetery fees		\$ -	\$ -
Rents		28,997	(28,997)
Solid waste and recycling collection		116,896	(116,896)
Total	<u>\$ 161,181</u>	<u>\$ 145,893</u>	<u>\$ (145,893)</u>
Investment Earnings	<u>\$ 500</u>	<u>\$ 2,107</u>	<u>\$ 1,607</u>
Miscellaneous	<u>\$ 3,500</u>	<u>\$ 2,404</u>	<u>\$ (1,096)</u>
Total Revenues	<u>\$ 893,160</u>	<u>\$ 1,016,791</u>	<u>\$ 123,631</u>

Continued

Town of Elm City, North Carolina
General Fund
Schedule of Revenues, Expenditures, And
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

Continued

	Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government:			
Administrative			
Salaries and employee benefits		\$ 102,052	
Professional services		3,505	
Supplies		2,436	
Telephone and utilities		10,733	
Insurance		22,707	
Dues and subscriptions		4,528	
Other operating expenditures		56,417	
Capital outlay		-	
Total General Government	\$ 223,135	\$ 202,378	\$ 20,757
Public Safety:			
Police			
Contracted services		\$ 145,804	
Other operating expenditures		2,915	
Total Police		\$ 148,719	
Fire and rescue squad			
Operating expenses		\$ 14,391	
Total Public Safety	\$ 139,413	\$ 163,110	\$ (23,697)
Transportation:			
Contracted services		\$ -	
Powell bill expenditures		122,430	
Other expenditures		-	
Street lights		24,109	
Total Transportation	\$ 158,252	\$ 146,539	\$ 11,713

Continued

Town of Elm City, North Carolina
General Fund
Schedule of Revenues, Expenditures, And
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

Continued

	Budget	Actual	Variance Positive (Negative)
Environmental Protection			
Operating expenditures		\$ 255,389	
Capital outlay		-	
Total Environmental Protection	\$ 257,836	\$ 255,389	\$ 2,447
Cultural and recreation:			
Operating expenditures		\$ 53,306	
Library:			
Operating expenditures		4,518	
Train Depot:			
Operating expenditures		10,425	
Total Cultural and Recreation	\$ 97,850	\$ 68,249	\$ 29,601
Debt service:			
Principal retirement		\$ 127,913	
Interest		-	
Total Debt Service	\$ 136,991	\$ 127,913	\$ 9,078
Total Expenditures	\$ 1,013,477	\$ 963,578	\$ 49,899
Revenues over (under) expenditures	\$ (120,317)	\$ 53,213	\$ 173,530
Other financing sources (uses):			
Loan proceeds	\$ -	\$ -	\$ -
Transfer of funds	-	-	-
Fund balance appropriated	120,317	-	(120,317)
Total	\$ 120,317	\$ -	\$ (120,317)
Net change in fund balance	\$ -	\$ 53,213	\$ 53,213
Fund Balances			
Beginning of year		362,548	
Prior period adjustments and correction of errors		109,318	
End of year		\$ 525,079	

Town of Elm City, North Carolina
Water Fund
Schedule of Revenues And Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services		\$ 224,248	
Other operating revenues		5,040	
Total Operating Revenues	\$ 247,007	\$ 229,288	\$ (17,719)
Non-operating revenues:			
Miscellaneous revenue		16,639	
Total Operating Revenues	\$ 247,007	\$ 16,639	\$ (230,368)
Expenditures			
Water:			
Contract services		\$ 137,320	
Supplies		315	
Other operating expenditures		119,520	
Total Expenditures	\$ 247,007	\$ 257,155	\$ (10,148)
Capital Outlay	\$ -	\$ -	\$ -
Revenues Over (Under) Expenditures	\$ -	\$ (27,867)	\$ (27,867)
Other Financing Sources (Uses)			
Transfers from (to) other funds		\$ -	
Miscellaneous revenue		16,639	
Total Other Financing Sources	\$ -	\$ 16,639	\$ 16,639
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (11,228)	\$ (11,228)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		\$ (11,228)	
Reconciling items:			
Capital outlay		-	
(Increase) decrease in accrued vacation pay		-	
Depreciation		(2,319)	
Capital contributions		-	
Total Reconciling Items		\$ (2,319)	
Change in Net Position		\$ (13,547)	

Town of Elm City, North Carolina
Sewer Fund
Schedule of Revenues And Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Charges for services		\$ 394,235	
Other operating revenues		20,926	
Total operating revenues	\$ 417,376	\$ 415,161	\$ (2,215)
Non-operating revenues:			
Interest earnings		228	
Total Revenues	<u>\$ 417,376</u>	<u>\$ 415,389</u>	<u>\$ (1,987)</u>
Expenditures			
Sewer:			
Contract services		\$ 137,320	
Supplies		335	
Other operating expenditures		54,806	
Total	<u>\$ -</u>	<u>\$ 192,461</u>	<u>\$ (192,461)</u>
Debt Service			
Principal		\$ 74,206	
Interest		120,257	
Total Debt Service	<u>\$ -</u>	<u>\$ 194,463</u>	<u>\$ (194,463)</u>
Capital Outlay	<u>\$ -</u>	<u>\$ 163,944</u>	<u>\$ (163,944)</u>
Total Expenditures	<u>\$ 609,691</u>	<u>\$ 550,868</u>	<u>\$ (550,868)</u>
Revenues Over (Under) Expenditures	<u>\$ (192,315)</u>	<u>\$ (135,479)</u>	<u>\$ (552,855)</u>
Other Financing Sources (Uses)			
Transfers from (to) other funds	\$ -	\$ -	\$ -
Fund balance appropriated	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (192,315)</u>	<u>\$ (135,479)</u>	<u>\$ (552,855)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		<u>\$ (135,479)</u>	
Reconciling items:			
Depreciation		(274,046)	
Capital outlay		163,944	
Principal retirement		74,206	
Capital contributions		192,315	
Total Reconciling Items		<u>\$ 156,419</u>	
Change in Net Position		<u>\$ 20,940</u>	

Town of Elm City, North Carolina
Sewer Capital Projects Fund - Disaster Assistance Recovery
Schedule of Revenues, Expenditures, And Changes
In Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2020

	Actual				Variance - Positive (Negative)
	Project Authorization	Prior Year	Current Year	Total To Date	
Revenues					
Restricted intergovernmental revenues					
Disaster Assistance Recovery	\$ 100,000	\$ -	\$ 100,000	\$ 100,000	\$ -
Interest income	\$ -	\$ -	\$ 228	\$ 228	\$ 228
Total	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,228</u>	<u>\$ 100,228</u>	<u>\$ 228</u>
Expenditures					
Disaster recovery	\$ 100,000	\$ -	\$ 71,629	\$ 71,629	\$ 28,371
Total Expenditures	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 71,629</u>	<u>\$ 71,629</u>	<u>\$ 28,371</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,599</u>	<u>\$ 28,599</u>	<u>\$ 28,599</u>

Town of Elm City, North Carolina
Water Capital Projects Fund - Asset Inventory Assessment
Schedule of Revenues, Expenditures, And Changes
In Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2020

	Actual				Variance - Positive (Negative)
	Project Authorization	Prior Year	Current Year	Total To Date	
Revenues					
Restricted intergovernmental revenues					
State Grant-Wastewater	\$ 150,000	\$ 118,750	\$ 22,000	\$ 140,750	\$ (9,250)
State Grant-Drinking Water	150,000	97,250	13,000	110,250	(39,750)
Total Revenues	<u>\$ 300,000</u>	<u>\$ 216,000</u>	<u>\$ 35,000</u>	<u>\$ 251,000</u>	<u>\$ (49,000)</u>
Expenditures					
Assessment-wastewater	\$ 150,000	\$ 118,750	\$ 22,000	\$ 140,750	\$ 9,250
Assessment-drinking water	150,000	97,250	13,000	110,250	39,750
Total Expenditures	<u>\$ 300,000</u>	<u>\$ 216,000</u>	<u>\$ 35,000</u>	<u>\$ 251,000</u>	<u>\$ 49,000</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Elm City, North Carolina
Sewer Capital Projects Fund
Schedule of Revenues, Expenditures, And Changes
In Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2020

	Project Authorization	Actual			Variance - Positive (Negative)
		Prior Year	Current Year	Total To Date	
Revenues					
Restricted intergovernmental revenues					
Town contribution	\$ 45,000	\$ -	\$ -	\$ -	\$ (45,000)
Grant-State Reserve	3,000,000	132,730	57,315	190,045	(2,809,955)
Total revenues	<u>\$ 3,045,000</u>	<u>\$ 132,730</u>	<u>\$ 57,315</u>	<u>\$ 190,045</u>	<u>\$ (2,854,955)</u>
Expenditures					
Construction	\$ 2,302,727	\$ 106,700	\$ 57,315	\$ 164,015	\$ 2,138,712
Administration	512,000	26,030	-	26,030	485,970
Contingency	230,273	-	-	-	230,273
Total expenditures	<u>\$ 3,045,000</u>	<u>\$ 132,730</u>	<u>\$ 57,315</u>	<u>\$ 190,045</u>	<u>\$ 2,854,955</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

This section contains additional information on property taxes.

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

Town of Elm City, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2019-2020	\$ -	\$ 475,156	\$ 454,134	21,022
2018-2019	21,650	23,305	34,217	10,738
2017-2018	13,557	25,294	30,581	8,270
2016-2017	5,913	21,283	23,190	4,006
2015-2016	4,212	-	477	3,735
2014-2015	3,146	-	169	2,977
2013-2014	2,835	-	4	2,831
2012-2013	2,910	-	4	2,906
2011-2012	2,994	-	-	2,994
2010-2011	2,803	-	-	2,803
2009-2010	2,590	-	2,590	-
Total	<u>\$ 62,610</u>	<u>\$ 545,038</u>	<u>\$ 545,366</u>	<u>\$ 62,282</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 556,189
Reconciling items:	
Interest collected	(4,122)
Discounts, write-offs and releases	(6,701)
Total collections and credits	<u>\$ 545,366</u>

**Town of Elm City
 Analysis of Current Tax Levy
 Town - Wide Levy
 For the Fiscal Year Ended June 30, 2020**

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	<u>\$ 75,421,587</u>	0.63	\$ 475,156	\$ 413,526	\$ 61,630
Uncollected taxes at June 30, 2020			21,022	21,022	-
Current year's taxes collected			<u>\$ 454,134</u>	<u>\$ 392,504</u>	<u>\$ 61,630</u>
Current levy collection percentage			<u>95.58%</u>	<u>94.92%</u>	<u>100.00%</u>



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Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards

Independent Auditor's Report

To the Members of the Board of Commissioners
Town of Elm City
Elm City, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Elm City as of and for the year ended June 30, 2020, the related notes to the financial statements, which collectively comprise the Town of Elm City's basic financial statements, and have issued my report thereon dated May 14, 2021.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Elm City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

My consideration of internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies, and some that I consider to be material weaknesses and are reported as Findings 2020-001 through 2020-006.

Compliance and Other Matters

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

Town's Response to Findings

Town of Elm City's responses to the finding identified in my audit is described in the accompanying schedule of finding and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Tarboro, North Carolina
May 14, 2021

**Town of Elm City
Elm City, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section II – Financial Statement Findings

Significant Deficiency

Finding 2020-001 Segregation of Duties

Criteria or specific requirement: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is lack of segregation of duties among Town personnel.

Cause: There are limited number of personnel for certain functions.

Effect: Transactions could be mishandled.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Repeat Finding: Yes

Views of responsible officials and planned corrective actions: The Town agrees with this finding. We are in the process of hiring a new Town Manager. In the meantime, the Board will provide any allowed assistance.

**Town of Elm City
Elm City, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section II – Financial Statement Findings

Significant Deficiency

Finding 2020-002 Preparation of Financial Statements

Criteria: The Town has a responsibility to prepare the financial statements at the end of the year.

Condition: The finance department staff and finance officer are capable of preparing the financial statements and performs daily and monthly functions well. However, the Board is concerned about the timelines of records and reporting and have chosen to contract with the auditor to prepare the financial statements.

Cause: Lack of training.

Effect: The Town has contracted with the auditor to prepare the financial statements.

Recommendation: The Town should provide additional training or hire additional staff knowledgeable in the area of financial statement preparation.

Repeat Finding: Yes

Views of responsible officials and planned corrective actions: The Town's finance officer is a CPA and will review the draft financial statements for material errors and reasonableness of amounts. We have provided a person with suitable knowledge and experience to oversee the preparation of financial statements.

**Town of Elm City
Elm City, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section II – Financial Statement Findings

Material Weakness

Finding 2020-003 Late Submission of Audit

Criteria: The Town is required to submit the audit report to the Local Government Commission by October 31 following the year end of June 30.

Condition: The audit report for the year ended June 30, 2020 was due to the Local Government Commission by January 31, 2021. The audit report was not submitted to the Local Government Commission until May 15, 2021.

Cause: The yearend accounting and documents, as well as a reconciled bank account, required for an audit were not prepared in a timely fashion. The Town is short-staffed. They have hired an outside accountant to assist with the yearend accounting.

Effect: Audit reports completed a year after the June 30 year end do not provide useful information to management, the Board, lenders, and the Local Government Commission.

Recommendation: The Board should remain diligent in expecting and receiving timely financial information from the staff and the outside accountant. Management should constantly monitor the financial information and be aware of whether reporting deadlines are met.

Repeat Finding: Yes

Views of responsible officials and planned corrective actions: Management is aware that the accounting records were not prepared timely in order to receive a timely audit. The Board has already become more involved and will hold the staff and accountant accountable for timely financial information.

**Town of Elm City
Elm City, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section II – Financial Statement Findings

Material Weakness

Finding 2020-004 Cash Management

Criteria: Enterprise Funds should be able to sustain themselves through user fees. Management should manage revenues and expenses to maintain the operations of each fund in a fiscally responsible manner.

Condition: The major enterprise funds of the Town had a negative unrestricted net position as follows:

- Water Fund – (\$43,735)
- Sewer Fund – (\$139,356)

Cause: Due the Enterprise Funds inability to fund their own operations without borrowing money from the General Fund, the financial stability of all funds has been compromised.

Effect: The Town's negative unrestricted net position in these funds limits the operations of the fund and its flexibility to budget and pay for routine and unexpected expenses.

Recommendation: Management must pursue all means necessary to increase revenues and reduce expenses in an effort to improve Cash Management.

Repeat Finding: No

Views of responsible officials and planned corrective actions: The Town agrees with this finding. See Corrective Active Plan.

**Town of Elm City
Elm City, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section II – Financial Statement Findings

Material Weakness

Finding 2020-005 Prior Period Adjustments

Criteria: The beginning balance of net position at July 1 should match the ending balance of net position at June 30 of the prior year.

Condition: Sewer Fund net position had to be adjusted by (\$85,914) due to prior year accounting errors in recording transactions in the central depository bank account. The General Fund net position had to be adjusted by \$109,318 due to accounting errors in the central depository bank account. The Governmental Activities had to be adjusted by (\$50,262) due to prior year accounting errors in the central depository bank account and recording of fixed assets.

Cause: Each of the adjustments were due to various pension and other accruals that were not posted properly.

Effect: All ending balances should be reported correctly to give the readers of the financial statements accurate information.

Recommendation: All due diligence should be exercised to ensure that the accounting records report the net position of each fund correctly at year-end.

Repeat Finding: No

Views of responsible officials and planned corrective actions: Management agrees with this finding.

**Town of Elm City
Elm City, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section II – Financial Statement Findings

Significant Deficiency

Finding 2020-006 Expenditures Exceeded Authorized Budget

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government should be included in the budget ordinance.

Condition: The Town exceeded Water Fund budget appropriations by \$10,148. The Town also exceeded Public Safety budget appropriations by \$23,697.

Cause: The Town did not amend its budget when expenditures exceeded appropriated amounts.

Effect: Moneys were spent that had not been appropriated.

Recommendation: Budget amendments should be adopted when excess expenditures occur.

Repeat Finding: No

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

TOWN OF ELM CITY

Post Office Box 717, Elm City, North Carolina 27822

Phone: (252) 236-4917 Fax: (252) 236-3970

www.elmcitync.com

MAYOR

Grady N. Smith

TOWN CLERK / INTERIM ADMIN.

Dena H. Owens

COMMISSIONERS

Dale Childress

Melvin Cooke

Cornell Mercer

Tawanda Moore

Gil Wheeler

Corrective Action Plan For the Year Ended June 30, 2020

Section II – Financial Statement Findings

Finding 2020-001

Segregation of Duties

Name of Contact Person:

Grady Smith
Mayor

Corrective Action:

We are considering hiring additional staff that will have financial experience. In addition, the Board and fee accountant will assist to increase the segregation of duties.

Proposed Completion Date:

Immediately

Finding 2020-002

Preparation of Financial Statement

Name of Contact Person:

Grady Smith
Mayor

Corrective Action:

Management and the financial officer will work together to make sure that financial records are up to date and the finance officer will review the financial statements for the year ended June 30, 2021.

Proposed Completion Date:

June 30, 2021

Finding 2020-003

Late Submission of Audit

Name of Contact Person:

Grady Smith
Mayor

Corrective Action:

Management has stressed the importance of timely records. Management and the finance officer will work together to make sure that financial records are up to date and the finance officer will prepare timely records for the year ended June 30, 2020.

Proposed Completion Date:

June 30, 2021

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Corrective Action Plan For the Year Ended June 30, 2020

Section II – Financial Statement Findings

Finding 2020-004

Cash Management

Name of Contact Person:

Grady Smith
Mayor

Corrective Action:

We have raised rates for three consecutive years and plan to do so again for the 2021-2022 year. We will continue to review expenses to see where we can cut expenses to ensure that the enterprise funds are self-sustaining.

Proposed Completion Date:

Immediately

Finding 2020-005

Prior Period Adjustments

Name of Contact Person:

Grady Smith
Mayor

Corrective Action:

We have stressed the importance of timely and accurate accounting records. We will insist on monthly reporting that is up to date.

Proposed Completion Date:

June 30, 2021

Finding 2020-006

Expenditures Exceeded Authorized Budget

Name of Contact Person:

Grady Smith
Mayor

Corrective Action:

We plan to put procedures in place to receive timely reporting that will assist the Board in making the required budget amendments when necessary.

Proposed Completion Date:

June 30, 2021

**Town of Elm City
Elm City, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2020**

Finding 2019-001 Segregation of Duties

Status: Repeat finding

Finding 2019-002 Preparation of Financial Statement

Status: Repeat finding

Finding 2019-003 Late Submission of Audit

Status: Repeat finding