

TOWN OF FRANKLINVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2019

TOWN OF FRANKLINVILLE, NORTH CAROLINA

BOARD OF COMMISSIONERS

Perry Conner, Mayor

McKay Whatley

Richard Goodwin

Priscilla Dunn

Brandon Hurley

A.C. Hurley, Mayor Pro-Tem

OFFICIALS

Beverly O'Brien

Finance Officer

Franklin E. Wells, Jr.

Attorney

TOWN OF FRANKLINVILLE, NORTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Franklinville
Franklinville, North Carolina

Report on the Financial Statements

I 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 Franklinville, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Franklinville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 13, 2020 on my consideration of Town of Franklinville's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Franklinville's internal control over financial reporting and compliance.



William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina

March 13, 2020

Management's Discussion and Analysis

As management of the Town of Franklinville, we offer readers of the Town of Franklinville's financial statements this narrative overview and analysis of the financial activities of the Town of Franklinville for the fiscal year ended June 30, 2019. We encourage readers to examine the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

The MD&A is an opportunity for management to proactively address any issues that might be affecting the unit's financial status or questions that might be posed by readers of the financial statements. A thoughtful discussion and analysis of economic, financial, or budgetary factors that might influence the unit should be presented.

Financial Highlights

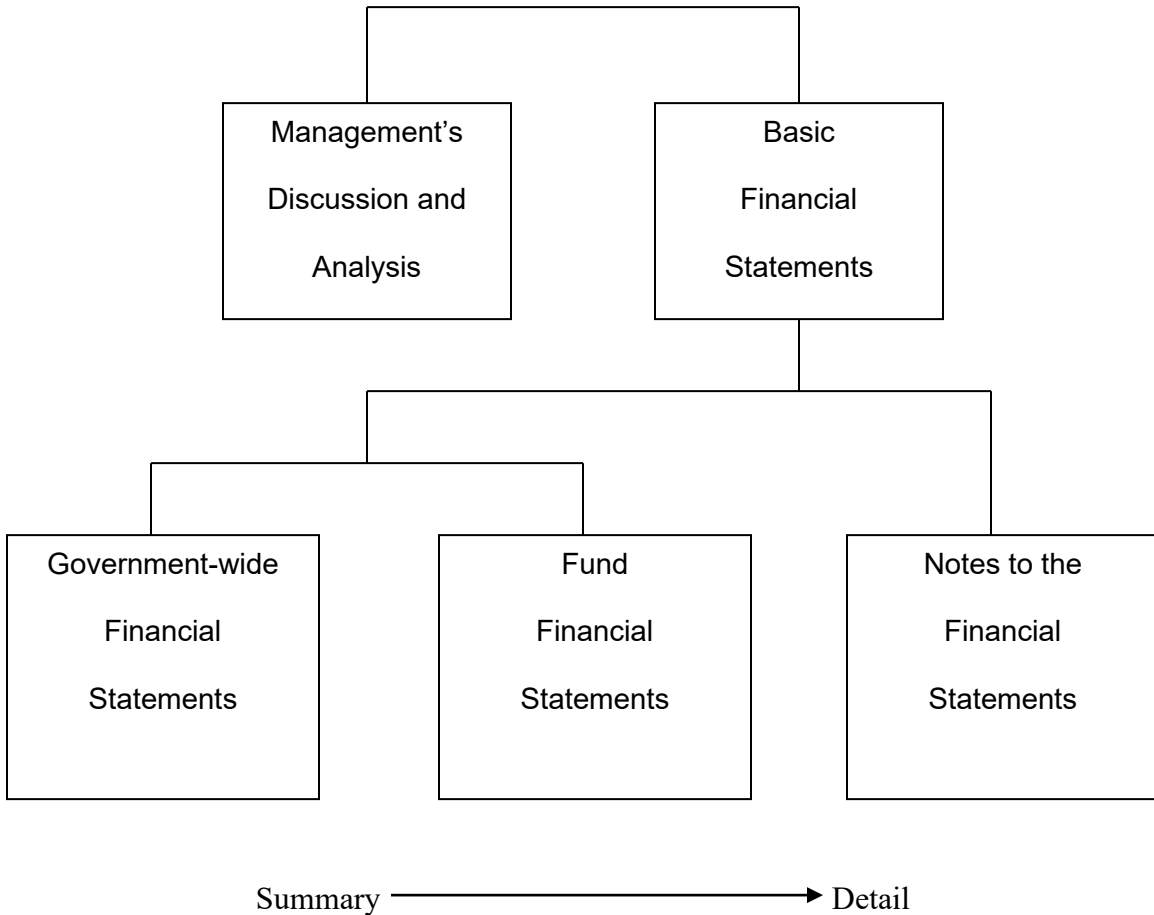
- The assets and deferred outflows of resources of the Town of Franklinville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,354,653 (*net position*).
- The government's total net position decreased by \$265,059, primarily due to decreases in the business-type activities.
- As of the close of the current fiscal year, the Town of Franklinville's governmental funds reported combined ending fund balances of \$730,900 with a net decrease of \$42,158 in fund balance. Approximately 43 percent of this total amount, or \$316,988, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$413,912 or 59 percent of the total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Franklinville'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 Franklinville.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Management Discussion and Analysis Town of Franklinville

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Franklinville, 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 Franklinville can be divided into two categories: governmental funds and proprietary funds.

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

Management Discussion and Analysis
Town of Franklinville

the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Franklinville 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

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 25 of this report.

Management Discussion and Analysis
Town of Franklinville

Town of Franklinville's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 771,680	\$ 845,863	\$ 429,033	\$ 606,921	\$ 1,200,713	\$ 1,452,784
Capital assets	683,480	641,752	4,921,918	4,990,197	5,605,398	5,631,949
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	1,455,160	1,487,615	5,350,951	5,597,118	6,806,111	7,084,733
Long-term liabilities outstanding	-	-	326,460	336,726	326,460	336,726
Other liabilities	73,077	19,177	51,921	62,863	124,998	82,040
Deferred inflows of resources	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	73,077	19,177	378,381	399,589	451,458	418,766
Net position:						
Net investment in capital assets	683,480	641,752	4,545,917	4,643,205	5,229,397	5,284,957
Restricted	241,825	265,904	-	-	241,825	265,904
Unrestricted	456,778	560,782	426,653	554,324	883,431	1,115,106
Total net position	\$ 1,382,083	\$ 1,468,438	\$ 4,972,570	\$ 5,197,529	\$ 6,354,653	\$ 6,665,967

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Franklinville exceeded liabilities and deferred inflows by \$6,354,653 as of June 30, 2019. The Town's net position decreased by \$265,059 for the fiscal year ended June 30, 2019. However, the largest portion (82%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Franklinville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Franklinville's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Franklinville's net position, \$241,825 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$883,431 is unrestricted.

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

- Continued diligence in the collection of property taxes.
- Low cost of debt.
- Purchases of capital assets during the fiscal year.

Management Discussion and Analysis
Town of Franklinville

**Town of Franklinville Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues						
Charges for services	\$ 65,329	\$ 66,203	\$ 486,006	\$ 554,440	\$ 551,335	\$ 620,643
Operating grants and contributions	12,000	12,000	-	-	12,000	12,000
Capital grants and contributions	125,962	34,391	40,066	-	74,009	34,391
General revenues:						
Property taxes	184,476	186,297	-	-	184,476	186,297
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	347,552	325,261	-	-	347,552	325,261
Other	22,117	13,195	-	-	22,117	13,195
Total revenues	757,436	637,347	526,072	554,440	1,191,489	1,191,787
Expenses:						
General government	244,185	182,337	-	-	244,185	182,337
Public safety	69,269	72,719	-	-	69,269	72,719
Transportation	243,207	181,005	-	-	243,207	181,005
Environmental protection	79,841	74,436	-	-	79,841	74,436
Culture and recreation	161,034	37,936	-	-	122,642	37,936
Interest on long-term debt	-	-	11,261	11,261	11,261	11,261
Water and sewer	-	-	739,770	676,294	739,770	676,294
Total expenses	797,536	548,433	751,031	687,555	1,510,175	1,235,988
Increase/(decrease) in net position	(40,100)	88,914	(224,959)	(133,115)	(318,686)	(44,201)
Net position, July 1	1,468,438	1,379,524	5,197,529	5,330,644	6,665,967	6,710,168
Prior Period Adjustment	(46,255)	-	-	-	(46,255)	-
Net position, June 30	<u>\$ 1,382,083</u>	<u>\$ 1,468,438</u>	<u>\$ 4,972,570</u>	<u>\$ 5,197,529</u>	<u>\$ 6,301,026</u>	<u>\$ 6,665,967</u>

Governmental activities - Governmental activities decreased the Town's net position by \$40,100. A key element of this decrease is as follows:

- The Town was diligent in the collection of property taxes.
- Increased economic activity helped to increase other tax revenues.
- The Town incurred excess expenses during this fiscal year that have not been incurred in prior years.

Business-type activities: Business-type activities decreased the Town of Franklinville's net position by \$224,959.

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town of Franklinville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Franklinville's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Franklinville. At the end of the current fiscal year, Town of Franklinville's fund balance available in the General Fund was \$413,912, while total fund balance reached \$576,180. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 59% of total General Fund expenditures, while total fund balance represents 82% of that same amount.

At June 30, 2019, the governmental funds of the Town of Franklinville reported a combined fund balance of \$730,900, a decrease from the prior year. Included in this change in fund balance are decreases in fund balances in the Town's General Fund, decrease in the Town's Capital Improvement Fund, increases in the fund balance in the Library Building Fund, decreases in the RHCH Foundation Grant Capital Project Fund and an increase in the Tourism Development Fund.

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

Proprietary Funds – The Town of Franklinville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$426,653. The total decrease in net position for the fund was \$224,959. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Franklinville's business-type activities.

Capital Asset and Debt Administration

Capital assets - The Town of Franklinville’s investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$4,921,918 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

**Town of Franklinville’s Capital Assets
(Net of Depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 330,974	\$ 330,974	\$ 3,000	\$ 3,000	\$ 333,974	\$ 333,974
Construction in progress	59,591	59,591	39,275	-	98,866	59,591
Buildings and systems	85,945	23,467	4,689,626	4,897,892	4,775,571	4,921,359
Improvements other than buildings	-	-	224	431	224	431
Furniture and equipment	29,466	31,552	189,793	88,874	219,259	120,426
Infrastructure	177,504	196,168	-	-	177,504	196,168
Vehicles and motorized equipment	-	-	-	-	-	-
Total	\$ 683,480	\$ 641,752	\$ 4,921,918	\$ 4,990,197	\$ 5,605,398	\$ 5,631,949

For a more detailed accounting of the capital assets, refer to pages 35-36 of the section in the Notes to the Financial Statements that discusses this subject.

Long-term Debt - As of June 30, 2019, the Town of Franklinville had total long-term debt outstanding of \$336,726. Of this, \$263,000 of the debt is backed by the full faith and credit of the Town. The remainder of the Town’s debt is secured by specific assets financed by the debt.

**Town of Franklinville’s Outstanding Debt
General Obligation Bonds, Installment Purchases and Notes**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ -	\$ -	\$ 263,000	\$ 268,000	\$ 263,000	\$ 268,000
Installment purchase	-	-	-	-	-	-
Note payable	-	-	73,726	78,992	73,726	78,992
Total	\$ -	\$ -	\$ 336,726	\$ 346,992	\$ 336,726	\$ 346,992

The Town of Franklinville’s total debt decreased by \$10,266 (3%) during the past fiscal year. Refer to pages 38-41 of the section on long-term debt obligation in the Notes to the Financial Statements.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Town of Franklinville as of June 30, 2019 is \$2,980,373. The Town has no bonds authorized at June 30, 2019.

Economic Factors

In terms of economic factors, the town maintained its position financially, and has been able to make significant capital improvements during the Fiscal Year 2018-2019. The number of businesses in the Franklinville area increased to 12.

We do see having an opportunity for growth and future development along the Highway 64 Commercial corridor. We have already seen an increase in business activity along the corridor with the opening of a new Kubota Dealership and interest in other near-by properties.

As construction on the NCDOT Hwy64 bypass around Asheboro is completed, traffic utilizing the bypass will rejoin Highway 64 at the start of Franklinville’s commercial district. We expect increased interest in the Highway 64 Commercial corridor, and we are looking at ways to provide public water and sewer services to that area. We have partnered with the USDA and SERCAP to explore options for supplying services to the area and are actively making plans for a rapid completion of the project. The Highway 64 Commercial corridor IS Franklinville’s economic future.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities:

The Town continues to look for ways to improve and expand services through efficient use of resources, and the strategic use of federal, state, and local grant programs. Our goal is to maintain services at current levels without increasing property taxes. The town does not envision any substantial increases in either revenue or expenses in the short-term.

The Board has committed to fund Capital Projects that had been on-hold for a number of years. The Capital improvements included necessary improvements to the Town Hall building, The Company Store building and the Old Bank Building. Roofs were replaced and the buildings were stabilized for either future sale, development, or retrofitting.

The town was notified of award of a Recreational Trails Program (RTP) grant in October 2018 in the amount of \$96,000.00 for DRRT-Phase 2. This grant covered a two-year period for construction of the greenway. Phase 2 link Riverside Park to the opened greenway (Phase 1). Work was completed on the Greenway Project in June of 2019 except for the professional signage of the trail. Many citizens and non-citizens use the trail daily and appreciate the work of the Public Works Department. The Board chose to use in-house resources instead of contracting the trail and was able to significantly extend the length of the trail bed as a result. New and Used equipment was purchased for the Public Works Department including a used dump truck to replace a smaller tonnage truck and a used mini excavator that proved invaluable on the greenway installation.

As envisioned, the trail will extend from Randleman through Worthville, Central Falls, Cedar Falls, Franklinville, and end in Ramseur (~14 miles). The entire trail will parallel the river on both the north and south sides, joining up in Cedar Falls.

Other Notable Accomplishments:

- 1) The Town has reorganized the Athletic Association and up graded the ballfield and concessions area along with new Town signage at the field.
- 2) The Town purchased, to remove, 2 properties and dilapidated homes adjacent to the Riverside Park at a cost of more than \$60,000.00. The Board considered this purchase a necessary improvement to the park and downtown area.
- 3) The Town contracted operation of the Library to the County Library system and has seen the addition of new children's programs and attendance.
- 4) New signage was installed at the park entrances.

Management Discussion and Analysis

Town of Franklinville

Business-Type Activities:

When the Division of Water Quality changed the limits for TTHM in treated municipal water from .10 to .08, we begin to have problems meeting that new standard (we are not the only municipality with that problem). The town has been working with the Wooten Company and the Town of Ramseur (our water provider) to address the TTHM issue. Most months we are in compliance, but some months it is tough to meet the new standard. We were tentatively awarded a grant/loan in the total amount of \$496,000. This project will consist of two pieces: 1) TTHM removal systems installed in the Clark Street and Providence Grove High School tanks, and 2) a secondary chlorine-injection point at the Ramseur water treatment plant. Pending approval from the Local Government Commission, the Town has awarded a contract for the removal systems in the two tanks and will handle improvements to the Ramseur water treatment plant by our own Public Works Department.

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 Mayor Perry Conner or Finance Officer Beverly O'Brien, Town of Franklinville, P.O. Box 277, Franklinville, NC 27248.

TOWN OF FRANKLINVILLE, NORTH CAROLINA**STATEMENT OF NET POSITION**

June 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 523,822	\$ 337,378	\$ 861,200
Taxes receivable (net)	8,703	-	8,703
Accounts receivable (net)	9,672	45,110	54,782
Other receivables	92,019	41,343	133,362
Due from other governments	90,132	-	90,132
Internal balances	33,658	(33,658)	-
Restricted cash and cash equivalents	13,674	38,860	52,534
Total Current Assets	<u>771,680</u>	<u>429,033</u>	<u>1,200,713</u>
Non-current assets:			
Capital Assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	390,565	42,275	432,840
Other capital assets, net of depreciation	292,915	4,879,643	5,172,558
Total Capital Assets	<u>683,480</u>	<u>4,921,918</u>	<u>5,605,398</u>
Total Assets	<u>1,455,160</u>	<u>5,350,951</u>	<u>6,806,111</u>
Liabilities:			
Current Liabilities:			
Accounts payable	64,065	1,933	65,998
Customer deposits	-	38,860	38,860
Accrued interest payable	-	862	862
Compensated absences payable	9,012	-	9,012
Current portion of long-term liabilities	-	10,266	10,266
Total Current Liabilities	<u>73,077</u>	<u>51,921</u>	<u>124,998</u>
Long-Term Liabilities:			
Due in more than one year	-	326,460	326,460
Total Liabilities	<u>73,077</u>	<u>378,381</u>	<u>451,458</u>
Net Position:			
Net investment in capital assets	683,480	4,545,917	5,229,397
Restricted for:			
Stabilization by state statute	127,058	-	127,058
Cultural and recreational	101,093	-	101,093
Transportation	13,674	-	13,674
Unrestricted	456,778	426,653	883,431
Total Net Position	<u>\$ 1,382,083</u>	<u>\$ 4,972,570</u>	<u>\$ 6,354,653</u>

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

TOWN OF FRANKLINVILLE, NORTH CAROLINA**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 244,185	\$ -	\$ -	\$ -	\$ (244,185)	\$ -	\$ (244,185)
Public safety	69,269	-	-	-	(69,269)	-	(69,269)
Transportation	243,207	-	-	33,943	(209,264)	-	(209,264)
Environmental protection	79,841	65,329	-	-	(14,512)	-	(14,512)
Cultural and recreational	161,034	-	12,000	92,019	(57,015)	-	(57,015)
Total Governmental Activities (See Note 1)	<u>797,536</u>	<u>65,329</u>	<u>12,000</u>	<u>125,962</u>	<u>(594,245)</u>	<u>-</u>	<u>(594,245)</u>
Business-type Activities:							
Water and sewer	<u>751,031</u>	<u>486,006</u>	<u>-</u>	<u>40,066</u>	<u>-</u>	<u>(224,959)</u>	<u>(224,959)</u>
Total Business-type Activities	<u>751,031</u>	<u>486,006</u>	<u>-</u>	<u>40,066</u>	<u>-</u>	<u>(224,959)</u>	<u>(224,959)</u>
Total	<u>\$ 1,548,567</u>	<u>\$ 551,335</u>	<u>\$ 12,000</u>	<u>\$ 166,028</u>	<u>(594,245)</u>	<u>(224,959)</u>	<u>(819,204)</u>
General Revenues:							
Property taxes, levied for general purpose					184,476	-	184,476
Grants and contributions not restricted to specific programs					347,552	-	347,552
Sales and services					11,206	-	11,206
Unrestricted investment earnings					2,055	-	2,055
Miscellaneous					8,856	-	8,856
Total General Revenues					<u>554,145</u>	<u>-</u>	<u>554,145</u>
Change in Net Position					<u>(40,100)</u>	<u>(224,959)</u>	<u>(265,059)</u>
Net Position, Beginning, Previously Stated					1,468,438	5,197,529	6,665,967
Prior Period Adjustment					<u>(46,255)</u>	<u>-</u>	<u>(46,255)</u>
Net, Position, Beginning, Restated					1,422,183	5,197,529	6,619,712
Net Position, Ending					<u>\$ 1,382,083</u>	<u>\$ 4,972,570</u>	<u>\$ 6,354,653</u>

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

TOWN OF FRANKLINVILLE, NORTH CAROLINA**BALANCE SHEET**
GOVERNMENTAL FUNDS

June 30, 2019

	<u>Major Funds</u>		<u>Total Non-major Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Improvement</u>		
Assets:				
Cash and cash equivalents	\$ 461,121	\$ -	\$ 101,093	\$ 562,214
Restricted cash	13,674	-	-	13,674
Receivables, net:				-
Taxes	8,703	-	-	8,703
Accounts	9,672	92,019	-	101,691
Due from other funds	33,658	-	-	33,658
Due from other governments	90,132	-	-	90,132
Total Assets	\$ 616,960	\$ 92,019	\$ 101,093	\$ 810,072
Liabilities:				
Accounts payable and accrued liabilities	\$ 25,673	\$ 38,392	\$ -	\$ 64,065
Total Liabilities	25,673	38,392	-	64,065
Deferred Inflows of Resources:				
Property taxes receivable	8,703	-	-	8,703
Sanitation receivable	6,404	-	-	6,404
Total Deferred Inflows of Resources	15,107	-	-	15,107
Fund Balances:				
Restricted				
Stabilization by state statute	127,058	-	-	127,058
Streets	13,674	-	-	13,674
Cultural and recreational	-	-	31,288	31,288
Committed				
Cultural and recreational	-	-	69,805	69,805
Assigned				
Capital improvements	-	53,627	-	53,627
Subsequent year's expenditures	21,536	-	-	21,536
Unassigned	413,912	-	-	413,912
Total Fund Balances	576,180	53,627	101,093	730,900
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 616,960	\$ 92,019	\$ 101,093	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Gross capital assets at historical cost			1,255,142	
Accumulated depreciation			(571,662)	683,480
Liabilities for earned revenues considered deferred inflows of resources in fund statements				15,107
Other long-term liabilities (accrued payroll liabilities) are not due and payable in the current period and, therefore, are not reported in the funds				(9,012)
Net position of governmental activities				<u>\$ 1,420,475</u>

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

TOWN OF FRANKLINVILLE, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2019

	Major Funds		Total Non-major Funds	Total Governmental Funds
	General	Capital Improvement		
Revenues:				
Ad valorem taxes	\$ 185,790	\$ -	\$ -	\$ 185,790
Unrestricted intergovernmental	341,941	-	-	341,941
Restricted intergovernmental	46,554	92,019	-	138,573
Permits and fees	400	-	-	400
Sales and services	76,447	-	-	76,447
Investment earnings	1,271	-	-	1,271
Miscellaneous	10,441	-	6,664	17,105
Total Revenues	662,844	92,019	6,664	761,527
Expenditures:				
Current:				
General government	300,186	-	-	300,186
Public safety	69,269	-	-	69,269
Transportation - streets	229,066	-	-	229,066
Environmental protection	79,841	-	-	79,841
Cultural and recreational	26,846	93,612	4,865	125,323
Total Expenditures	705,208	93,612	4,865	803,685
Revenues Over (Under) Expenditures	(42,364)	(1,593)	1,799	(42,158)
Net Change in Fund Balance	(42,364)	(1,593)	1,799	(42,158)
Fund Balances, Beginning, Previously Reported	664,799	55,220	99,294	819,313
Prior Period Adjustment	(46,255)	-	-	(46,255)
Fund Balances, Beginning, Restated	618,544	55,220	99,294	773,058
Fund Balances, Ending	\$ 576,180	\$ 53,627	\$ 101,093	\$ 730,900

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

TOWN OF FRANKLINVILLE, NORTH CAROLINASTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds		\$	(42,158)
<p>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.</p>			
Capital outlay expenditures which were capitalized	\$	72,292	
Depreciation expense for governmental assets		<u>(30,564)</u>	41,728
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
Change in unavailable revenue for tax revenues			(1,314)
Change in unavailable revenue for sanitation revenues			88
Change in receivables			(38,392)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>			
Compensated absences			<u>(52)</u>
Total changes in net position of governmental activities		\$	<u><u>(40,100)</u></u>

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

TOWN OF FRANKLINVILLE, NORTH CAROLINA**GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - ANNUAL BUDGET AND ACTUAL**

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 188,400	\$ 188,400	\$ 185,790	\$ (2,610)
Unrestricted intergovernmental	232,100	235,500	341,941	106,441
Restricted intergovernmental	47,600	47,600	46,554	(1,046)
Permits and fees	250	600	400	(200)
Sales and services	86,800	86,800	76,447	(10,353)
Investment earnings	280	280	1,271	991
Miscellaneous	6,700	11,900	10,441	(1,459)
Total Revenues	<u>562,130</u>	<u>571,080</u>	<u>662,844</u>	<u>91,764</u>
Expenditures:				
Current:				
General government	208,006	279,248	300,186	(20,938)
Public safety	67,400	67,400	69,269	(1,869)
Transportation - streets	167,274	168,274	229,066	(60,792)
Environmental protection	75,000	75,000	79,841	(4,841)
Cultural and recreational	44,450	44,450	26,846	17,604
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenditures	<u>562,130</u>	<u>634,372</u>	<u>705,208</u>	<u>(70,836)</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>(63,292)</u>	<u>(42,364)</u>	<u>20,928</u>
Fund Balance Appropriated	-	63,292	-	(63,292)
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	(42,364)	\$ <u>(42,364)</u>
Fund Balance, Beginning, Previously Reported			664,799	
Prior Period Adjustment			<u>(46,255)</u>	
Fund Balance, Beginning, Restated			618,544	
Fund Balance, Ending			<u>\$ 576,180</u>	

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

TOWN OF FRANKLINVILLE, NORTH CAROLINA**STATEMENT OF FUND NET POSITION**
PROPRIETARY FUND

June 30, 2019

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Total</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 337,378	\$ 337,378
Accounts receivable (net)	45,110	45,110
Other receivables	41,343	41,343
Restricted cash and cash equivalents	38,860	38,860
Total Current Assets	<u>462,691</u>	<u>462,691</u>
Noncurrent Assets:		
Capital Assets:		
Land and other non-depreciable assets	3,000	3,000
Other capital assets, net of depreciation	4,918,918	4,918,918
Capital assets (net)	<u>4,921,918</u>	<u>4,921,918</u>
Total Noncurrent Assets	<u>4,921,918</u>	<u>4,921,918</u>
Total Assets	<u>\$ 5,384,609</u>	<u>\$ 5,384,609</u>
Liabilities:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,933	\$ 1,933
Accrued interest	862	862
Due to other funds	33,658	33,658
Customer deposits	38,860	38,860
Long-term liabilities - current	10,266	10,266
Total Current Liabilities	<u>85,579</u>	<u>85,579</u>
Noncurrent Liabilities:		
Long-term liabilities - noncurrent	326,460	326,460
Total Noncurrent Liabilities	<u>326,460</u>	<u>326,460</u>
Total Liabilities	<u>412,039</u>	<u>412,039</u>
Net Position:		
Net Investment in Capital Assets	4,585,192	4,585,192
Unrestricted	387,378	387,378
Total Net Position	<u>\$ 4,972,570</u>	<u>\$ 4,972,570</u>

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

TOWN OF FRANKLINVILLE, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION****PROPRIETARY FUND**

For the Year Ended June 30, 2019

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Total</u>
Operating Revenues:		
Charges for services	\$ 476,622	\$ 476,622
Water and sewer taps	2,750	2,750
Other operating revenues	6,634	6,634
	<u>486,006</u>	<u>486,006</u>
Total Operating Revenues		
Operating Expenses:		
Administration	101,712	101,712
Water treatment and distribution	324,329	324,329
Wastewater collection and treatment	90,180	90,180
Depreciation	223,549	223,549
	<u>739,770</u>	<u>739,770</u>
Total Operating Expenses		
Operating Income (Loss)	<u>(253,764)</u>	<u>(253,764)</u>
Nonoperating Revenues (Expenses):		
Interest and other charges	<u>(11,261)</u>	<u>(11,261)</u>
Total Nonoperating Revenues (Expenses)	<u>(11,261)</u>	<u>(11,261)</u>
Income (Loss) Before Contributions	(265,025)	(265,025)
Capital Contributions	<u>40,066</u>	<u>40,066</u>
Change in Net Position	(224,959)	(224,959)
Total Net Position, Beginning	<u>5,197,529</u>	<u>5,197,529</u>
Total Net Position, Ending	<u>\$ 4,972,570</u>	<u>\$ 4,972,570</u>

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

TOWN OF FRANKLINVILLE, NORTH CAROLINA**STATEMENT OF CASH FLOWS**
PROPRIETARY FUND

For the Fiscal Year Ended June 30, 2019

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 446,004	\$ 446,004
Cash paid for goods and services	(444,052)	(444,052)
Cash paid to or on behalf of employees for services	(101,712)	(101,712)
Customer deposits received	5,550	5,550
Customer deposits returned	(3,950)	(3,950)
Other operating revenues	<u>6,634</u>	<u>6,634</u>
Net Cash Provided (Used) by Operating Activities	<u>(91,526)</u>	<u>(91,526)</u>
Cash Flows From Noncapital Financing Activities:		
Increase in due to other funds	<u>-</u>	<u>-</u>
Total Cash Flows from Noncapital Financing Activities	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition of capital assets	(115,995)	(115,995)
Principal paid on note maturities	(10,266)	(10,266)
Interest paid on note maturities	<u>(11,261)</u>	<u>(11,261)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(137,522)</u>	<u>(137,522)</u>
Net Increase in Cash and Cash Equivalents	(229,048)	(229,048)
Balances, Beginning	<u>605,286</u>	<u>605,286</u>
Balances, Ending	<u>\$ 376,238</u>	<u>\$ 376,238</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ (253,764)	\$ (253,764)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	223,549	223,549
Changes in Assets and Liabilities:		
(Increase) decrease in accounts receivable	(31,548)	(31,548)
(Increase) decrease in other receivables	(18,821)	(18,821)
Increase (decrease) in accounts payable and accrued liabilities	(12,526)	(12,526)
Increase (decrease) in accrued interest	(16)	(16)
Increase (decrease) in customer deposits	<u>1,600</u>	<u>1,600</u>
Total Adjustments	<u>162,238</u>	<u>162,238</u>
Net Cash Provided by Operating Activities	<u>\$ (91,526)</u>	<u>\$ (91,526)</u>

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

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The Town of Franklinville is a municipal corporation in Randolph County that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town. The Town provides services which include general government, public safety, streets, sanitation, zoning, and recreation. The Town maintains a water and sewer system which supplies services to the Town and surrounding area on a user-charge basis.

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.

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

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

The Town reports the following major governmental fund:

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

Capital Project Fund. The Town maintains a capital improvement fund established for parks and recreation development.

The Town reports the following non-major governmental funds:

Capital Projects Funds. The Town has two Capital Project Funds which were established for park and recreation development.

Special Revenue Funds. The Town has two Special Revenue Funds. One was established for library building improvements, and the other fund was established for tourism development.

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.

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

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Concluded)

Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources. Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Franklinville because the tax is levied by Randolph 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. 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.

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, Enterprise Fund, and the Library Building Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Greenway Capital Projects Fund and the Sewer Line Capital Projects Fund. The enterprise fund project is consolidated with the respective operating fund for reporting purposes. 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. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted. 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.

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

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

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

Deposits and Investments (Concluded)

depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

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.

Restricted Assets

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

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

Restricted Cash

Governmental Activities

General Fund

Streets

13,674

Total Governmental Activities

\$ 13,674

Business-type Activities

Water and Sewer Fund

Customer Deposits

\$ 38,860

Total Business-type Activities

38,860

Total Restricted Cash

\$ 52,534

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 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, 2017. 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.

Allowance 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.

Inventory

The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The inventories held in the fiscal year are considered immaterial.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, lines, and other plant and distribution systems, infrastructure, furniture and equipment, and vehicles, \$3,000. Purchased or constructed capital assets are reported at cost or estimated historical cost.

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

Capital Assets (Concluded)

Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20
Buildings and improvements	20-50
Vehicles	5-15
Furniture and equipment	5-10
Computer equipment	3-5

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 does not have any items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town had two items that met this criterion: property taxes receivable and sanitation receivable.

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

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.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for the compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for a limited accumulation of sick leave in the amount of 240 hours or 30 working days. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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 represent 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.

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Concluded)

Fund Balances

In the governmental fund financial statements, fund balance is composed of four 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.

Restricted for Cultural and Recreational – portion of fund balance that is restricted by revenue source or represents unspent debt or grant proceeds that are restricted for the construction of cultural and recreational capital projects.

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Concluded)

Fund Balances (Concluded)

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Franklinville’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance – portion of fund balance that the Town of Franklinville 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. The governing body approves the appropriation.

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

The Town of Franklinville does not have a formal revenue spending policy for programs with multiple revenue sources.

The Town of Franklinville has not adopted a minimum fund balance policy for the General Fund.

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds

Assets

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 its name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or 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 risks 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, 2019, the Town's deposits had a carrying amount of \$861,200 and a bank balance of \$892,911. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Investments

At June 30, 2019, the Town of Franklinville had \$2,643 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town has no formal policy regarding credit risk.

TOWN OF FRANKLINVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Assets (Continued)

Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

Fund	6/30/2019
Enterprise Fund	\$ <u>87,726</u>
Total	\$ <u>87,726</u>

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 59,591	\$ -	\$ -	\$ 59,591
Land	<u>330,974</u>	<u>-</u>	<u>-</u>	<u>330,974</u>
Total capital assets not being depreciated	<u>390,565</u>	<u>-</u>	<u>-</u>	<u>390,565</u>
Capital assets being depreciated:				
Buildings	86,831	66,292	-	153,123
Furniture and equipment	189,757	6,000	-	195,757
Vehicles	77,261	-	-	77,261
Infrastructure	<u>438,436</u>	<u>-</u>	<u>-</u>	<u>438,436</u>
Total capital assets being depreciated	<u>792,285</u>	<u>72,292</u>	<u>-</u>	<u>864,577</u>
Less accumulated depreciation for:				
Buildings	63,364	3,814	-	67,178
Furniture and equipment	158,205	8,086	-	166,291
Vehicles	77,261	-	-	77,261
Infrastructure	<u>242,268</u>	<u>18,664</u>	<u>-</u>	<u>260,932</u>
Total accumulated depreciation	<u>541,098</u>	<u>\$ 30,564</u>	<u>\$ -</u>	<u>571,662</u>
Total capital assets being depreciated, net	<u>251,187</u>			<u>292,915</u>
Governmental activity capital assets, net	<u>\$ 641,752</u>			<u>\$ 683,480</u>

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

General government	\$ 10,239
Cultural and recreational	184
Transportation	<u>20,141</u>
Total depreciation expense	<u>\$ 30,564</u>

TOWN OF FRANKLINVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Assets (Concluded)

Capital Assets (Concluded)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Construction in progress	-	39,275	-	39,275
Total capital assets not being depreciated	3,000	39,275	-	42,275
Capital assets being depreciated:				
Buildings/Distribution system	7,753,531	-	-	7,753,531
Other improvements	3,104	-	-	3,104
Equipment	337,863	115,995	-	453,858
Total capital assets being depreciated	8,094,498	115,995	-	8,210,493
Less accumulated depreciation for:				
Buildings/Distribution system	2,870,429	193,476	-	3,063,905
Other improvements	2,673	207	-	2,880
Equipment	234,199	29,866	-	264,065
Total accumulated depreciation	3,107,301	\$ 223,549	\$ -	3,330,850
Total capital assets being depreciated, net	4,987,197			4,879,643
Business-type activities capital assets, net	\$ 4,990,197			\$ 4,921,918

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities

Pension Plan Obligations

The Town does not participate in the State-run defined benefit pension system; however, beginning January 1, 2006 the Town established a Simple IRA plan. Employees who earned at least \$5,000 per year during any two preceding years and who are expected to earn at least \$5,000 in the current year are eligible to participate in the plan. The Town has elected to make a dollar-for-dollar match, limited to 3% of each eligible employee's compensation per year. The Town's contribution to the plan for the year ended June 30, 2019 was \$5,278.

Deferred Outflows and Inflows of Resources

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

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Taxes Receivable, Less Penalties	\$ 8,703	\$ -
Sanitation Fees	6,404	-
Total	<u>\$ 15,107</u>	<u>\$ -</u>

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$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 workers' 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.

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Risk Management (Concluded)

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

Because the Town is in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance with an annual aggregate limit of \$5,000,000.

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 bonded for \$50,000. The remaining employees, officers, and agents of the Town that have access to funds are also bonded for \$50,000.

Claims, Judgments, and Contingent Liabilities

At June 30, 2019, the Town was not involved in any lawsuits.

Long-Term Obligations

Installment Purchases

In April 2013, the Town entered into an installment purchase agreement of \$105,323 to finance the purchase of automatic reading meters. The financing agreement requires annual payments with no interest due over the life of the loan	\$	73,726
	\$	<u><u>73,726</u></u>

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Long-Term Obligations (Continued)

Installment Purchases (Concluded)

Annual debt service requirements of the installment purchases as of June 30, 2019 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ -	\$ 5,266	\$ -
2021	-	-	5,266	-
2022	-	-	5,266	-
2023	-	-	5,266	-
2024-2028	-	-	26,331	-
2029-2033	-	-	26,331	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,726</u>	<u>\$ -</u>

Notes Payable

A loan from USDA used to finance the construction of water lines on Highway 22 is reported as long-term debt in the Water and Sewer Fund since the resources of the fund are being used to retire the note. Principal and interest requirements will be provided by appropriation in the year in which they become due.

USDA Revenue Bonds (issued July 29, 2008) with principal payments due starting June 2011 in increasing annual amounts from \$3,000 in 2011 to \$13,000 in 2048 with interest at 4.125%

\$ 263,000

TOWN OF FRANKLINVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Long-Term Obligations (Continued)

Notes Payable (Concluded)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,000	\$ 10,849	\$ 15,849
2021	5,000	10,643	15,643
2022	5,000	10,436	15,436
2023	6,000	9,991	15,991
2024-2028	33,000	47,150	80,150
2029-2033	38,000	39,925	77,925
2034-2038	46,000	32,746	78,746
2039-2043	57,000	21,852	78,852
2044-2048	68,000	7,108	75,108
Total	\$ <u>263,000</u>	\$ <u>190,700</u>	\$ <u>453,700</u>

At June 30, 2019, the Town has an approximate legal debt margin of \$2,980,373.

The Town has been in compliance in recent years with the covenants as to rates, fees, rentals and charges in Section 5 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2008, since its adoption in July 2008. For the year ended June 30, 2019, the Town is not in compliance with covenants. The Town is reviewing its options to increase revenues or decrease expenses to be in compliance in future years. Section 5.01 of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2019 is as follows:

Operating revenues	\$ 486,006
Operating expenses	<u>516,221</u>
Operating income*	(30,215)
Nonoperating revenues (expenses)**	-
Income available for debt service	<u>\$ (30,215)</u>
Debt service, principal and interest paid	21,517
Debt service coverage ratio	\$ (41.59%)

*Per rate covenants, this does not include depreciation expense of \$223,549.

**Per rate covenants, this does not include interest paid of \$11,261.

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Detail Notes on All Funds (Concluded)

Liabilities (Concluded)

Changes in Long-Term Liabilities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental Activities:					
Installment Purchase	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated Absences	8,960	52	-	9,012	-
Business-Type Activities:					
Installment Purchase	\$ -	\$ -	\$ -	\$ -	\$ -
USDA Revenue Bonds	268,000	-	5,000	263,000	5,000
Note Payable	78,992	-	5,266	73,726	5,266
Business-Type Activity Long-Term Liabilities	\$ <u>346,992</u>	\$ <u>-</u>	\$ <u>10,266</u>	\$ <u>336,726</u>	\$ <u>10,266</u>

Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

From the Water Fund to the General Fund	\$ 12,901
From the Sewer Fund to the General Fund	<u>20,757</u>
Total	<u>\$ 33,658</u>

The interfund balances 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. The Town intends to review interfund balances on an annual basis and to repay funds between funds as soon as possible.

Note 3 - Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 683,480	\$ 4,882,643
Less: Short-term Debt	<u>-</u>	<u>336,726</u>
Net Investments in Capital Assets	\$ <u>683,480</u>	\$ <u>4,545,917</u>

TOWN OF FRANKLINVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Note 4 - Fund Balance

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

<i>Total Fund Balance-General Fund</i>	\$ <u>576,180</u>
Less:	
Stabilization by State Statute	127,058
Streets	13,674
Appropriated Fund Balance in 2020 budget	<u>21,536</u>
Remaining Fund Balance	\$ <u><u>413,912</u></u>

Note 5 - Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note 6 - Subsequent Events

The Town has evaluated all subsequent events through March 13, 2020, the date the financial statements were available to be issued.

TOWN OF FRANKLINVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, 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:			
Ad Valorem Taxes:			
Taxes	\$	\$ 185,790	\$
Penalties and interest		-	
Prior years' taxes		-	
Total	<u>188,400</u>	<u>185,790</u>	<u>(2,610)</u>
Unrestricted Intergovernmental:			
Local option sales tax		288,364	
Franchise tax		40,425	
Beer and wine excise tax		5,176	
Sales tax refunds		7,976	
Total	<u>235,500</u>	<u>341,941</u>	<u>106,441</u>
Restricted Intergovernmental:			
State street aid - Powell Bill		33,943	
Solid waste disposal tax		611	
Randolph County - library supplement		12,000	
Total	<u>47,600</u>	<u>46,554</u>	<u>(1,046)</u>
Permits and Fees:			
Zoning permits		400	
Total	<u>600</u>	<u>400</u>	<u>(200)</u>
Sales and Services:			
Rents, concessions, and fees		11,175	
Library fees and donations		31	
Tipping fees		65,241	
Total	<u>86,800</u>	<u>76,447</u>	<u>(10,353)</u>
Investment Earnings	<u>280</u>	<u>1,271</u>	<u>991</u>
Miscellaneous:			
Other		10,441	
Total	<u>11,900</u>	<u>10,441</u>	<u>(1,459)</u>
Total Revenues	\$ 571,080	\$ 662,844	\$ 91,764

TOWN OF FRANKLINVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, 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>
Expenditures:			
General Government:			
Salaries and employee benefits	\$	\$ 114,562	\$
Professional services		32,048	
Contracted services		4,199	
Other operating expenditures		21,574	
Insurance and bonds		17,910	
Capital outlay		79,956	
Sales tax		9,796	
Total	<u>258,548</u>	<u>280,045</u>	<u>(21,497)</u>
Planning and Zoning:		-	
Total	<u>800</u>	<u>-</u>	<u>800</u>
Public Buildings:			
Other operating expenditures		20,141	
Total	<u>19,900</u>	<u>20,141</u>	<u>(241)</u>
Total General Government	<u>279,248</u>	<u>300,186</u>	<u>(20,938)</u>
Public Safety:			
Utilities		16,344	
Inspections		2,520	
Fire department appropriations		48,261	
Contract services		2,144	
Total Public Safety	<u>\$ 67,400</u>	<u>\$ 69,269</u>	<u>\$ (1,869)</u>

TOWN OF FRANKLINVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, 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>
Expenditures (continued):			
Transportation - Streets:			
Streets - Powell Bill:			
Maintenance and repairs	\$	\$ 48,832	\$
Total	<u>35,050</u>	<u>48,832</u>	<u>(13,782)</u>
Streets - Municipality:			
Salaries and employee benefits		92,713	
Supplies		3,854	
Contract services		719	
Miscellaneous		29,272	
Maintenance and repairs		53,676	
Total	<u>133,224</u>	<u>180,234</u>	<u>(47,010)</u>
Total Transportation - Streets	<u>168,274</u>	<u>229,066</u>	<u>(60,792)</u>
Environmental Protection:			
Sanitation:			
Contracted services		79,841	
Total Environmental Protection	<u>75,000</u>	<u>79,841</u>	<u>(4,841)</u>
Cultural and Recreational:			
Library:			
Salaries and employee benefits		15,407	
Other operating expenditures		2,139	
Books		1,183	
Total	\$ <u>35,850</u>	\$ <u>18,729</u>	\$ <u>17,121</u>

TOWN OF FRANKLINVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, 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>
Expenditures (concluded):			
Cultural and Recreational (concluded):			
Recreation:			
Maintenance	\$	\$ 614	\$
Other operating expenditures		7,503	
Total	<u>8,600</u>	<u>8,117</u>	<u>483</u>
Total Cultural and Recreational	<u>44,450</u>	<u>26,846</u>	<u>17,604</u>
Total Expenditures	<u>634,372</u>	<u>705,208</u>	<u>(70,836)</u>
Revenues Over (Under) Expenditures	<u>(63,292)</u>	<u>(42,364)</u>	<u>20,928</u>
Other Financing Sources (Uses)			
Transfers to other funds:			
Capital Improvements Fund	<u>-</u>	<u>(38,392)</u>	<u>(38,392)</u>
Fund Balance Appropriated	<u>63,292</u>	<u>-</u>	<u>(63,292)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(80,756)</u>	<u>\$ (42,364)</u>
Fund Balances, Beginning		<u>664,799</u>	
Fund Balances, Ending		<u>\$ 584,043</u>	

TOWN OF FRANKLINVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	<u>Library Building Fund</u>	<u>RHCH Foundation Grant Capital Project Fund</u>	<u>Greenway Capital Project Fund</u>	<u>Tourism Development Fund</u>	<u>Total Non-major Governmental Fund</u>
Assets:					
Cash and cash equivalents	\$ 69,805	\$ 23,058	\$ 123	\$ 8,107	\$ 101,093
Total Assets	\$ 69,805	\$ 23,058	\$ 123	\$ 8,107	\$ 101,093
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances:					
Restricted for capital projects	-	23,058	123	8,107	31,288
Committed for capital project	69,805	-	-	-	69,805
Unrestricted	-	-	-	-	-
Total Fund Balances	69,805	23,058	123	8,107	101,093
Total Liabilities and Fund Balances	\$ 69,805	\$ 23,058	\$ 123	\$ 8,107	\$ 101,093

TOWN OF FRANKLINVILLE, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2019

	<u>Library Building Fund</u>	<u>RHCH Foundation Grant Capital Project Fund</u>	<u>Greenway Capital Project Fund</u>	<u>Tourism Development Fund</u>	<u>Total Non-major Governmental Fund</u>
Revenues:					
Donations and fundraising	\$ 880	\$ -	\$ -	\$ -	\$ 880
Grant	-	-	-	5,000	5,000
Investment earnings	<u>784</u>	-	-	-	<u>784</u>
Total Revenues	<u>1,664</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>6,664</u>
Expenditures:					
Cultural and recreational	-	-	-	-	-
Marketing and advertising	-	-	-	2,000	2,000
Miscellaneous	-	2,865	-	-	2,865
Total Expenditures	<u>-</u>	<u>2,865</u>	<u>-</u>	<u>2,000</u>	<u>4,865</u>
Revenues Over (Under) Expenditures	<u>1,664</u>	<u>(2,865)</u>	<u>-</u>	<u>3,000</u>	<u>1,799</u>
Other Financing Sources:					
Transfers from other funds:					
General Fund	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	1,664	(2,865)	-	3,000	1,799
Fund Balances, Beginning	<u>68,141</u>	<u>25,923</u>	<u>123</u>	<u>5,107</u>	<u>99,294</u>
Fund Balances, Ending	\$ <u><u>69,805</u></u>	\$ <u><u>23,058</u></u>	\$ <u><u>123</u></u>	\$ <u><u>8,107</u></u>	\$ <u><u>101,093</u></u>

TOWN OF FRANKLINVILLE, NORTH CAROLINA**SPECIAL REVENUE FUND - LIBRARY BUILDING FUND
SCHEDULE OF REVENUES, 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:			
Donations and fundraising	\$	\$ 880	\$
Investment earnings		784	
	<u>200</u>	<u>1,664</u>	<u>-</u>
Total Revenues			
Expenditures:			
Cultural and recreational		-	-
	<u>200</u>	<u>-</u>	<u>-</u>
Total Expenditures			
Revenues over Expenditures	<u>-</u>	<u>1,664</u>	<u>-</u>
Other Financing Sources:			
Transfers from other funds:			
General Fund	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>-</u>	1,664	\$ <u>-</u>
Fund Balance, Beginning		<u>68,141</u>	
Fund Balance, Ending		\$ <u><u>69,805</u></u>	

TOWN OF FRANKLINVILLE, NORTH CAROLINA**CAPITAL PROJECTS FUND - RHCH FOUNDATION GRANT CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

From Inception and For the Year Ended June 30, 2019

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total</u> <u>To Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
RHCH Foundation Grant	\$ 36,000	\$ 36,000	\$ -	\$ 36,000	\$ -
Total Revenues	<u>36,000</u>	<u>36,000</u>	<u>-</u>	<u>36,000</u>	<u>-</u>
Expenditures:					
Sandy Creek Bridge Crossing	30,000	7,200	2,865	10,065	19,935
Boat Landing	<u>6,000</u>	<u>2,877</u>	<u>-</u>	<u>2,877</u>	<u>3,123</u>
Total Expenditures	<u>36,000</u>	<u>10,077</u>	<u>2,865</u>	<u>12,942</u>	<u>23,058</u>
Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 25,923</u>	<u>(2,865)</u>	<u>\$ 23,058</u>	<u>\$ 23,058</u>
Fund Balance, Beginning			<u>25,923</u>		
Fund Balance, Ending			<u>\$ 23,058</u>		

TOWN OF FRANKLINVILLE, NORTH CAROLINA**CAPITAL PROJECTS FUND - GREENWAY CAPITAL PROJECT**
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and For the Year Ended June 30, 2019

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total</u> <u>To Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues - Greenway Project:					
Restricted intergovernmental:					
State of North Carolina	\$ 60,000	\$ 57,783	\$ -	\$ 57,783	\$ (2,217)
Donations	<u>15,000</u>	<u>80</u>	<u>-</u>	<u>80</u>	<u>(14,920)</u>
Total Revenues	<u>75,000</u>	<u>57,863</u>	<u>-</u>	<u>57,863</u>	<u>(17,137)</u>
Expenditures - Greenway Project:					
Construction	<u>75,000</u>	<u>57,740</u>	<u>-</u>	<u>57,740</u>	<u>17,260</u>
Total Expenditures	<u>75,000</u>	<u>57,740</u>	<u>-</u>	<u>57,740</u>	<u>17,260</u>
Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 123</u>	<u>-</u>	<u>\$ 123</u>	<u>\$ 123</u>
Fund Balance, Beginning			<u>123</u>		
Fund Balance, Ending			<u>\$ 123</u>		

TOWN OF FRANKLINVILLE, NORTH CAROLINA**SPECIAL REVENUE FUND - TOURISM DEVELOPMENT FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

From Inception and For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
TDA grant	\$ 12,000	\$ 7,000	\$ 5,000	\$ 12,000	\$ -
Total Revenues	<u>12,000</u>	<u>7,000</u>	<u>5,000</u>	<u>12,000</u>	<u>-</u>
Expenditures:					
Marketing and advertising	12,000	1,893	2,000	3,893	8,107
Total Expenditures	<u>12,000</u>	<u>1,893</u>	<u>2,000</u>	<u>3,893</u>	<u>8,107</u>
Revenues Over Expenditures	\$ <u>-</u>	\$ <u>5,107</u>	3,000	\$ <u>8,107</u>	\$ <u>8,107</u>
Fund Balance, Beginning			<u>5,107</u>		
Fund Balance, Ending			\$ <u>8,107</u>		

TOWN OF FRANKLINVILLE, NORTH CAROLINA

CAPITAL PROJECTS FUND - CAPITAL IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Grants	\$ 92,000	\$ -	\$ 92,019	\$ 92,019	\$ 19
Total Revenues	<u>92,000</u>	<u>-</u>	<u>92,019</u>	<u>92,019</u>	<u>19</u>
Expenditures:					
Bank building renovation	40,000	3,536	1,593	5,129	34,871
Park renovations	20,600	21,844	-	21,844	
Railtrail improvements	<u>112,000</u>	<u>-</u>	<u>92,019</u>	<u>92,019</u>	<u>19,981</u>
Total Expenditures	<u>172,600</u>	<u>25,380</u>	<u>93,612</u>	<u>118,992</u>	<u>54,852</u>
Revenues Over Expenditures	\$ <u>(80,600)</u>	\$ <u>(25,380)</u>	<u>(1,593)</u>	\$ <u>(26,973)</u>	\$ <u>54,871</u>
Other Financing Sources					
Transfers from other funds:					
General Fund	<u>80,600</u>	<u>80,600</u>	<u>-</u>	<u>80,600</u>	<u>-</u>
Fund Balance, Beginning			<u>55,220</u>		
Fund Balance, Ending			\$ <u><u>53,627</u></u>		

TOWN OF FRANKLINVILLE, NORTH CAROLINA

CAPITAL PROJECTS FUND - NCDEQ WATER INFRASTRUCTURE
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From Inception and For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Grants	\$ 26,700	\$ -	\$ -	\$ -	\$ (26,700)
Total Revenues	<u>26,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,700)</u>
Expenditures:					
Engineering fees	26,700	3,536	39,275	42,811	(16,111)
Total Expenditures	<u>26,700</u>	<u>3,536</u>	<u>39,275</u>	<u>42,811</u>	<u>(16,111)</u>
Revenues Over Expenditures	\$ -	\$ (3,536)	(39,275)	\$ (42,811)	\$ (42,811)
Fund Balance, Beginning			<u>-</u>		
Fund Balance, Ending			\$ <u>(39,275)</u>		

TOWN OF FRANKLINVILLE, 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>
Revenues:			
Operating Revenues:			
Water sales	\$	\$ 318,491	\$
Water and sewer taps		2,750	
Sewer charges		118,322	
Other operating revenues		13,075	
Total Operating Revenues	<u>532,350</u>	<u>452,638</u>	<u>(79,712)</u>
Total Revenues	<u>532,350</u>	<u>452,638</u>	<u>(79,712)</u>
Expenditures:			
Water Treatment and Distribution:			
Salaries and employee benefits		61,181	
Telephone and postage		18,500	
Travel		400	
Testing		3,225	
Utilities		7,585	
Tap expense		750	
Miscellaneous		9,183	
Materials and supplies		655	
Repairs and maintenance		50,677	
Purchase of water		226,100	
Contract services		2,901	
Small equipment		1,727	
Capital outlay		44,500	
Debt principal		12,892	
Interest		11,261	
Total Water Treatment and Distribution	<u>455,688</u>	<u>451,537</u>	<u>4,151</u>
Wastewater Collection and Treatment:			
Salaries and employee benefits		40,531	
Professional fees		600	
Supplies		176	
Chemicals		1,317	
Testing		5,191	
Contract services		24,059	

TOWN OF FRANKLINVILLE, 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>
Expenditures (concluded):			
Wastewater Collection and Treatment (concluded):			
Miscellaneous		1,683	
Tap expense		702	
License and permits		960	
Utilities		15,300	
Repairs and maintenance		19,469	
Small equipment		1,746	
Capital outlay		82,918	
Waste removal		5,720	
Travel		1,577	
Postage		246	
Total Wastewater Collection and Treatment	<u>202,800</u>	<u>202,195</u>	<u>605</u>
Total Expenditures	<u>658,488</u>	<u>653,732</u>	<u>4,756</u>
Revenues Under Expenditures	(126,138)	(201,094)	(74,956)
Other Financing Sources (Uses):			
Grants	<u>-</u>	<u>40,056</u>	<u>40,056</u>
Total Other Financing Sources (Uses)	-	40,056	40,056
Fund Balance Appropriated	<u>126,138</u>	<u>-</u>	<u>(126,138)</u>
Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>(161,038)</u>	<u>\$ (161,038)</u>
 Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling Items:			
Debt service		10,266	
Increase (decrease) in accounts receivable recognition		33,367	
Capital outlay		115,995	
Depreciation		<u>(223,549)</u>	
Total Reconciling Items		<u>(63,921)</u>	
Change in Net Position		<u>\$ (224,959)</u>	

TOWN OF FRANKLINVILLE, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**

June 30, 2019

<u>Fiscal Year</u>	Uncollected Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	Uncollected Balance <u>June 30, 2019</u>
2018-2019	\$ -	\$ 188,660	\$ 186,510	\$ 2,150
2017-2018	1,990	-	1,039	951
2016-2017	1,082	-	243	839
2015-2016	1,283	-	270	1,013
2014-2015	1,070	-	280	790
2013-2014	1,130	-	237	893
2012-2013	997	-	282	715
2011-2012	671	-	41	630
2010-2011	335	-	15	320
2009-2010	432	-	30	402
2008-2009	412	-	412	-
	\$ <u>9,402</u>	\$ <u>188,660</u>	\$ <u>189,359</u>	<u>8,703</u>
Less: Allowance for doubtful ad valorem taxes receivable				<u>-</u>
Ad Valorem Taxes Receivable - Net				\$ <u>8,703</u>
Reconciliation with Revenues:				
Taxes - Ad Valorem				\$ 185,790
Amounts Written Off for Tax Year 2007				
Per Statute of Limitations				412
Adjustments				4,127
Less: Penalties & Interest Collected				<u>(970)</u>
Total Collections and Credits				\$ <u>189,359</u>

TOWN OF FRANKLINVILLE, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY****TOWN-WIDE LEVY**

For the Fiscal Year Ended June 30, 2019

	<u>Town-Wide</u>		<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 41,463,736	\$ 0.455	\$ <u>188,660</u>	\$ <u>163,612</u>	\$ <u>25,048</u>
Total Original Levy	<u>41,463,736</u>		<u>188,660</u>	<u>163,612</u>	<u>25,048</u>
Total Property Valuation	\$ <u>41,463,736</u>				
Net levy			188,660	163,612	25,048
Uncollected taxes at June 30, 2019			<u>(2,150)</u>	<u>(2,150)</u>	<u>-</u>
Current year's taxes collected			\$ <u>186,510</u>	\$ <u>161,462</u>	\$ <u>25,048</u>
Current levy collection percentage			<u>98.86%</u>	<u>98.69%</u>	<u>100.00%</u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the Town Commissioners
Town of Franklinville
Franklinville, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Franklinville, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Franklinville, North Carolina's basic financial statements, and have issued my report thereon dated January 13, 2020.

Internal Control Over Financial Reporting

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

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

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control discussed in the accompanying schedule of findings and questioned costs as item 2019-01 that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Franklinville, North Carolina's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-01.

Purpose of this Report

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

A handwritten signature in black ink that reads "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive style.

William R. Huneycutt, CPA, PLLC
Albemarle, North Carolina

March 13, 2020

TOWN OF FRANKLINVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(s) identified that are not
considered to be material weaknesses X yes none reported

Noncompliance material to financial
statements noted yes X no

TOWN OF FRANKLINVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

For the Year Ended June 30, 2019

Section II. Findings Related to the Audit
of the Basic Financial Statements

Significant Deficiency:

Finding 2019-01:

Material Noncompliance - Significant Deficiency

- Criteria: G.S. 159-26 requires the local government to establish an accounting system to show in detail the assets, liabilities, equities, revenues, and expenditures of the local government unit.
- Condition: The Town of Franklinville incurred and paid expenditures from the Powell Bill fund during the year ended June 30, 2019. These expenditures were not recorded on the ledger of the Town.
- Effect: This causes a misstatement of the financial statements and potential misuse of Powell Bill funds.
- Cause: Expenditures were made without proper recording to the general ledger of the Town.
- Recommendation: The Town should record Powell Bill expenditures as incurred, and reconcile the Powell Bill cash account on a monthly basis to ensure all transactions are properly recorded.

Views of responsible officials and corrective action. The Town agrees with this finding. Powell Bill expenditures will be recorded as incurred in future periods. Additionally, reconciliations of this specific bank account will be performed on a monthly basis.

Finding 2019-02:

Material Noncompliance - Significant Deficiency

- Criteria: G.S. 159-26 requires the local government to establish an accounting system to show in detail the assets, liabilities, equities, revenues, and expenditures of the local government unit.
- Condition: The Town of Franklinville recorded payroll related expenses to payroll liability accounts incorrectly during the year ended June 30, 2019.
- Effect: This error caused payroll liabilities on the ledger to be materially overstated.
- Cause: Payroll related expenditures were improperly recorded to the ledger.
- Recommendation: Auditor recommends Town review payroll entries each pay period, or at least monthly, to ensure payroll liabilities are properly reported and allocated amongst the funds and departments.

Views of responsible officials and corrective action. The Town agrees with this finding. Payroll related expenditures will be reviewed regularly for accuracy of reporting and for coding to proper account.

TOWN OF FRANKLINVILLE, NORTH CAROLINA

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2019

Finding 2019-01:

Name of contact person: Beverly O'Brien, Finance Officer

Corrective action plan: Town personnel will record Powell Bill transactions as incurred and reconcile corresponding bank accounts on a monthly basis.

Proposed completion date: Immediately.

Finding 2019-02:

Name of contact person: Beverly O'Brien, Finance Officer

Corrective action plan: Town personnel will review payroll related entries regularly to ensure proper coding and reporting on the ledger.

Proposed completion date: Immediately.