
Town of Grimesland

Grimesland, North Carolina

Audit Report

June 30, 2020



TOWN OF GRIMESLAND

GRIMESLAND, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Eleanor H. Farr

Town Commissioners

Ronnie Bowling -Mayor Pro Tem

Ronnie Bowling

Ted Bowles

Gerald Whitley

Town Clerk

Barbara M. Chitmon

Town of Grimesland, North Carolina
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June 30, 2020

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LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Grimesland, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Member:

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants
AICPA – Governmental Audit Quality Center

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Opinions

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

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 45 and 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Grimesland, 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 the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Larry E. Carpenter, CPA, PA

Greenville, NC
October 06, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Grimesland, we offer readers of the Town of Grimesland's financial statements this narrative overview and analysis of the financial activities of the Town of Grimesland for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

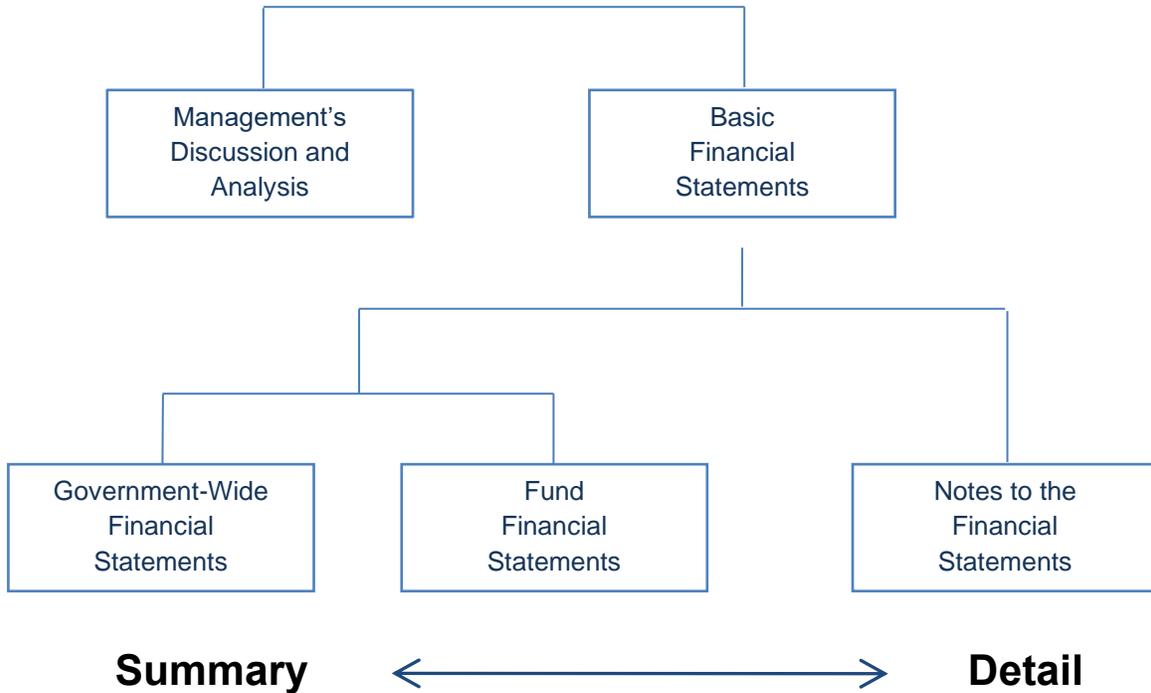
- The assets and deferred outflows of resources of the Town of Grimesland exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,988,875 (*net position*).
- The government's total net position decreased by \$176,289, primarily due to an decrease in both the governmental and the business-type activities net position.
- As of the close of the current fiscal year, the Town of Grimesland's governmental funds reported combined ending fund balances of \$231,435 with a net change of (\$52,013) in fund balance. Approximately 89.13% percent of this total amount, or \$206,282, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$177,403, or 61.66% percent of total general fund expenditures for the fiscal year.
- At the end of the year, the Town of Grimesland had Restricted Reserves of \$3,592.

Overview of the Financial Statements

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

Components of the Annual Financial Report

Figure 1:



Basic Financial Statements

The first two statements (Exhibits A-1 and A-2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status. The next statements (Exhibits A-3 through A-9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide financial statements

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

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

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

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

Fund financial statements

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

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

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

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

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

**Town of Grimesland's Net Position
Figure 2**

| | Governmental | | Business-Type | | Total | |
|--|--------------|------------|---------------|--------------|--------------|--------------|
| | Activities | | Activities | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current and other assets | \$ 238,878 | \$ 358,119 | \$ 169,801 | \$ 179,659 | \$ 408,679 | \$ 537,778 |
| Pension assets | | | | | | |
| Capital assets | 388,519 | 340,751 | 2,638,791 | 2,799,312 | 3,027,310 | 3,140,063 |
| Deferred outflows of resources | 23,942 | 25,494 | 19,589 | 20,859 | 43,531 | 46,353 |
| Total assets and deferred outflows of resources | 651,339 | 724,364 | 2,828,181 | 2,999,830 | 3,479,520 | 3,724,194 |
| Current liabilities | 3,060 | 3,060 | 43,593 | 62,450 | 46,653 | 65,510 |
| Noncurrent liabilities | 24,633 | 21,660 | 399,205 | 436,782 | 423,838 | 458,442 |
| Deferred inflows of resources | - | 112 | - | 12,129 | - | 12,241 |
| Total liabilities and deferred inflow of resources | 27,693 | 24,832 | 442,798 | 511,361 | 470,491 | 536,193 |
| Net investment in capital assets | 388,519 | 340,751 | 2,226,445 | 2,373,999 | 2,614,964 | 2,714,750 |
| Restricted | 25,153 | 98,260 | - | - | 25,153 | 98,260 |
| Unrestricted | 209,974 | 260,521 | 138,784 | 102,714 | 348,758 | 363,235 |
| Total net position | \$ 623,646 | \$ 699,532 | \$ 2,365,229 | \$ 2,476,713 | \$ 2,988,875 | \$ 3,176,245 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Grimesland exceeded liabilities by \$2,988,875 as of June 30, 2020. The Town's net position decreased by \$176,289 for the fiscal year ended June 30, 2020. However, the largest portion, \$2,614,964, or 87.49%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Grimesland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Grimesland's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Grimesland's net position, \$25,153 represents resources that

are subject to external restrictions on how they may be used. The remaining balance of \$348,758 or 60.21% is unrestricted.

Town of Grimesland's Changes in Net Position
Figure 3

| | Governmental | | Business-Type | | Total | |
|---|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| | Activities | | Activities | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 39,125 | \$ 2,451 | \$ 294,067 | \$ 289,653 | \$ 333,192 | \$ 292,104 |
| Operating grants and contributions | 12,954 | 13,150 | - | - | 12,954 | 13,150 |
| Capital grants and contributions | - | - | - | - | - | - |
| General revenues: | | | | | | |
| Property taxes | 78,850 | 88,090 | | | 78,850 | 88,090 |
| Other taxes | 134,472 | 138,539 | | | 134,472 | 138,539 |
| Unrestricted intergovernmental | - | - | | | - | - |
| Investment earnings | 3,100 | 1,962 | 1,090 | - | 4,190 | 1,962 |
| Other | 19,731 | 36,102 | 186 | 2,130 | 19,917 | 38,232 |
| Total revenues | <u>288,232</u> | <u>280,294</u> | <u>295,343</u> | <u>291,783</u> | <u>583,575</u> | <u>572,077</u> |
| Expenses: | | | | | | |
| General government | 240,291 | 200,014 | | | 240,291 | 200,014 |
| Public safety | - | - | | | - | - |
| Transportation | 23,985 | 24,284 | | | 23,985 | 24,284 |
| Economic and physical development | - | - | | | - | - |
| Environmental protection | 17,760 | 16,365 | | | 17,760 | 16,365 |
| Culture and recreation | 14,461 | 22,296 | | | 14,461 | 22,296 |
| Interest on long-term debt | - | - | | | - | - |
| Water and sewer | | | 463,367 | 455,463 | 463,367 | 455,463 |
| Total expenses | <u>296,497</u> | <u>262,959</u> | <u>463,367</u> | <u>455,463</u> | <u>759,864</u> | <u>718,422</u> |
| Increase in Net Position before transfers | (8,265) | 17,335 | (168,024) | (163,680) | (176,289) | (146,345) |
| Transfers | - | - | - | - | - | - |
| Increase (decrease) in Net Position | (8,265) | 17,335 | (168,024) | (163,680) | (176,289) | (146,345) |
| Net Position, July 1 | 631,911 | 682,197 | 2,533,253 | 2,640,393 | 3,165,164 | 3,322,590 |
| Net Position, June 30 | <u>\$ 623,646</u> | <u>\$ 699,532</u> | <u>\$ 2,365,229</u> | <u>\$ 2,476,713</u> | <u>\$ 2,988,875</u> | <u>\$ 3,176,245</u> |

Governmental Activities

Governmental activities decreases the Town's net position by \$8,265.

Business-Type Activities

Business-type activities decreased the Town's net position by \$168,024, thereby accounting for a decrease of 20.33% of the total growth in the net position of the Town of Grimesland.

Financial Analysis of the Town's Funds

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

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

the Town’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town’s fund balance available in the General Fund was \$177,403, while total fund balance reached \$202,556. The Town currently has an available fund balance of 53.03% of general fund expenditures, while total fund balance represents 60.55% of the same amount.

The North Carolina Local Government Commission strongly recommends that local governments maintain an undesignated fund balance of at least 8% of general fund expenditures. Undesignated fund balance is a sub classification of unassigned fund balance after consideration for management’s policy designations.

General Fund Budgetary Highlights

During the fiscal year, the Town did revise the budget. 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 or expand services.

Proprietary Funds: The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer Fund were \$2,365,299 at year-end. The total decrease in net position was \$168,024.

Capital Asset and Debt Administration

Capital assets. The Town of Grimesland’s investment in capital assets for its governmental and business—type activities as of June 30, 2020, totaled \$388,519 (*net of accumulated depreciation*). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Town of Grimesland’s Capital Assets
(*Net of Accumulated Depreciation*)

Figure 4

| | Governmental | | Business-Type | | Total | |
|-----------------------|--------------|------------|---------------|--------------|--------------|--------------|
| | Activities | | Activities | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 94,951 | \$ 42,951 | \$ 11,826 | \$ 11,826 | \$ 106,777 | \$ 54,777 |
| Buildings and systems | 106,012 | 110,374 | 2,595,275 | 2,751,709 | 2,701,288 | 2,862,083 |
| Equipment | 14,758 | 19,964 | 22,704 | 26,391 | 37,462 | 46,355 |
| Improvements | 144,929 | 135,019 | 8,987 | 9,386 | 153,916 | 144,405 |
| Infrastructure | 27,868 | 32,444 | - | - | 27,868 | 32,444 |
| Capital assets, net | \$ 388,519 | \$ 340,752 | \$ 2,638,792 | \$ 2,799,312 | \$ 3,027,311 | \$ 3,140,064 |

Long-Term Debt: As of June 30, 2020, the Town had a total bond debt outstanding of \$218,000 and an installment obligation of \$194,346 backed by full faith and credit of the Town. The Town’s total debt did not increase during the current fiscal year since the Town did not issue any debt during the fiscal year.

**Town of Grimesland
General Obligations and Loans**

Figure 5

| | Business-Type Activities | |
|--------------------------|---------------------------------|-------------|
| | 2020 | 2019 |
| Installment Purchases | \$ 194,346 | \$ 201,313 |
| General Obligation Bonds | 218,000 | 224,000 |
| Total | \$ 412,346 | \$ 425,313 |

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years’ continues to contribute to the factors below:

- High unemployment, an aged population, no industrial development, and very little retail business help to create a situation where the Town’s customer base is eroded. The resulting ratio of expense versus revenue creates a difficult situation in keeping rates and fees low while maintaining an adequate level of service. In addition, most residents are on fixed income.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Tax revenues along with other general fund revenues are expected to remain constant and no property tax rate increase is being considered at this time. Electric revenues and expenditures are expected to remain constant so no increase or decrease in rate is being considered at this time.

Governmental activities: Property taxes (benefiting from the economic growth) and revenues from charges for services are expected to lead the increase in budgeted revenue by 5%. The Town will use these increases in revenues to finance programs currently in place. Management has seen some improvement in areas that were affected by the recession and anticipates more growth in coming years.

Budgeted expenditures in the General Fund are expected to decrease approximately 8% the largest decreases are in General Government and Public Safety.

The Town has chosen to appropriate fund balance in the fiscal year 2020 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town’s financial position. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years’ budgets.

Requests for Information

Management Discussion and Analysis
Town of Grimesland

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 Clerk,
Town of Grimesland,
P. O. Box 147
7592 Pitt Street
Grimesland, North Carolina 27837**

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Grimesland, North Carolina
Statement of Net Position
June 30, 2020

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| <i>Current Assets</i> | | | |
| Cash and cash equivalents | \$ 209,335 | \$ 116,316 | \$ 325,651 |
| Taxes receivable, net | 4,390 | -- | 4,390 |
| Accounts receivable, net | 21,561 | 26,937 | 48,498 |
| Inventory | -- | 500 | 500 |
| Restricted cash and cash equivalents | 3,592 | 26,048 | 29,640 |
| Total Current Assets | 238,878 | 169,801 | 408,679 |
| <i>Noncurrent Assets</i> | | | |
| Land and other nondepreciable assets | 94,951 | 11,826 | 106,777 |
| Other capital assets, net of depreciation | 293,568 | 2,626,965 | 2,920,533 |
| Total Assets | 627,397 | 2,808,592 | 3,435,989 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Aggregated deferred outflows | 23,942 | 19,589 | 43,531 |
| Total Deferred Outflows of Resources | 23,942 | 19,589 | 43,531 |
| LIABILITIES | | | |
| <i>Current Liabilities</i> | | | |
| Accounts payable and accrued liabilities | 3,060 | 4,404 | 7,464 |
| Customer deposits | -- | 26,048 | 26,048 |
| Current portion of long-term debt | -- | 13,141 | 13,141 |
| Total Current Liabilities | 3,060 | 43,593 | 46,653 |
| <i>Noncurrent Liabilities</i> | | | |
| Due in more than one year | -- | 399,205 | 399,205 |
| Net Pension Liability | 24,633 | 20,154 | 44,787 |
| Total Liabilities | 27,693 | 462,952 | 490,645 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Aggregated deferred inflows | -- | -- | -- |
| Total Deferred Inflows of Resources | -- | -- | -- |
| NET POSITION | | | |
| Net investment in capital assets | 388,519 | 2,226,445 | 2,614,964 |
| <i>Restricted for:</i> | | | |
| State Statue | 21,561 | -- | 21,561 |
| Streets | 3,592 | -- | 3,592 |
| <i>Unrestricted</i> | 209,974 | 138,784 | 348,758 |
| Total Net Position | \$ 623,646 | \$ 2,365,229 | \$ 2,988,875 |

The accompanying notes are an integral part of this financial statement.

**Town of Grimesland, North Carolina
Statement of Activities
For the Year Ended June 30, 2020**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue | | |
|--|-------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Primary Government | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 240,291 | \$ 535 | \$ -- | \$ -- | \$ (239,756) | \$ -- | \$ (239,756) |
| Environmental protection | 17,760 | 25,440 | -- | -- | 7,680 | -- | 7,680 |
| Cultural and recreational | 14,461 | 13,150 | -- | -- | (1,311) | -- | (1,311) |
| Transportation | 23,985 | -- | 12,954 | -- | (11,031) | -- | (11,031) |
| Total Governmental Activities | 296,497 | 39,125 | 12,954 | -- | (244,418) | -- | (244,418) |
| Business-type Activities: | | | | | | | |
| Water & Sewer Fund | 463,367 | 294,067 | -- | -- | -- | (169,300) | (169,300) |
| Total Business-type Activities | 463,367 | 294,067 | -- | -- | -- | (169,300) | (169,300) |
| Total Primary Government | \$ 759,864 | \$ 333,192 | \$ 12,954 | \$ -- | \$ (244,418) | \$ (169,300) | \$ (413,718) |
| Component Units | | | | | | | |
| General Purpose Revenues and Transfers: | | | | | | | |
| Revenues | | | | | | | |
| | | | | | 78,850 | -- | 78,850 |
| | | | | | 134,472 | -- | 134,472 |
| | | | | | 3,100 | 1,090 | 4,190 |
| | | | | | 19,731 | 186 | 19,917 |
| | | | | | -- | -- | -- |
| | | | | | 236,153 | 1,276 | 237,429 |
| | | | | | (8,265) | (168,024) | (176,289) |
| | | | | | 699,532 | 2,476,713 | 3,176,245 |
| | | | | | (67,621) | 56,540 | (11,081) |
| | | | | | 631,911 | 2,533,253 | 3,165,164 |
| | | | | | \$ 623,646 | \$ 2,365,229 | \$ 2,988,875 |

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

**Town of Grimesland, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020**

| | <u>Major Fund</u> | | |
|--|---------------------|---|---|
| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 180,456 | \$ 28,879 | \$ 209,335 |
| Taxes receivable, net | 4,390 | -- | 4,390 |
| Accounts receivable, net | 21,561 | -- | 21,561 |
| Restricted cash and cash equivalents | 3,592 | -- | 3,592 |
| Total Assets | <u>209,999</u> | <u>28,879</u> | <u>238,878</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Aggregated deferred outflows | -- | -- | -- |
| Total Assets and Deferred Outflows of Resources | <u>\$ 209,999</u> | <u>\$ 28,879</u> | <u>\$ 238,878</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 3,053 | \$ -- | \$ 3,053 |
| Total Liabilities | 3,053 | -- | 3,053 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Aggregated deferred inflows | 4,390 | -- | 4,390 |
| Total Liabilities and Deferred Inflows of Resources | <u>7,443</u> | <u>--</u> | <u>7,443</u> |
| FUND BALANCE | | | |
| Restricted | | | |
| State Statue | 21,561 | -- | 21,561 |
| Streets | 3,592 | -- | 3,592 |
| Unassigned | 177,403 | 28,879 | 206,282 |
| Total Fund Balance | <u>202,556</u> | <u>28,879</u> | <u>231,435</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 209,999</u> | <u>\$ 28,879</u> | <u>\$ 238,878</u> |

The accompanying notes are an integral part of this financial statement.

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

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

| | | |
|--|-----------|-----------------------|
| Total Fund Balance - Governmental Funds | \$ | 231,435 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 388,519 |
| Net Pension Liability | | (24,633) |
| Other long-term liabilities (accrued interest payable, bonds payable, earned vacation payable) are not due and payable in the current period and, therefore are not reported in the funds. | | (7) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | 3,997 |
| Deferred outflows of resources related to pensions are not reported in the funds | | 23,942 |
| Earned revenues considered deferred inflows of resources in fund statements. | | 393 |
| Total Net Position-Governmental Funds | \$ | <u>623,646</u> |

The accompanying notes are an integral part of this financial statement.

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

| | <u>Major Fund</u> | | |
|---|---------------------|---|-------------------|
| | <u>General Fund</u> | <u>Other Governmental Funds</u> | |
| Revenues | | | |
| Ad valorem taxes | \$ 78,457 | \$ -- | \$ 78,457 |
| Unrestricted intergovernmental | 134,472 | -- | 134,472 |
| Restricted intergovernmental | 12,954 | -- | 12,954 |
| Sales and services | 25,440 | -- | 25,440 |
| Miscellaneous Income | 20,249 | 13,167 | 33,416 |
| Investment Earnings | 3,100 | -- | 3,100 |
| Total Revenues | <u>274,672</u> | <u>13,167</u> | <u>287,839</u> |
| Expenditures | | | |
| General government | 269,146 | -- | 269,146 |
| Transportation | 38,485 | -- | 38,485 |
| Environmental protection | 17,760 | -- | 17,760 |
| Cultural and recreational | 9,158 | 5,303 | 14,461 |
| Total Expenditures | <u>334,549</u> | <u>5,303</u> | <u>339,852</u> |
| Net Change in Fund Balance | (59,877) | 7,864 | (52,013) |
| <i>Fund Balance, Beginning As Previously Stated</i> | 330,054 | 21,015 | 351,069 |
| Prior Period Adjustment | (67,621) | -- | (67,621) |
| <i>Fund Balance, Beginning s Restated</i> | <u>262,433</u> | <u>21,015</u> | <u>283,448</u> |
| Fund Balance at End of Period | \$ 202,556 | \$ 28,879 | \$ 231,435 |

The accompanying notes are an integral part of this financial statement.

Town of Grimesland, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2020

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

| | | |
|---|-----------|-----------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | (52,013) |
| | | |
| Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | | 47,769 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | 392 |
| Pension expense | | (4,413) |
| Changes in Net Position-Governmental Funds | \$ | <u>(8,265)</u> |

The accompanying notes are an integral part of this financial statement.

Town of Grimesland, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|---|-------------------------|----------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>Favorable</u> <u>(Unfavorable)</u> <u>Final to Actual</u> |
| Revenues | | | | |
| Ad valorem taxes | \$ 77,500 | \$ 77,500 | \$ 78,457 | \$ 957 |
| Unrestricted intergovernmental | 144,192 | 144,192 | 134,472 | (9,720) |
| Restricted intergovernmental | 13,424 | 13,424 | 12,954 | (470) |
| Sales and services | 25,000 | 25,000 | 25,440 | 440 |
| Miscellaneous Income | 19,297 | 19,297 | 19,188 | (109) |
| Investment Earnings | 3,025 | 3,025 | 3,100 | 75 |
| Total Revenues | <u>282,438</u> | <u>282,438</u> | <u>273,611</u> | <u>(8,827)</u> |
| Other Financing Sources | | | | |
| Total Revenues and Other Financing Sources | <u>282,438</u> | <u>282,438</u> | <u>273,611</u> | <u>(8,827)</u> |
| Expenditures | | | | |
| General government | 268,597 | 268,597 | 268,085 | 512 |
| Transportation | 37,474 | 37,474 | 38,485 | (1,011) |
| Environmental protection | 17,775 | 17,775 | 17,760 | 15 |
| Cultural and recreational | 8,592 | 8,592 | 9,158 | (566) |
| Total Expenditures | <u>332,438</u> | <u>332,438</u> | <u>333,488</u> | <u>(1,050)</u> |
| Other Financing Uses | | | | |
| Appropriations | (50,000) | (50,000) | -- | (50,000) |
| Total Expenditures and Other Financing Uses | <u>282,438</u> | <u>282,438</u> | <u>333,488</u> | <u>(51,050)</u> |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | | | | |
| Net Change in Fund Balance | <u>\$ --</u> | <u>\$ --</u> | <u>(59,877)</u> | <u>\$ (59,877)</u> |
| <i>Fund Balance at Beginning of Period</i> | | | <u>262,433</u> | |
| Fund Balance at End of Period | | | <u>\$ 202,556</u> | |

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

| | | | <u>Business-type Activities - Enterprise Funds</u> |
|---|-----------|-------------------------|--|
| | | | <u>Water & Sewer</u> |
| ASSETS | | | |
| <i>Current Assets</i> | | | |
| Cash and cash equivalents | \$ | 116,316 | |
| Accounts receivable, net | | 26,937 | |
| Inventory | | 500 | |
| Restricted cash and cash equivalents | | 26,048 | |
| Total Current Assets | | <u>169,801</u> | |
| <i>Noncurrent Assets</i> | | | |
| Land and other nondepreciable assets | | 11,826 | |
| Other capital assets, net of depreciation | | 2,626,965 | |
| Total Assets | | <u>2,808,592</u> | |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Aggregated deferred outflows | | 19,589 | |
| Total Deferred Outflows of Resources | | <u>19,589</u> | |
| LIABILITIES | | | |
| <i>Current Liabilities</i> | | | |
| Accounts payable and accrued liabilities | | 4,404 | |
| Customer deposits | | 26,048 | |
| Current portion of long-term debt | | 13,141 | |
| Total Current Liabilities | | <u>43,593</u> | |
| <i>Noncurrent Liabilities</i> | | | |
| Due in more than one year | | 399,205 | |
| Net Pension Liability | | 20,154 | |
| Total Liabilities | | <u>462,952</u> | |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Aggregated deferred inflows | | -- | |
| Total Deferred Inflows of Resources | | <u>--</u> | |
| NET POSITION | | | |
| Net investment in capital assets | | 2,226,445 | |
| <i>Unrestricted</i> | | 138,784 | |
| Total Net Position | \$ | <u>2,365,229</u> | |

The accompanying notes are an integral part of this financial statement.

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

| | <u>Business-type Activities - Enterprise Funds</u> |
|---|--|
| | <u>Water and Sewer</u> |
| Operating Revenues | |
| Charges for Sales & Services | \$ 294,067 |
| Miscellaneous Income | 186 |
| Total Operating Revenues | <u>294,253</u> |
| Operating Expenses | |
| Water and sewer operations | 288,003 |
| Depreciation | 160,521 |
| Total Operating Expenses | <u>448,524</u> |
| Operating Income (Loss) | <u>(154,271)</u> |
| Non-Operating Revenues (Expenses) | |
| Investment Earnings | 1,090 |
| Interest and other charges | (14,843) |
| Net Non-Operating Revenues (Expenses) | <u>(13,753)</u> |
| Change In Net Position | (168,024) |
| <i>Net Position, Beginning, Previously Reported</i> | 2,476,713 |
| <i>Prior Period Adjustment</i> | 56,540 |
| <i>Net Position, Beginning, Restated</i> | <u>2,533,253</u> |
| Net Position at End of Period | <u>\$ 2,365,229</u> |

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

| | Enterprise Funds |
|---|-------------------------------|
| | Water & Sewer Fund |
| Cash Flows from Operating Activities: | |
| Cash received from customers | \$ 302,324 |
| Cash paid for goods and services | (135,985) |
| Cash paid to/on behalf of employees | (140,942) |
| Customer deposits, net | - |
| Other operating revenue | 186 |
| Net cash provided (used) by operating activities | 25,583 |
| Cash Flows from Noncapital Financing Activities: | |
| Transfers to (from) other funds | - |
| Net cash provided (used) by noncapital financing activities | - |
| Cash Flows From Capital and Related Financing Activities | |
| Acquisition and construction of capital assets | - |
| Principal repaid on long-term debt | (12,967) |
| Interest paid on long-term debt | (15,783) |
| Net cash provided (used) by capital and related financing activities | (28,750) |
| Cash Flows from Investing Activities: | |
| Investment income received | 1,867 |
| Net cash provided (used) by investing activities | 1,867 |
| Net increase (decrease) in cash and cash equivalents | (1,300) |
| Cash and Cash Equivalents - Beginning of Year | 143,664 |
| Cash and Cash Equivalents - End of Year | \$ 142,364 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Operating income (loss) | \$ (154,271) |
| Depreciation | 161,040 |
| Change in assets and liabilities: | |
| (Increase) decrease in accounts receivables | (7,361) |
| Increase (decrease) in accounts payable and accrued liabilities | 27,246 |
| Increase (decrease) in customer deposits | - |
| Increase in net pension liability | (2,433) |
| Increase in deferred outflows of resources for pensions | 1,270 |
| Decrease in deferred inflows of resources for pensions | 92 |
| Net cash provided (used) by operating activities | \$ 25,583 |

The accompanying notes are an integral part of this financial statement.

Notes To The Financial Statements

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

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Grimesland 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 Grimesland is a municipal corporation that is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements present the financial information of the Town.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category — governmental and proprietary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

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

The Town reports the following major governmental fund:

Governmental Funds. Governmental funds are those used to account for the Town's expendable financial resources and related liabilities (except those accounted for in proprietary or agency funds). The following are the Town's governmental fund types:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are local option sales taxes and various other taxes and licenses. The primary expenditures are for public safety and general government.

Non-Major Fund – Resource Center. This fund is used to account for the Grimesland Resource Center.

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

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.

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

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 fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2015, 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, 2015 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. 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 project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)], authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

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.

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4. Customer deposits are classified as restricted cash because they must be returned to the customer at the conclusion of service.

Governmental Activities:

General Fund:

| | |
|-------------------------------|----------|
| Streets | \$ 3,592 |
| Total governmental activities | 3,592 |

Business-Type Activities:

Sewer Fund:

| | |
|--------------------------------|--------|
| Customer Deposits | 26,048 |
| Total Business-type activities | 26,048 |

| | |
|-----------------------|-----------|
| Total restricted cash | \$ 29,640 |
|-----------------------|-----------|

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, 2015. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory & Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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. 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:

| | |
|-------------------------|----------|
| Infrastructure | 30 years |
| Buildings | 50 years |
| Improvements | 25 years |
| Vehicles | 6 years |
| Furniture and equipment | 10 years |
| Computer equipment | 3 years |

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category—property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

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

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

debt proceeds received, are reported as debt service expenditures.

10. *Compensated Absences*

The Town currently has a policy for vested compensated absences; however, each year, every effort is made to ensure compensated absences are taken prior to yearend, thus balances for compensated absences at year end are immaterial. The Town's sick leave policy provides for an unlimited accumulation of earned sick leave; however, it does not vest. Since the Town has no obligation for the accumulated sick leave until taken, no accrual for sick leave has been made.

11. *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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance — This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town does not have any nonspendable fund balances for the governmental fund types.

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 — portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Committed Fund Balance — portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Grimesland's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or otherwise revise the limitation.

Assigned Fund Balance — portion of fund balance that the Town of Grimesland intends to use for specific purposes.

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

Subsequent years' expenditures— portion of fund balance that is appropriated in the next years' budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

12. Pensions

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

NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

NONE

2. Contractual Violations

NONE

3. Deficit in Fund Balance or Net Position of Individual Funds

NONE

4. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the following functions: Transportation, and Cultural and Recreational by \$1,011 and \$566 respectively. These over expenditures occurred due increase in material and costs. Management and the Board will take these items into consideration and will more closely review the budget reports to ensure compliance in future years.

NOTE III—DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

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

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. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$346,853 and a bank balance of \$354,499. Of the bank balance, the entire amount was covered by federal depository insurance. At June 30, 2020 the Town had petty cash of \$3,099.

At June 30, 2020 the Town of Grimesland had \$5,339 invested with the North Carolina Capital Management Trust's Governmental Portfolio which carried a rating of AAAM by Sandard and Pooer's. The Town has no policy regarding credit risk.

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

2. Capital Assets

Governmental Capital Assets

A summary of changes in the Town's capital assets used in governmental activities follows:

General Fund Capital Assets

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 42,951 | \$ 52,000 | \$ - | \$ 94,951 |
| Total capital assets not being depreciated | <u>42,951</u> | <u>52,000</u> | <u>-</u> | <u>94,951</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 161,180 | - | - | 161,180 |
| Equipment | 123,162 | - | - | 123,162 |
| Vehicles | 50,345 | - | - | 50,345 |
| Other improvements | 202,482 | 22,501 | - | 224,983 |
| Infrastructure | 91,515 | - | - | 91,515 |
| Total capital assets being depreciated | <u>628,684</u> | <u>22,501</u> | <u>-</u> | <u>651,185</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 50,806 | 4,362 | - | 55,168 |
| Equipment | 103,198 | 5,205 | - | 108,403 |
| Vehicles | 50,345 | - | - | 50,345 |
| Other improvements | 67,464 | 12,589 | - | 80,053 |
| Infrastructure | 59,071 | 4,576 | - | 63,647 |
| Total accumulated depreciation | <u>330,884</u> | <u>\$ 26,732</u> | <u>\$ -</u> | <u>357,616</u> |
| Total capital assets being depreciated, net | <u>297,800</u> | | | <u>293,568</u> |
| Governmental activity capital assets, net | <u>\$ 340,751</u> | | | <u>\$ 388,519</u> |

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

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

Governmental Activities:

| | |
|--------------------|-----------|
| General Government | \$ 18,732 |
| Streets | 8,000 |
| Total | \$ 26,732 |

Water and Sewer Fund Capital Assets

Capital asset activity for the Water and Sewer Fund 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 | \$ 11,826 | \$ - | \$ - | \$ 11,826 |
| Total capital assets not being depreciated | 11,826 | - | - | 11,826 |
| Capital assets being depreciated: | | | | |
| Buildings and systems | 4,696,454 | - | - | 4,696,454 |
| Equipment | 150,608 | - | - | 150,608 |
| Improvements | 9,985 | - | - | 9,985 |
| Vehicles | 39,582 | - | - | 39,582 |
| Total capital assets being depreciated | 4,896,630 | - | - | 4,896,630 |
| Less accumulated depreciation for: | | | | |
| Buildings and systems | 1,944,744 | 156,435 | - | 2,101,179 |
| Equipment | 124,218 | 3,687 | - | 127,905 |
| Improvements | 599 | 399 | - | 998 |
| Vehicles | 39,582 | - | - | 39,582 |
| Total accumulated depreciation | 2,109,143 | \$ 160,521 | \$ - | 2,269,665 |
| Total capital assets being depreciated, net | 2,787,487 | | | 2,626,965 |
| Business-type activity capital assets, net | \$ 2,799,313 | | | \$ 2,638,791 |

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

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description: The Town of Grimesland is a participating employer in the State-wide 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. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service

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

regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Grimesland 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 Grimesland's contractually required contribution rate for the year ended June 30, 2020, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Grimesland were \$13,771 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 \$44,787 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. 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, 2020, the Town's proportion was .00164% which was a decrease of .00002% from its proportion measured as of June 30, 2020.

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

For the year ended June 30, 2020, the Town recognized pension expense of \$24,694. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 7,669 | \$ - |
| Changes of assumptions | 7,300 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,092 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 10,800 | - |
| Employer contributions subsequent to the measurement date | 16,670 | - |
| Total | <u>\$ 43,531</u> | <u>\$ -</u> |

\$16,670 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 asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Future amortization:

Year ended June 30:

| | |
|------------|------------------|
| 2020 | 11,926 |
| 2021 | 5,872 |
| 2022 | 6,893 |
| 2023 | 2,168 |
| 2024 | - |
| Thereafter | - |
| | <u>\$ 26,859</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 | 4.25 to 8.55 percent, including inflation and productivity factor |
| Investment rate of return | 7.25 percent, net of pension plan investment |

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

expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 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 returns 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, 2020 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 | 36.0% | 2.5% |
| Global Equity | 40.5% | 6.1% |
| Real Estate | 8.0% | 5.7% |
| Alternatives | 6.5% | 10.5% |
| Credit | 4.5% | 6.8% |
| Inflation Protection | <u>4.5%</u> | 3.7% |
| Total | <u>100%</u> | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2015 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 Grimesland, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|--------------------------------|--|--------------------------------|
| Town's Proportionate share of net pension liability (asset) | 102,436 | 44,787 | (3,131) |

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

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

3. Deferred Outflows and Inflows of Resources

The Town has several deferred inflows/outflows of resources.

| Source | Amount |
|---|-----------|
| <i>Deferred outflows of resources is comprised of the following:</i> | |
| Differences between expected and actual experience | 7,669 |
| Changes of assumptions | 7,300 |
| Net difference between projected and actual earnings on pension plan investments | 1,092 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 10,800 |
| Contributions to pension plan in current fiscal year | 16,670 |
| Total | \$ 43,531 |

| | Statement of Net Position | General Fund Balance Sheet |
|--|---------------------------|----------------------------|
| Prepaid taxes (General Fund) | \$ - | \$ - |
| Taxes Receivable less penalties (General Fund) | - | 4,390 |
| Changes in assumptions | - | - |
| Differences between expected and actual experience | - | - |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | - | - |
| Total | \$ - | \$ 4,390 |

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

4. Fund Balance

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

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

| | |
|--|-------------------|
| Total Fund Balance-General Fund | \$ 202,556 |
| Less: | |
| Stabilization by State Statute | 21,561 |
| Streets-Powell Bill | 3,592 |
| Working Capital / Fund Balance Policy | |
| Remaining Fund Balance | 177,403 |

5. 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, worker's compensation up to statutory limits, and employee health coverage up to \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for worker's compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

6. Prior Period Adjustment

During the fiscal year ended June 30, 2020, the Town determined that temporarily allocation accounts for customer credit card payments between the general fund and the water and sewer fund had not been closed. Therefore, an adjustment was made to close these accounts. The net affect was a decrease of \$67,621 in the general fund and an increase in of \$56,540 for the water and sewer fund for both government-wide statements and the fund financial statements.

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

7. Long-Term Obligations

The Town records long-term debt of the governmental funds at face value in the government-wide statement of net position. All general obligation bonds serviced by the Town's general fund are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest payments are appropriated when due.

Changes in Long-Term Liabilities

The following is a summary of changes in the Town's Governmental Activities long-term liabilities

| | <u>July 1, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2020</u> |
|-----------------------|---------------------|------------------|--------------------|----------------------|
| Net pension liability | 21,660 | 2,973 | - | 24,633 |
| Total | <u>\$ 21,660</u> | <u>\$ 2,973</u> | <u>\$ -</u> | <u>\$ 24,633</u> |

The following is a summary of changes in the Town's Business-Type (Enterprise Fund) Activities long-term liabilities

| | <u>July 1, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2020</u> | <u>Current Maturities</u> |
|--------------------------|---------------------|------------------|--------------------|----------------------|---------------------------|
| Installment loans | \$ 201,312 | \$ - | \$ 6,967 | \$ 194,345 | \$ 7,141 |
| General obligation bonds | 224,000 | - | 6,000 | 218,000 | 6,000 |
| Net pension liability | 14,748 | 5,406 | - | 20,154 | - |
| Total | <u>\$ 440,060</u> | <u>\$ 5,406</u> | <u>\$ 12,967</u> | <u>\$ 432,499</u> | <u>\$ 13,141</u> |

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

Annual debt service payments of the installment purchases as of June 30, 2020, are as follows:

| Year Ending June 30, | Business Type Activities | | Total |
|----------------------|--------------------------|----------------|----------------|
| | Principal | Interest | |
| 2021 | 10,859 | 14,669 | 25,527 |
| 2022 | 13,320 | 14,220 | 27,540 |
| 2023 | 14,503 | 13,767 | 28,270 |
| 2024-2027 | 61,935 | 49,950 | 111,885 |
| 2028-2032 | 89,620 | 49,535 | 139,155 |
| 2033-2037 | 106,484 | 32,601 | 139,085 |
| 2038-2041 | 115,626 | 12,192 | 127,818 |
| Totals | 412,346 | 186,934 | 599,280 |

Business Type Activities:

Installment Loans

\$250,000 USDA loan dated October 1, 2009 for the purchase of a generator for the water system in annual installments of principal and 2.5% interest through the 2039-2040 fiscal year \$ 194,345

General Obligation Bond

\$287,000 Sanitary Sewer, USDA series 2002 issued April 8, 2002 due in annual installments of principal and 4.5% interest through the 2040-2041 fiscal year 218,000

Grand Total Business-Type Activities \$ 412,345

B. Interfund Balances and Activity

There were no balances due to/from other funds at June 30, 2020.

NOTE IV —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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

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

NOTE V —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 06, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Town of Grimesland Proportionate Share of Net Pension Liability (Assets)
Required Supplementary Information
Last Seven Fiscal Years

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Proportion of the net pension liability (asset) (%) | 0.00164% | 0.00166% | 0.00122% | 0.00127% | 0.00131% | 0.02898% | 0.02898% |
| Proportion of the net pension liability (asset) (\$) | \$ 44,787 | \$ 39,381 | \$ 18,638 | \$ 26,954 | \$ 5,879 | \$ (7,844) | \$(15,670) |
| Covered-employee payroll | \$185,379 | \$187,959 | \$146,436 | \$134,778 | \$ 94,833 | \$ 98,031 | \$ 98,031 |
| Proportion of the net pension liability (asset) as a percentage of its covered-employee payroll | 24.16% | 20.95% | 12.73% | 20.00% | 6.20% | 8.27% | -15.98% |
| Plan fiduciary net position as a percentage of the total pension liability | 95.89% | 95.64% | 91.63% | 91.47% | 98.09% | 102.64% | 94.35% |

**Town of Grimesland, North Carolina
Town of Grimesland Contributions
Require 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 contributions | \$ 16,670 | \$ 13,771 | \$ 12,565 | \$ 10,284 | \$ 9,505 | \$ 6,970 | \$ 6,999 |
| Contributions in relation to the contractually required contribuions | <u>16,670</u> | <u>13,771</u> | <u>12,565</u> | <u>10,284</u> | <u>9,505</u> | <u>6,970</u> | <u>6,999</u> |
| Contributions deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$196,036 | \$185,379 | \$187,959 | \$ 146,436 | \$ 134,778 | \$ 98,031 | \$ 98,031 |
| Contributions as a percentage of covered-employee payroll | 8.50% | 7.43% | 6.69% | 7.02% | 7.05% | 7.11% | 7.14% |

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Grimesland, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|----------------|----------------|---|
| Revenues | | | |
| Ad Valorem Taxes | | | |
| Taxes | | 77,886 | |
| Interest and penalties | | 571 | |
| Total | <u>77,500</u> | <u>78,457</u> | <u>957</u> |
| | | | |
| Unrestricted Intergovernmental Revenues | | | |
| Local option sales tax | | 101,006 | |
| Utility franchise tax | | 31,298 | |
| Beer & wine tax | | 1,914 | |
| Solid waste tax | | 254 | |
| Total | <u>144,192</u> | <u>134,472</u> | <u>(9,720)</u> |
| | | | |
| Restricted Intergovernmental Revenues | | | |
| Powell Bill allocation | | 12,954 | |
| Total | <u>13,424</u> | <u>12,954</u> | <u>(470)</u> |
| | | | |
| Miscellaneous Income | | | |
| Other | | 19,188 | |
| Total | <u>19,297</u> | <u>19,188</u> | <u>(109)</u> |

Town of Grimesland, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------------|-------------------|-------------------|---|
| Investment Earnings | | | |
| Interest | | 3,100 | |
| Total | 3,025 | 3,100 | 75 |
| Sales and Services | | | |
| Trash and Recycle | | 25,440 | |
| Total | 25,000 | 25,440 | 440 |
| Total Revenue | \$ 282,438 | \$ 273,611 | (8,827) |
| Expenditures | | | |
| General Government | | | |
| Governing board fees and benefits | | \$ 5,214 | |
| Total | | 5,214 | |
| Administration | | | |
| Salaries and benefits | | 117,107 | |
| Professional services | | 8,207 | |
| Dues & subscriptions | | 5,544 | |
| Capital Outlay | | 56,650 | |
| Telephone | | 4,118 | |
| Insurance & bonds | | 33,080 | |
| Repairs & maintenance | | 9,764 | |
| Supplies | | 12,201 | |
| Utilities | | 4,493 | |
| Other operating expenses | | 11,707 | |
| Total | 268,597 | 262,871 | |
| | 268,597 | 268,085 | 512 |

Town of Grimesland, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|---------------------|-------------------|---|
| Transportation | | | |
| Street lights | | 11,918 | |
| Equipment repairs | | 144 | |
| Street maintenance | | 25,223 | |
| Supplies | | 632 | |
| Other operating expenses | | 568 | |
| Total | <u>37,474</u> | <u>38,485</u> | <u>(1,011)</u> |
| Environmental Protection | | | |
| Sanitation services | | 17,760 | |
| Contract services | | - | |
| Total | <u>17,775</u> | <u>17,760</u> | <u>15</u> |
| Cultural and Recreational | | | |
| Recreation | | 9,158 | |
| Total | <u>8,592</u> | <u>9,158</u> | <u>(566)</u> |
| Total Expenditures | <u>332,438</u> | <u>333,488</u> | <u>(1,050)</u> |
| Revenue over (under) expenditures | <u>(50,000)</u> | <u>(59,877)</u> | <u>(9,877)</u> |
| Other Financing Sources (Uses) | | | |
| Appropriations | 50,000 | - | 50,000 |
| Total | <u>50,000</u> | <u>-</u> | <u>40,123</u> |
| Net change in fund balance | <u>\$ (100,000)</u> | <u>(59,877)</u> | |
| Fund balance - July 1 | | <u>262,433</u> | |
| Fund balance - June 30 | | <u>\$ 202,556</u> | |

Schedule 4

**Town of Grimesland, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019**

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------|------------|------------|------------------------------------|
| Revenues: | | | |
| Water & Sewer Sales | \$ - | \$ 294,067 | \$ - |
| Other operating revenues | | 186 | |
| Interest earnings | | 1,090 | |
| Total revenues | \$ 289,688 | 295,343 | \$ 5,655 |
| Expenditures: | | | |
| Water and sewer operations | | | |
| Salaries and benefits | | 105,352 | |
| Professional services | | 11,724 | |
| Insurance | | 28,842 | |
| Office expense | | 2,683 | |
| Repairs & maintenance | | 38,222 | |
| Telephone | | 1,517 | |
| Utilities | | 62,527 | |
| Samples | | 2,447 | |
| Auto expense | | 3,898 | |
| Supplies | | 30,377 | |
| Other operating expenditures | | 1,669 | |
| Total | 286,878 | 289,258 | (2,380) |

Schedule 4
Continued

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

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|--------------------|---------------------|---|
| Debt services | | | |
| Interest and other charges | | 14,843 | |
| Principal retirement | | 12,967 | |
| Total | <u>15,810</u> | <u>27,810</u> | <u>(12,000)</u> |
| | | | |
| Total expenditures | <u>302,688</u> | <u>317,068</u> | <u>(14,380)</u> |
| | | | |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ (13,000)</u> | (21,725) | <u>\$ (8,725)</u> |
| | | | |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Reconciling items: | | | |
| Principal retirement | | 12,967 | |
| Depreciation | | (160,521) | |
| Increase in deferred outflows of resources - pensions | | (1,270) | |
| Increase in deferred inflows of resources - pensions | | 92 | |
| Increase in net pension liabilities | | 2,433 | |
| Total reconciling items | | <u>\$ (146,299)</u> | |
| Changes in Net Position, GAAP basis | | <u>(168,024)</u> | |

**Town of Grimesland, North Carolina
 Nonmajor Governmental Fund - Resource Center
 Schedule of Revenue, Expenditures, and Changes
 In Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2019**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------------|-----------------------------|------------------|---|
| Revenues | | | |
| Sales and services | \$ - | \$ 13,167 | |
| Total | <u>\$ 12,000</u> | <u>13,167</u> | <u>\$ (1,167)</u> |
| Expenditures | | | |
| Center expenses | | 5,303 | |
| Total | <u>12,000</u> | <u>5,303</u> | <u>6,697</u> |
| Net change in fund balance | <u> </u> | <u>7,864</u> | <u>\$ (7,864)</u> |
| Fund balance at beginning of year | | <u>21,015</u> | |
| Fund balance at end of year | | <u>\$ 28,879</u> | |

OTHER SCHEDULES

**Town of Grimesland, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2020**

| Fiscal Year | Uncollected Balance June 30, 2019 | Additions | Collections and Credits | Uncollected Balance June 30, 2020 |
|----------------|---|------------------|----------------------------|---|
| 2019-2020 | \$ - | \$ 78,239 | \$ 76,885 | \$ 1,354 |
| 2018-2019 | 952 | | 367 | 585 |
| 2017-2018 | 806 | - | 26 | 780 |
| 2016-2017 | 510 | | 204 | 306 |
| 2015-2016 | 463 | | 185 | 278 |
| 2014-2015 | 247 | | 0 | 247 |
| 2013-2014 | 315 | | 34 | 281 |
| 2012-2013 | 435 | | 51 | 384 |
| 2011-2012 | 104 | | (0) | 104 |
| 2010-2011 | 76 | | 15 | 61 |
| 2009-2010 | 80 | | 71 | 9 |
| | <u>\$ 3,988</u> | <u>\$ 78,239</u> | <u>\$ 77,837</u> | <u>\$ 4,390</u> |

Reconciliation with Revenues:

| | |
|---------------------------------|------------------|
| Ad Valorem Tax - General Fund | \$ 78,457 |
| Reconciling items: | |
| Interest & Penalties collected | (571) |
| Taxes written off and discounts | (48) |
| Total Collections and Credits | <u>\$ 77,838</u> |

**Town of Grimesland, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2020**

| | Property Valuation | Rate per \$100 | Total Levy | Total Levy Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
|---|-----------------------|-------------------|------------------|--|---------------------------------|
| Original Levy: | | | | | |
| Property tax at current year's tax rate | \$ 16,299,792 | 0.48 | \$ 78,239 | \$ 64,821 | \$ 13,418 |
| Total Net Levy for Current Year | <u>\$ 16,299,792</u> | | | | |
| Net levy | | | 78,239 | 64,821 | 13,418 |
| Less uncollected taxes at June 30, 2020 | | | <u>1,354</u> | <u>1,354</u> | <u>-</u> |
| Current year's taxes collected | | | <u>\$ 76,885</u> | <u>\$ 63,467</u> | <u>\$ 13,418</u> |
| Current levy collection percentage | | | 98.27% | 97.91% | 100.00% |

