

**Town of Sims
North Carolina
Financial Report**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020



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Town of Sims, North Carolina
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June 30, 2020

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Carr, Riggs & Ingram, LLC
2301 Airport Boulevard NW
Wilson, North Carolina 27896

Mailing Address:
P.O. Box 3429
Wilson, North Carolina 27895-3429

(252) 243-2117
(252) 243-1331 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 auditors consider 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.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3.1 through 3.8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Carly Riggs & Ingram, L.L.C.

Wilson, North Carolina
January 26, 2021

Management's Discussion and Analysis

Town of Sims, North Carolina
Management’s Discussion and Analysis
June 30, 2020

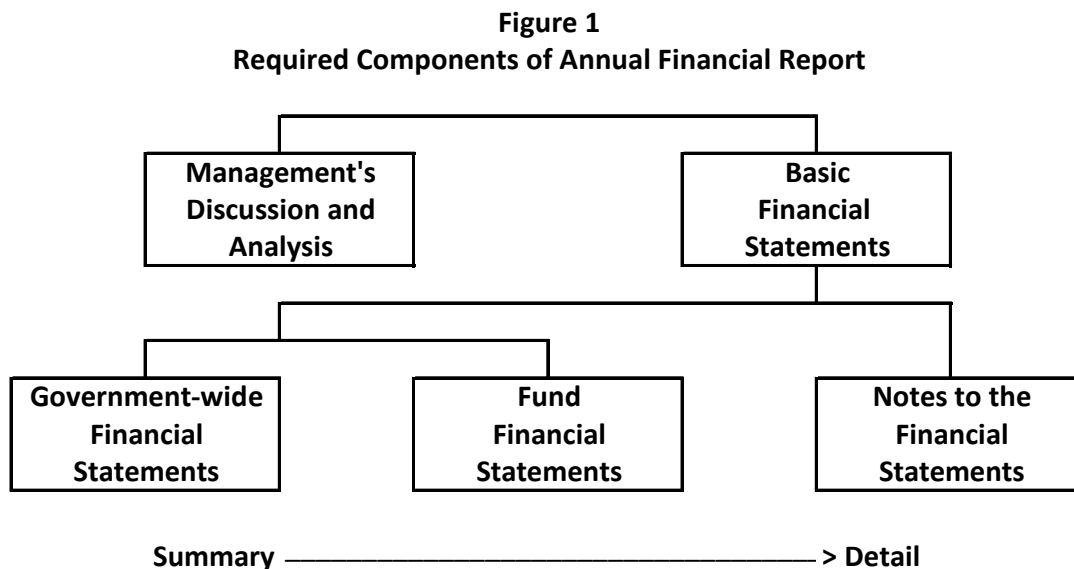
As management of the Town of Sims (the “Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional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

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$3,121,991 (*net position*).
- The government’s total net position increased by \$197,484, primarily due to a \$178,213 increase in net position in the business-type activities which was driven by an Atlantic Coast Pipeline easement in the amount of \$214,723.
- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$536,490 with a net change of \$21,820 in fund balance. Approximately 12.74 percent of this total amount, or \$68,371, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$342,119, or 181.98 percent of total general fund expenditures for the fiscal year.
- The Town had no long-term debt as of June 30, 2020.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town’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.



Town of Sims, North Carolina
Management's Discussion and Analysis
June 30, 2020

Basic Financial Statements

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

The next statements (Exhibits 3 through 10) 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 fund 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 and other information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements. The other information presents data and analysis relating to the Town's Ad Valorem taxes and the tax levy.

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 total liabilities. 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, environmental protection, cultural and recreational, 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. This includes the water and sewer services offered by the Town.

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

Town of Sims, North Carolina
Management's Discussion and Analysis
June 30, 2020

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

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

Proprietary Funds – *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer activity. This fund is the same function as 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 17.1 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes supplementary and other information concerning the Town's operations and property taxes. The supplementary and other information can be found beginning on page 18 of this report.

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

Town of Sims, North Carolina
Management's Discussion and Analysis
June 30, 2020

Government-Wide Financial Analysis

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 549,723	\$ 535,020	\$ 776,235	\$ 546,905	\$ 1,325,958	\$ 1,081,925
Capital assets	238,748	240,736	1,592,258	1,640,823	1,831,006	1,881,559
Total assets	<u>788,471</u>	<u>775,756</u>	<u>2,368,493</u>	<u>2,187,728</u>	<u>3,156,964</u>	<u>2,963,484</u>
Current liabilities	<u>11,599</u>	<u>18,155</u>	<u>23,374</u>	<u>20,822</u>	<u>34,973</u>	<u>38,977</u>
Net position:						
Net investment in capital						
assets	238,748	240,736	1,592,258	1,640,823	1,831,006	1,881,559
Restricted	68,371	54,877	-	-	68,371	54,877
Unrestricted	469,753	461,988	752,861	526,083	1,222,614	988,071
Total net position	<u>\$ 776,872</u>	<u>\$ 757,601</u>	<u>\$ 2,345,119</u>	<u>\$ 2,166,906</u>	<u>\$ 3,121,991</u>	<u>\$ 2,924,507</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$3,121,991 as of June 30, 2020. The Town's net position increased by \$197,484 for the fiscal year ended June 30, 2020. However, the largest portion (58.65%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town's net position, \$68,371, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,222,614 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.04%. The statewide average in fiscal year 2019 was 98.78%.
- Increased sales tax revenues of \$3,239 due to economic growth in the Town.

Town of Sims, North Carolina
Management's Discussion and Analysis
June 30, 2020

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES:						
Program revenues:						
Charges for services	\$ 39,778	\$ 41,051	\$ 116,278	\$ 113,254	\$ 156,056	\$ 154,305
Operating grants & contributions	15,756	8,495	-	-	15,756	8,495
Capital grants & contributions	-	40,139	214,723	-	214,723	40,139
General revenues:						
Property taxes	97,417	91,201	-	-	97,417	91,201
Other taxes	38,082	34,843	-	-	38,082	34,843
Grants and contributions not restricted to specific programs	16,842	17,835	-	-	16,842	17,835
Unrestricted investment earnings	1,219	1,450	1,657	1,618	2,876	3,068
Miscellaneous	161	146	-	-	161	146
Total revenues	209,255	235,160	332,658	114,872	541,913	350,032
EXPENSES:						
Governmental activities:						
General government	114,350	93,891	-	-	114,350	93,891
Public safety	1,000	1,000	-	-	1,000	1,000
Transportation	14,892	12,795	-	-	14,892	12,795
Environmental protection	37,539	37,113	-	-	37,539	37,113
Cultural and recreational	22,203	7,399	-	-	22,203	7,399
Business-type activities:						
Water and sewer	-	-	154,445	149,883	154,445	149,883
Total expenses	189,984	152,198	154,445	149,883	344,429	302,081
Increase (decrease) in net position	19,271	82,962	178,213	(35,011)	197,484	47,951
NET POSITION, BEGINNING	757,601	674,639	2,166,906	2,201,917	2,924,507	2,876,556
NET POSITION, ENDING	\$ 776,872	\$ 757,601	\$ 2,345,119	\$ 2,166,906	\$ 3,121,991	\$ 2,924,507

Governmental activities: Governmental activities increased the Town's net position by \$19,271. The key elements of this increase are as follows:

- General government operating grants and contributions increased \$7,261 and positively affected the Town's net position.
- General government property taxes increased \$6,216 and positively affected the Town's net position.

Town of Sims, North Carolina Management's Discussion and Analysis June 30, 2020

Business-type activities: Business-type activities increased the Town's net position by \$178,213. The key element of this increase is as follows:

- The Water and Sewer Fund received a \$214,723 Atlantic Coast Pipeline easement.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's unassigned fund balance available in the General Fund was \$342,119, while total fund balance reached \$536,490, which is a net increase in fund balance of \$21,820. The Town currently has an available unassigned fund balance of 181.98% of General Fund expenditures, while total fund balance represents 285.37% of the same amount.

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

There were several reasons the Town revised its budget throughout the year. The Town increased ad valorem taxes and unrestricted intergovernmental revenues and various General Fund departmental expenditures in response to greater than anticipated expenditures. The Town also received an insurance recovery and increased general government expenditures that were elevated because of the necessary repairs. Revenues were greater than the budgeted amounts primarily because ad valorem taxes and unrestricted intergovernmental revenues received were greater than the Town originally had expected to receive. Expenditures were held in check to allow the Town to comply with its overall budgetary requirements.

Proprietary Fund. The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$752,861. The total change in net position was \$178,213. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$1,831,006 (net of accumulated depreciation). These assets include land, buildings, utilities delivery systems, and machinery and equipment.

Town of Sims, North Carolina
Management’s Discussion and Analysis
June 30, 2020

Major capital asset transactions during the year include the following:

- Park swings in the amount of \$10,771 in the governmental activities.
- Water and sewer maps in the amount of \$2,808 in the business-type activities.

SUMMARY OF CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 16,115	\$ 16,115	\$ 55,734	\$ 55,734	\$ 71,849	\$ 71,849
Land improvements	92,437	96,371	-	-	92,437	96,371
Buildings	97,478	101,339	-	-	97,478	101,339
Water plant & distribution system	-	-	19,212	22,167	19,212	22,167
Sewer plant & collection system	-	-	1,502,481	1,549,093	1,502,481	1,549,093
Equipment and furniture	32,718	26,911	14,831	13,829	47,549	40,740
Totals	\$ 238,748	\$ 240,736	\$ 1,592,258	\$ 1,640,823	\$ 1,831,006	\$ 1,881,559

Additional information on the Town’s capital assets can be found in Note II.A.3 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2020, the Town had no long-term debt outstanding.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town is \$1,559,568. The Town has no bonds authorized at June 30, 2020.

Economic Factors and Next Year’s Budgets and Rates

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

- The Town is located in Wilson County in North Carolina with direct access to highways US 264 and I-95.
- The Town is strategically located within close proximity to Wilson, Raleigh, Greenville and Goldsboro.
- Some nearby cities have experienced rapid growth in recent years, which may evolve into additional interest in the area generally, and the Town specifically.

Town of Sims, North Carolina
Management's Discussion and Analysis
June 30, 2020

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Revenues and expenditures are anticipated to increase \$108,079. The Town's property tax rate will remain at 50 cents per hundred dollars of valuation.

Budgeted expenditures in the General Fund are expected to increase 52.23% to \$315,000. Most of the increase relates to planned Town Hall renovations.

Business-type Activities: With the new budget year, the Town's water and sewer rates will remain the same.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Sims, P.O. Box 161, Sims, NC 27880. One can also call (252)237-4226 or send an email to rpayne@townofsimsnc.com for more information.

Town Council Members

Miranda Boykin, Mayor

Rhonda Payne, Mayor Pro Tempore

Helen Boykin

Nichole Weeks

Kaleb Woodard

Danny K. Howell

Administrative and Financial Staff

Rhonda Payne, Acting Finance Officer

Sandra H. Boykin, Town Clerk

Basic Financial Statements

Town of Sims, North Carolina
Statement of Net Position
June 30, 2020
Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 479,718	\$ 767,525	\$ 1,247,243
Taxes receivable (net)	1,337	-	1,337
Accrued interest receivable on taxes	297	-	297
Accounts receivable (net)	3,402	8,677	12,079
Due from other governments	10,439	-	10,439
Internal balances	18,423	(18,423)	-
Restricted assets:			
Cash and cash equivalents	36,107	18,456	54,563
Total current assets	<u>549,723</u>	<u>776,235</u>	<u>1,325,958</u>
Capital assets:			
Land, non-depreciable improvements, and construction in progress	16,115	55,734	71,849
Other capital assets, net of depreciation	222,633	1,536,524	1,759,157
Total capital assets	<u>238,748</u>	<u>1,592,258</u>	<u>1,831,006</u>
Total assets	<u>788,471</u>	<u>2,368,493</u>	<u>3,156,964</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	11,599	4,918	16,517
Payable from restricted assets	-	18,456	18,456
Total current liabilities	<u>11,599</u>	<u>23,374</u>	<u>34,973</u>
Net position			
Net investment in capital assets	238,748	1,592,258	1,831,006
Restricted for:			
Stabilization by state statute	32,264	-	32,264
Streets	36,107	-	36,107
Unrestricted	469,753	752,861	1,222,614
Total net position	<u>\$ 776,872</u>	<u>\$ 2,345,119</u>	<u>\$ 3,121,991</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Sims, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2020
Exhibit 2

	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs			
Primary government:			
Governmental activities:			
General government	\$ 114,350	\$ -	\$ 7,148
Public safety	1,000	2,680	-
Transportation	14,892	-	8,377
Environmental protection	37,539	37,098	231
Cultural and recreational	22,203	-	-
Total governmental activities	<u>189,984</u>	<u>39,778</u>	<u>15,756</u>
Business-type activities:			
Water and sewer	154,445	116,278	-
Total primary government	<u>\$ 344,429</u>	<u>\$ 156,056</u>	<u>\$ 214,723</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Sims, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2020
Exhibit 2

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Functions/Programs	Governmental Activities	Business- type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (107,202)	\$ -	\$ (107,202)
Public safety	1,680	-	1,680
Transportation	(6,515)	-	(6,515)
Environmental protection	(210)	-	(210)
Cultural and recreational	(22,203)	-	(22,203)
Total governmental activities	<u>(134,450)</u>	-	<u>(134,450)</u>
Business-type activities:			
Water and sewer	-	176,556	176,556
Total primary government	<u>(134,450)</u>	<u>176,556</u>	<u>42,106</u>
General revenues:			
Taxes:			
Property taxes, levied for general purpose	97,417	-	97,417
Other taxes	38,082	-	38,082
Grants and contributions not restricted to specific programs	16,842	-	16,842
Unrestricted investment earnings	1,219	1,657	2,876
Miscellaneous	161	-	161
Total general revenues	<u>153,721</u>	<u>1,657</u>	<u>155,378</u>
Change in net position	19,271	178,213	197,484
Net position, beginning	<u>757,601</u>	<u>2,166,906</u>	<u>2,924,507</u>
Net position, ending	<u>\$ 776,872</u>	<u>\$ 2,345,119</u>	<u>\$ 3,121,991</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Sims, North Carolina
Governmental Fund
Balance Sheet
June 30, 2020
Exhibit 3

	Major Fund
	General
Assets	
Cash and cash equivalents	\$ 479,718
Restricted cash	36,107
Taxes receivable, net	1,337
Accounts receivable, net	3,402
Due from other governments	10,439
Due from other funds	18,423
Total assets	\$ 549,426
Liabilities	
Accounts payable and accrued liabilities	\$ 11,599
Deferred inflows of resources	
Property taxes receivable	1,337
Fund balances	
Restricted	
Stabilization by state statute	32,264
Streets	36,107
Assigned	
Subsequent year's expenditures	126,000
Unassigned	342,119
Total fund balances	536,490
Total liabilities, deferred inflows of resources and fund balances	\$ 549,426

The accompanying footnotes are an integral part of these financial statements.

Town of Sims, North Carolina
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
June 30, 2020
Exhibit 4

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position follows:

Total fund balances of governmental funds		\$ 536,490
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 294,769	
Less accumulated depreciation	<u>(56,021)</u>	
Net capital assets		238,748
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		297
Liabilities for earned revenues considered deferred inflows of resources in fund statements		<u>1,337</u>
Net position of governmental activities		<u><u>\$ 776,872</u></u>

The accompanying footnotes are an integral part of these financial statements.

Town of Sims, North Carolina
Governmental Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020
Exhibit 5

	Major Fund
	General
Revenues:	
Ad valorem taxes	\$ 97,978
Unrestricted intergovernmental	54,924
Restricted intergovernmental	8,608
Permits and fees	2,680
Sales and services	35,585
Investment earnings	1,219
Miscellaneous income	1,673
Total revenues	202,667
Expenditures:	
Current:	
General government	112,845
Public safety	1,000
Transportation	14,892
Environmental protection	37,539
Cultural and recreational	21,719
Total expenditures	187,995
Revenues over expenditures	14,672
Other financing sources:	
Insurance recovery	7,148
Revenues and other financing sources over expenditures	21,820
Fund balance, beginning	514,670
Fund balance, ending	\$ 536,490

The accompanying footnotes are an integral part of these financial statements.

Town of Sims, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of the Governmental Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2020
Exhibit 6

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

Net changes in fund balances of governmental funds	\$ 21,820
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	10,771
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(12,759)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Change in unavailable revenue for tax revenues	(472)
Decrease in accrued interest receivable on taxes	(89)
	(561)
Total changes in net position of governmental activities	\$ 19,271

The accompanying footnotes are an integral part of these financial statements.

Town of Sims, North Carolina
General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual
For the Fiscal Year Ended June 30, 2020
Exhibit 7

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 84,500	\$ 97,000	\$ 97,978	\$ 978
Unrestricted intergovernmental	43,700	52,521	54,924	2,403
Restricted intergovernmental	8,350	8,350	8,608	258
Permits and fees	4,000	4,000	2,680	(1,320)
Sales and services	35,000	35,000	35,585	585
Investment earnings	1,050	1,050	1,219	169
Miscellaneous income	2,000	2,000	1,673	(327)
Total revenues	178,600	199,921	202,667	2,746
Expenditures:				
Current:				
General government	99,400	125,721	112,845	12,876
Public safety	1,000	1,000	1,000	-
Transportation	24,000	16,000	14,892	1,108
Environmental protection	36,000	41,000	37,539	3,461
Cultural and recreational	18,200	23,200	21,719	1,481
Total expenditures	178,600	206,921	187,995	18,926
Revenues over (under) expenditures	-	(7,000)	14,672	21,672
Other financing sources:				
Insurance recovery	-	7,000	7,148	148
Revenues and other financing sources over expenditures	\$ -	\$ -	21,820	\$ 21,820
Fund balance, beginning			514,670	
Fund balance, ending			\$ 536,490	

The accompanying footnotes are an integral part of these financial statements.

Town of Sims, North Carolina
Proprietary Fund
Statement of Net Position
June 30, 2020
Exhibit 8

Water and Sewer Fund

Assets

Current assets:

Cash and cash equivalents	\$ 767,525
Accounts receivable (net)	8,677
Restricted assets:	
Cash and cash equivalents	18,456
Total current assets	794,658

Capital assets:

Land, non-depreciable improvements, and construction in progress	55,734
Other capital assets, net of depreciation	1,536,524
Capital assets (net)	1,592,258
Total assets	2,386,916

Liabilities

Current liabilities:

Accounts payable and accrued liabilities	4,918
Due to other funds	18,423
Liabilities payable from restricted assets:	
Customer deposits	18,456
Total current liabilities	41,797

Net position

Net investment in capital assets	1,592,258
Unrestricted	752,861
Total net position	\$ 2,345,119

The accompanying footnotes are an integral part of these financial statements.

Town of Sims, North Carolina
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020
Exhibit 9

	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 113,289
Other operating revenues	2,989
Total operating revenues	116,278
Operating expenses:	
Water and sewer operations	103,072
Depreciation	51,373
Total operating expenses	154,445
Operating loss	(38,167)
Nonoperating revenues:	
Atlantic Coast Pipeline easement	214,723
Interest earned	1,657
Total nonoperating revenues	216,380
Change in net position	178,213
Total net position, beginning	2,166,906
Total net position, ending	\$ 2,345,119

The accompanying footnotes are an integral part of these financial statements.

Town of Sims, North Carolina
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
Exhibit 10

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 112,053
Other operating revenues	2,989
Cash paid for goods and services	(85,587)
Cash paid to or on behalf of employees for services	(16,456)
Customer deposits received (net)	1,525
Net cash provided by operating activities	14,524
 Cash flows from noncapital financing activities:	
Increase in due to other funds	5,593
 Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(2,809)
Atlantic Coast Pipeline easement	214,723
Net cash provided by capital and related financing activities	211,914
 Cash flows from investing activities:	
Interest and dividends	1,657
Net increase in cash and cash equivalents	233,688
Cash and cash equivalents, beginning	552,293
Cash and cash equivalents, ending	\$ 785,981
 Reconciliation of cash and cash equivalents, ending	
Cash and cash equivalents	\$ 767,525
Restricted cash and cash equivalents	18,456
Total cash and cash equivalents	\$ 785,981

The accompanying footnotes are an integral part of these financial statements.

Town of Sims, North Carolina
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
Exhibit 10

	Water and Sewer Fund
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (38,167)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	51,373
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable (net)	(1,236)
Increase (decrease) in accounts payable and accrued liabilities	1,029
Increase (decrease) in customer deposits	1,525
Total adjustments	52,691
Net cash provided by operating activities	\$ 14,524

The accompanying footnotes are an integral part of these financial statements.

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Sims (the “Town”) 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 is a municipal corporation that is governed by an elected mayor and a five-member council.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the 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. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other nonoperating revenues are ancillary activities such as investment earnings.

Town of Sims, North Carolina Notes to Financial Statements

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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.

Town of Sims, North Carolina Notes to Financial Statements

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the Governmental Capital Project Fund. 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 funds. The budget officer is authorized to reallocate appropriations within departments and may execute inter-departmental transfers, in the same fund, not to exceed \$1,000. Notation of all such transfers shall be made to the Town Council on the next succeeding financial report. No salary increases, beyond those set forth in the budget document, may be made without approval of the Town Council. The governing board must approve any budget revision that alters the total expenditures of any fund. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Town of Sims, North Carolina
Notes to Financial Statements

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).

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Restricted cash as of June 30, 2020 was comprised of the following amounts:

Governmental Activities

General Fund:

Powell Bill funds	\$ 36,107
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Business-type activities

Water and Sewer Fund:

Customer utility deposits	<u>18,456</u>
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Total restricted cash	<u><u>\$ 54,563</u></u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

Town of Sims, North Carolina
Notes to Financial Statements

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 receivables aging and by analyzing the percentage of receivables that was written off in prior years.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The Town has elected to record general infrastructure assets on a prospective basis beginning with the implementation of GASB 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Land improvements	25
Buildings	40
Water plant and distribution systems	5-50
Sewer plant and collection systems	50
Equipment and furniture	5-20

7. Deferred Outflows/Inflows of Resources

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

8. 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 externally imposed either by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

For purposes of net position classification, expenses are to be spent from restricted net position first and then unrestricted net position.

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:

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

Town of Sims, North Carolina Notes to Financial Statements

Assigned fund balance – portion of fund balance that the Town intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Finance Officer to reallocate appropriations within departments as long as salaries are not increased and between departments not to exceed \$1,000.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds, nor any amounts in nonspendable form.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

10. Future Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on the Town's financial statements. With the issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, the effective date of this statement has been postponed by 18 months.

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact 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 \$1,301,806 and a bank balance of \$1,310,041. Of the bank balance, \$500,000 was covered by federal depository insurance and \$810,041 was covered by collateral held under the Pooling Method.

Town of Sims, North Carolina
Notes to Financial Statements

2. Receivables – Allowances for Doubtful Accounts

Receivables at the government-wide level at June 30, 2020, were as follows:

	Accounts Receivable	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities:				
General Fund	\$ 4,702	\$ 2,255	\$ 10,439	\$ 17,396
Allowance for doubtful accounts	(1,300)	(621)	-	(1,921)
Total governmental activities	<u>\$ 3,402</u>	<u>\$ 1,634</u>	<u>\$ 10,439</u>	<u>\$ 15,475</u>
Business-type activities				
Water and sewer	\$ 19,687	\$ -	\$ -	\$ 19,687
Allowance for doubtful accounts	(11,010)	-	-	(11,010)
Total business-type activities	<u>\$ 8,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,677</u>

The due from other governments that is owed to the Town consists of the following:

General Fund:

Local option sales tax	\$ 6,617
Utility franchise tax	2,623
Wilson County - property taxes	<u>1,199</u>
Total governmental activities	<u>\$ 10,439</u>

Town of Sims, North Carolina
Notes to Financial Statements

3. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 16,115	\$ -	\$ -	\$ 16,115
Capital assets being depreciated:				
Land improvements	98,337	-	-	98,337
Buildings	114,563	-	-	114,563
Equipment and furniture	54,983	10,771	-	65,754
Total capital assets being depreciated	<u>267,883</u>	<u>10,771</u>	<u>-</u>	<u>278,654</u>
Less accumulated depreciation for:				
Land improvements	1,966	3,934	-	5,900
Buildings	13,224	3,861	-	17,085
Equipment and furniture	28,072	4,964	-	33,036
Total accumulated depreciation	<u>43,262</u>	<u>\$ 12,759</u>	<u>\$ -</u>	<u>56,021</u>
Total capital assets being depreciated, net	<u>224,621</u>			<u>222,633</u>
Governmental activity capital assets, net	<u><u>\$ 240,736</u></u>			<u><u>\$ 238,748</u></u>

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

General government	\$ 1,505
Cultural and recreational	<u>11,254</u>
Total depreciation expense	<u><u>\$ 12,759</u></u>

Town of Sims, North Carolina
Notes to Financial Statements

Business-type capital asset activity for the Town for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 55,734	\$ -	\$ -	\$ 55,734
Capital assets being depreciated:				
Water plant and distribution systems	192,565	-	-	192,565
Sewer plant and collection systems	2,330,601	-	-	2,330,601
Equipment and furniture	40,091	2,808	-	42,899
Total capital assets being depreciated	<u>2,563,257</u>	<u>2,808</u>	-	<u>2,566,065</u>
Less accumulated depreciation for:				
Water plant and distribution systems	170,398	2,955	-	173,353
Sewer plant and collection systems	781,508	46,612	-	828,120
Equipment and furniture	26,262	1,806	-	28,068
Total accumulated depreciation	<u>978,168</u>	<u>\$ 51,373</u>	<u>\$ -</u>	<u>1,029,541</u>
Total capital assets being depreciated, net	<u>1,585,089</u>			<u>1,536,524</u>
Business-type activities capital assets, net	<u>\$ 1,640,823</u>			<u>\$ 1,592,258</u>

4. Construction Commitments

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

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2020, were as follows:

	Vendors	Benefits and Payroll Withholdings	Customer Deposits Payable	Total
Governmental Activities:				
General	\$ 10,219	\$ 1,380	\$ -	\$ 11,599
Business-type Activities:				
Water and sewer	\$ 4,918	\$ -	18,456	\$ 23,374

Town of Sims, North Carolina
Notes to Financial Statements

2. Deferred Inflows of Resources

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

Statement of Net Position	General Fund Balance Sheet
Property taxes receivable (General Fund)	\$ - \$ 1,337

3. Risk Management

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

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance through the National Flood Insurance Plan (NFIP). The Town does not own property located in a flood plain and had no flood damage from the extensive damage caused in North Carolina by major hurricanes affecting North Carolina in recent years.

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 coverage with the NC League of Municipalities. The finance officer is bonded for \$50,000 with the NC League of Municipalities.

4. Claims, Judgments and Contingent Liabilities

According to the Town attorney, at June 30, 2020, there are no pending or threatened litigation, claims or assessments against the Town.

Town of Sims, North Carolina
Notes to Financial Statements

C. Interfund Balances and Activity

Balances Due to/from Other Funds

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

Due to the General Fund from the Water and Sewer Fund	<u>\$ 18,423</u>
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The interfund balances due to the General Fund from the Water and Sewer Fund resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

D. Fund Balance

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

Total Fund Balance - General Fund	\$ 536,490
Less:	
Stabilization by State Statute	32,264
Streets - Powell Bill	36,107
Appropriated Fund Balance in 2021 budget	<u>126,000</u>
Remaining Fund Balance	<u>\$ 342,119</u>

III. JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with other municipalities, established the Upper Coastal Plain Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$387 to the Council during the fiscal year ended June 30, 2020.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. State Assisted Programs

The Town has received proceeds from several 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.

V. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, certain operations of the Town have been affected. The ability of some residents to make tax and/or utility payments has and may at times be impacted by the effects of the pandemic, as well as, state shared revenues, local, state and federal grant funding. In response to this event, the Town, through Executive Order of the Governor, suspended its cut-off policies for non-payment of utilities and/or extended due dates and payment options of utilities and property taxes for residents. Continued effects of the pandemic may result in uncertainties and a negative impact on operating activities and results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

In September 2020, the Town received \$15,000 in CARES Act funding. The Town plans to use the funds to improve technology / telework capabilities to enable compliance with COVID-19 public health precautions.

The Board has evaluated subsequent events through January 26, 2021, the date which the financial statements were available to be issued.

Supplementary Schedules

This Section Contains Individual Fund Schedules.

Town of Sims, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes:				
Current year	\$	\$ 96,538	\$	\$ 90,058
Prior years		1,274		807
Penalties and interest		166		191
Total	97,000	97,978	978	91,056
Unrestricted intergovernmental:				
Local option sales taxes		38,082		34,843
Utilities sales tax		9,452		9,599
Telecommunications sales tax		3,996		4,737
Video franchise fee		2,091		2,185
Beer and wine tax		1,303		1,314
Total	52,521	54,924	2,403	52,678
Restricted intergovernmental:				
Powell Bill allocation		8,377		8,282
Solid waste disposal tax		231		213
Total	8,350	8,608	258	8,495
Permits and fees:				
Building permits		-		15
Zoning fees		2,680		5,408
Total	4,000	2,680	(1,320)	5,423
Sales and services:				
Garbage, recycling and yard waste collection fees	35,000	35,585	585	34,385
Investment earnings:				
Interest earned	1,050	1,219	169	1,450
Miscellaneous:				
Miscellaneous		160		148
Town Hall rental		1,213		1,243
Picnic shelter rental		300		-
Total	2,000	1,673	(327)	1,391
Total revenues	199,921	202,667	2,746	194,878

(continued)

**Town of Sims, North Carolina
General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures	206,921	187,995	18,926	143,800
Revenues over (under) expenditures	(7,000)	14,672	21,672	51,078
Other financing sources (uses)				
Insurance recovery	7,000	7,148	148	-
Transfers to other funds	-	-	-	(89,009)
Total other financing sources (uses)	7,000	7,148	148	(89,009)
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ -</u>	<u>21,820</u>	<u>\$ 21,820</u>	(37,931)
Fund balance, beginning		<u>514,670</u>		<u>552,601</u>
Fund balance, ending		<u>\$ 536,490</u>		<u>\$ 514,670</u>

Town of Sims, North Carolina
General Fund

Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
General government:				
Governing body:				
Fees paid elected officials	\$	\$ 5,126	\$	\$ 6,470
Administration:				
Salaries and employee benefits		9,645		9,807
Contract services		45,242		41,901
Repairs and maintenance		25,203		9,079
Advertising		66		1,197
Education and training		70		100
Insurance and bonds		7,374		6,172
Miscellaneous		746		794
Office supplies and postage		5,537		5,955
Travel		281		138
Utilities		6,440		8,217
Telephone		2,099		1,187
Elections expense		3,540		-
Tax collection fees		1,476		1,370
Total general government	125,721	112,845	12,876	92,387
Public safety:				
Fire department:				
Contribution to Sims Volunteer Fire Department	1,000	1,000	-	1,000
Transportation:				
Street repair and construction:				
Powell Bill expenditures		880		250
Utilities		14,012		12,545
Total transportation	16,000	14,892	1,108	12,795
Environmental protection:				
Sanitation:				
Contract services	41,000	37,539	3,461	37,113

(continued)

Town of Sims, North Carolina
General Fund

Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		2019
	Budget	Actual	Actual
		Variance Positive (Negative)	
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		3,213	-
Contract services		2,470	-
Repairs and maintenance		1,121	85
Supplies		269	-
Utilities		594	420
Park grand opening event		3,281	-
Capital outlay		10,771	-
Total cultural and recreational	23,200	21,719	505
Total expenditures	\$ 206,921	\$ 187,995	\$ 143,800

Town of Sims, North Carolina
Water and Sewer Fund

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		2019	
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Charges for services:				
Water service	\$	\$ 50,553	\$	\$ 47,994
Sewer service		60,919		57,411
Reconnection and late fees		1,817		2,947
Total charges for services	102,500	113,289	10,789	108,352
Other operating revenues	-	2,989	2,989	4,902
Total operating revenues	102,500	116,278	13,778	113,254
Nonoperating revenues:				
Atlantic Coast Pipeline easement	-	214,723	214,723	-
Interest on investments	-	1,657	1,657	1,618
Total revenues	102,500	332,658	230,158	114,872
Expenditures:				
Water and sewer operations	118,000	103,072	14,928	98,531
Capital outlay	3,000	2,809	191	-
Total expenditures	121,000	105,881	15,119	98,531
Revenues over (under) expenditures	(18,500)	226,777	245,277	16,341
Other financing sources:				
Appropriated retained earnings	18,500	-	(18,500)	-
Revenues and other financing sources over expenditures	\$ -	\$ 226,777	\$ 226,777	\$ 16,341

Town of Sims, North Carolina
Water and Sewer Fund

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

2020			2019
Budget	Actual	Variance Positive (Negative)	Actual

**Reconciliation from budgetary basis
(modified accrual) to full accrual basis:**

Revenues and other financing sources over expenditures	\$ 226,777		\$ 16,341
Reconciling items:			
Capital outlay	2,809		-
Depreciation	<u>(51,373)</u>		<u>(51,352)</u>
Change in net position	<u>\$ 178,213</u>		<u>\$ (35,011)</u>

Town of Sims, North Carolina
Water and Sewer Fund

Schedule of Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		2019	
	Budget	Actual	Variance Positive (Negative)	Actual
Water and sewer operations:				
Salaries and employee benefits	\$	\$ 16,456	\$	\$ 15,284
Contract services		6,364		3,693
Survey planning		4,987		-
Utilities		4,296		4,548
Repairs and maintenance		15,763		16,504
OCR contract		6,474		6,300
Water purchases		12,893		12,078
Postage		535		700
Office supplies		109		2,205
Telephone		793		767
Miscellaneous		928		1,378
Water analysis		143		1,135
Chemicals		781		788
Sewer disposal		32,550		32,966
Bad debts		-		185
Total water and sewer operations	118,000	103,072	14,928	98,531
Capital outlay	3,000	2,809	191	-
Total expenditures	\$ 121,000	\$ 105,881	\$ 15,119	\$ 98,531

Other Schedules

This section contains additional information on property taxes.

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

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

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections</u>	<u>Releases</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 98,242 (a)	\$ 96,538 (b)	\$ 769 (a)	\$ 935 (c)
2018-2019	973	-	762	-	211
2017-2018	636	-	428	-	208
2016-2017	208	-	-	-	208
2015-2016	212	-	-	-	212
2014-2015	43	-	43	-	-
2013-2014	-	-	-	-	-
2012-2013	107	-	41	-	66
2011-2012	30	-	-	-	30
2010-2011	88	-	-	-	88
2009-2010	78	-	-	78	-
	<u>\$ 2,375</u>	<u>\$ 98,242</u>	<u>\$ 97,812 (d)</u>	<u>\$ 847</u>	<u>1,958</u>

Less: allowance for uncollectible ad valorem taxes receivable (621)

Ad valorem taxes receivable - net \$ 1,337

Reconciliation to revenues:

Ad valorem taxes - General Fund \$ 97,978

Reconciling items:

Penalties and interest collected (166)

Total collections \$ 97,812 (d)

The lower case letters next to certain amounts on the Analysis of Current Tax Levy and in the above schedule show the relationship of taxes levied, taxes collected, and uncollected taxes on both schedules.

Town of Sims, North Carolina
Analysis of Current Tax Levy
Town – Wide Levy
June 30, 2020

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 17,818,600	0.50	\$ 89,093	\$ 76,547	\$ 12,546
Discoveries:					
Current year taxes	1,829,800		9,149	9,149	-
Abatements	(153,800)		(769)	(769)	-
Total property valuation	<u>\$ 19,494,600</u>				
Net levy			97,473 (a)	84,927	12,546
Uncollected taxes at June 30, 2020			<u>(935) (c)</u>	<u>(935)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 96,538 (b)</u>	<u>\$ 83,992</u>	<u>\$ 12,546</u>
Current levy collection percentage			<u>99.04%</u>	<u>98.90%</u>	<u>100.00%</u>

The lower case letters next to certain amounts on the Schedule of Ad Valorem Taxes Receivable and in the above schedule show the relationship of taxes levied, taxes collected, and uncollected taxes on both schedules.