

Report On
Town of Harrellsville, North Carolina
Year Ended June 30, 2019

**REPORT ON
TOWN OF HARRELLSVILLE, NORTH CAROLINA
YEAR ENDED JUNE 30, 2019**

**MAYOR
MARY L. THOMPSON**

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TOWN COUNCIL

**DEBORAH BAKER
ROY WORRELL**

**EMMA PERRY
RONNIE REVELL**

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JUNE 30, 2019**

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Financial Section

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Independent Auditors' Report

To the Honorable Mayor
And Members of the Town of Harrellsville
Harrellsville, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Harrellsville, 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 Harrellsville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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



Johnson, McLean & Company, CPA's
Murfreesboro, North Carolina

September 18, 2019

Management's Discussion and Analysis

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

Financial Highlights

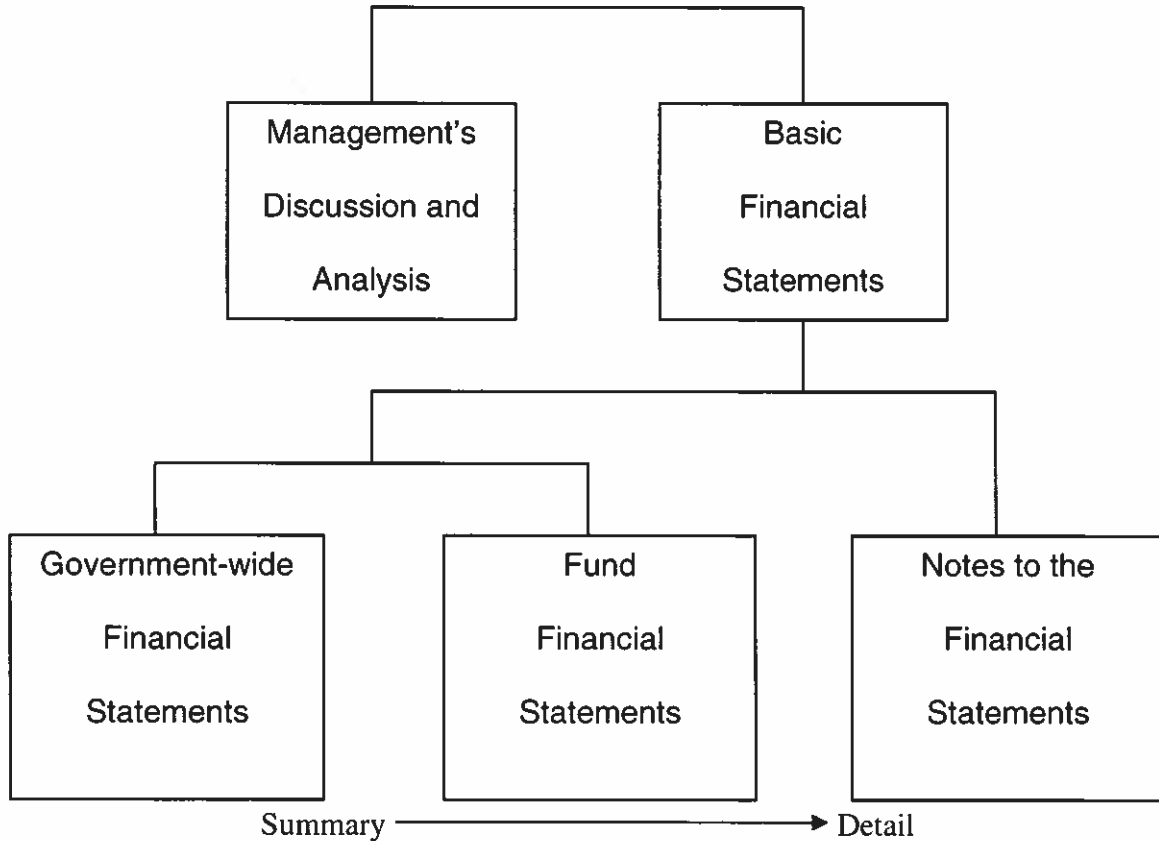
- The assets and deferred outflows of resources of the Town of Harrellsville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$609,166 (*net position*).
- The government's total net position increased by \$6,376, primarily due to diligent cost-saving measures.
- As of the close of the current fiscal year, the Town of Harrellsville's governmental funds reported combined ending fund balances of \$131,639 with a net increase of \$2,903 in fund balance. Approximately 16.58% of this total amount, or \$21,825, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$92,553, or 196.72% of total general fund expenditures for the fiscal year.
- The Town of Harrellsville's total debt decreased by \$19,039 (5.67%) during the current fiscal year.

Overview of the Financial Statements

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

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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina 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 services offered by the Town of Harrellsville.

The government-wide financial statements are 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 Harrellsville, 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 Harrellsville can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Harrellsville 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 the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Town of Harrellsville has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Harrellsville uses enterprise funds to account for its water operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 11 of this report.

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

Government-Wide Financial Analysis

Town of Harrellsville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 137,742	\$ 132,983	\$ 159,042	\$ 134,426	\$ 296,784	\$ 267,409
Capital assets	24,880	25,475	625,686	665,828	650,566	691,303
Total assets	162,622	158,458	784,728	800,254	947,350	958,712
Long-term liabilities outstanding	-	-	316,589	335,628	316,589	335,628
Other liabilities	3,688	2,142	17,907	18,151	21,595	20,293
Total liabilities	3,688	2,142	334,496	353,779	338,184	355,921
Net position:						
Net investment in capital assets	24,880	25,475	307,558	330,200	332,438	355,675
Restricted	21,825	23,091	-	-	21,825	23,091
Unrestricted	112,229	107,750	142,674	116,275	254,904	224,025
Total net position	\$ 158,934	\$ 156,316	\$ 450,232	\$ 446,475	\$ 609,166	\$ 602,791

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Harrellsville exceeded liabilities by \$609,166 as of June 30, 2019. The Town's net position increased by \$6,375 for the fiscal year ended June 30, 2019. However, the largest portion reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Harrellsville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Harrellsville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Harrellsville's net position, \$21,825, represents resources that are subject to external restrictions on how they may be used.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.17%. The statewide average in fiscal year 2019 was 98.78%.
- Continued efforts to cut costs and become more efficient with spending.

Town of Harrellsville's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 5,548	\$ 7,155	\$ 144,745	\$ 150,197	\$ 150,293	\$ 157,352
Operating grants and contributions	2,875	2,956	-	-	2,875	2,956
General revenues:						
Property taxes	23,462	22,085	-	-	23,462	22,085
Other taxes	16,165	15,707	-	-	16,165	15,707
Grants and contributions not restricted to specific programs	700	445	2,390	1,267	3,090	1,712
Other	1,510	1,440	-	-	1,510	1,440
Total revenues	50,260	49,788	147,135	151,464	197,395	201,252
Expenses:						
General government	26,133	26,106	-	-	26,133	26,106
Public safety	-	-	-	-	-	-
Transportation	19,066	18,899	-	-	19,066	18,899
Environmental protection	2,442	1,772	-	-	2,442	1,772
Water and sewer	-	-	143,378	141,640	143,378	141,640
Total expenses	47,641	46,777	143,378	141,640	191,019	188,417
Increase in net position before transfers	2,619	3,011	1,367	9,824	6,376	12,835
Increase in net position	2,619	3,011	3,757	9,824	6,376	12,835
Net position, beginning	156,316	153,305	446,475	436,651	602,791	589,956
Net position, June 30	\$ 158,935	\$ 156,316	\$ 450,232	\$ 446,475	\$ 609,167	\$ 602,791

Governmental activities. Governmental activities increased the Town's net position by \$2,619, accounting for 41.08% of the total growth in the net position of the Town of Harrellsville. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Town management acknowledges that 2019 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Business-type activities. Business-type activities increased the Town of Harrellsville's net position by \$1,367, accounting for 21.44% of the total growth in the government's net position.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Harrellsville'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 Harrellsville's financing requirements.

The general fund is the chief operating fund of the Town of Harrellsville. At the end of the current fiscal year, Town of Harrellsville's fund balance available in the General Fund was \$92,553, while total fund balance reached \$131,639. The Governing Body of Town of Harrellsville has determined that the Town should maintain an available fund balance of 10% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 196.72% of general fund expenditures, and total fund balance represents 279.80% of the same amount.

At June 30, 2019, governmental funds reported a combined fund balance of \$131,639 with a net increase in fund balance of \$2,903.

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

There were several reasons the Town revised its budget throughout the year. Although expenditures were compliant with budgetary requirements, the Town did amend the budget in the General Fund in General Government to account for unexpected expenditures.

Proprietary Funds. The Town of Harrellsville'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 Fund at the end of the fiscal year amounted to \$142,674. The total change in net position for the Water Fund was \$3,757.

Capital Asset and Debt Administration

Capital assets. The Town of Harrellsville's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$650,567 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Harrellsville's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 16,000	\$ 16,000	\$ 3,281	\$ 3,281	\$ 19,281	\$ 19,281
Buildings and system	-	-	631,058	668,034	631,058	668,034
Equipment and furniture	-	1	(8,652)	(5,487)	(8,652)	(5,486)
Infrastructure	8,880	9,474	-	-	8,880	9,474
Vehicles and motorized equipment	-	-	-	-	-	-
Total	\$ 24,880	\$ 25,475	\$ 625,687	\$ 665,828	\$ 650,567	\$ 691,303

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

Long-term Debt. As of June 30, 2019, the Town of Harrellsville had total bonded debt outstanding of \$316,589. This debt is backed by the full faith and credit of the Town.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	-	-	316,589	335,628	316,589	335,628
Total	\$ -	\$ -	\$ 316,589	\$ 335,628	\$ 316,589	\$ 335,628

Figure 5

Town of Harrellsville's Outstanding Debt. The Town of Harrellsville's total debt decreased by \$19,039 (6.01%) during the current fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Harrellsville is \$528,710.

Additional information regarding the Town of Harrellsville's long-term debt can be found in Note III.B.4 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The Town will continue to maintain as efficiently as possible, without causing financial strain on its residents.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes are expected to remain the same. The Town will use these revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to rise slightly and an increase in services may need to be increased.

The Town has chosen not to appropriate fund balance in the fiscal year 2020 budget. Management believes the current revenues will maintain the Town's financial position. However, as expenditures continue to increase, a careful analysis of revenue will be considered in future years' budgets.

Business-type Activities: The water rates in the Town will remain the same for 2020. Management believes the current revenues will maintain the Town's financial position. However, as expenditures increase and infrastructure continues to age, a careful analysis of revenue will be considered in future years' budgets.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Harrellsville, P.O. Box 37, Harrellsville, NC 27942. One can also call (252)-356-4499, send an email to harrellsville@centurylink.net for more information.

Basic Financial Statements

Town of Harrellsville, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 113,502	\$ 37,732	\$ 151,234
Restricted cash	13,654	-	13,654
Investments	-	111,793	111,793
Taxes receivables (net)	1,789	-	1,789
Accrued interest receivable on taxes	626	-	626
Accounts receivable (net)	3,482	14,206	17,688
Internal balances	4,689	(4,689)	-
Total current assets	<u>137,742</u>	<u>159,042</u>	<u>296,784</u>
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	16,000	3,281	19,281
Other capital assets, net of depreciation	8,880	622,405	631,285
Total capital assets	<u>24,880</u>	<u>625,686</u>	<u>650,566</u>
Total assets	<u>\$ 162,622</u>	<u>\$ 784,728</u>	<u>\$ 947,350</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 3,688	\$ 2,350	\$ 6,038
Unearned income	-	2,783	2,783
Customer deposits	-	12,774	12,774
Long-term liabilities:			
Due within one year	-	18,000	18,000
Due in more than one year	-	298,589	298,589
Total liabilities	<u>3,688</u>	<u>334,496</u>	<u>338,184</u>
NET POSITION			
Net investment in capital assets	24,880	307,558	332,438
Restricted:			
Stabilization by State Statute	8,171	-	8,171
Streets	13,654	-	13,654
Unrestricted	112,229	142,674	254,903
Total net position	<u>\$ 158,934</u>	<u>\$ 450,232</u>	<u>\$ 609,166</u>

Town of Harrellsville, North Carolina
 Statement of Activities
 For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 26,133	\$ -	\$ -	\$ -	\$ (26,133)	\$ -	\$ (26,133)
Transportation	19,066	-	2,875	-	(16,191)	-	(16,191)
Environmental protection	2,442	5,548	-	-	3,106	-	3,106
Total governmental activities (See Note 1)	47,641	5,548	2,875	-	(39,218)	-	(39,218)
Business-type activities:							
Water and sewer	143,378	144,745	-	-		1,367	1,367
Total business-type activities	143,378	144,745	-	-		1,367	1,367
Total primary government	\$ 191,019	\$ 150,293	\$ 2,875	\$ -	\$ (39,218)	\$ 1,367	(37,851)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					23,462	-	23,462
Other taxes					16,165	-	16,165
Unrestricted investment earnings					700	2,390	3,090
Miscellaneous					1,510	-	1,510
Total general revenues and special items					41,837	2,390	44,227
Change in net assets					2,619	3,757	6,376
Net position-beginning					156,316	446,475	602,791
Net position - ending					\$ 158,935	\$ 450,232	\$ 609,167

Fund Financial Statements

**Town of Harrellsville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019**

	Major Funds	Total Governmental Funds
	General	
ASSETS		
Cash and cash equivalents	\$ 113,502	\$ 113,502
Restricted cash	13,654	13,654
Receivables, net:		
Taxes	1,789	1,789
Accounts	3,482	3,482
Due from other funds	4,689	4,689
	<u>137,116</u>	<u>137,116</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	3,688	3,688
DEFERRED INFLOWS OF RESOURCES		
Property tax receivable	1,789	1,789
Fund balances:		
Restricted		
Stabilization by State Statute	8,171	8,171
Streets	13,654	13,654
Assigned - cemetary	17,261	17,261
Unassigned	92,553	92,553
	<u>131,639</u>	<u>131,639</u>
Total fund balances	<u>131,639</u>	<u>131,639</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 137,116</u>	<u>\$ 137,116</u>

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,880
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	626
Liabilities for earned but deferred revenues in fund statements.	1,789
Net position of governmental activities	<u>\$ 158,934</u>

Town of Harrellsville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>		
REVENUES			
Ad valorem taxes	\$ 23,152	\$	23,152
Other taxes & license	166		166
Unrestricted intergovernmental	15,999		15,999
Restricted intergovernmental	2,875		2,875
Sales and services	5,548		5,548
Investment earnings	700		700
Miscellaneous	1,510		1,510
	<u>49,950</u>		<u>49,950</u>
EXPENDITURES			
General government	26,133		26,133
Transportation	18,472		18,472
Environmental protection	2,442		2,442
	<u>47,047</u>		<u>47,047</u>
Excess (deficiency) of revenues over expenditures	2,903		2,903
OTHER FINANCING SOURCES			
Net change in fund balance	2,903		2,903
Fund balances-beginning	128,736		128,736
	<u>128,736</u>		<u>128,736</u>
Fund balances-ending	<u>\$ 131,639</u>	\$	<u>131,639</u>

Town of Harrellsville, North Carolina
Statement 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	\$	2,903
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.		(594)
Accrued interest on tax receivable		133
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		-
Change in deferred revenue for tax revenues		177
		177
Total changes in net position of governmental activities	\$	2,619

Town of Harrellsville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 21,100	\$ 21,211	\$ 23,152	\$ 1,941
Other taxes & license	140	140	166	26
Unrestricted intergovernmental	15,145	14,999	15,999	1,000
Restricted intergovernmental	3,000	2,875	2,875	-
Sales and services	6,624	6,468	5,548	(920)
Investment earnings	55	316	700	384
Miscellaneous	1,200	1,632	1,510	(122)
Total revenues	47,264	47,641	49,950	2,309
Expenditures:				
General government	26,256	26,035	26,133	(98)
Transportation	19,108	19,163	18,472	691
Environmental protection	1,900	2,443	2,442	1
Total expenditures	47,264	47,641	47,047	594
Revenues over (under) expenditures	-	-	2,903	2,903
Other financing sources (uses):				
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Revenues and other financing sources over (under) expenditures and other uses	-	-	2,903	2,903
Fund balances, beginning of year			128,736	
Fund balances, end of year			\$ 131,639	

Town of Harrellsville, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

	<u>Enterprise Funds</u>
	<u>Water</u>
	<u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 37,732
Investments	111,793
Accounts receivable (net)	<u>14,206</u>
Total current assets	<u>163,731</u>
Capital assets:	
Land and other non-depreciable assets	3,281
Other capital assets, net of depreciation	<u>622,405</u>
Capital assets (net)	<u>625,686</u>
Total assets	<u><u>\$ 789,417</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 2,350
Unearned income	2,783
Current maturities of long-term debt	18,000
Due to other funds	4,689
Customer deposits	<u>12,774</u>
Total current liabilities	<u>40,596</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>298,589</u>
Total liabilities	<u>339,185</u>
NET POSITION	
Net investment in capital assets	307,558
Unrestricted	<u>142,674</u>
Total net position	<u><u>\$ 450,232</u></u>

Town of Harrellsville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Funds
	Water
	Fund
OPERATING REVENUES	
Charges for services	\$ 135,995
Other operating revenues	8,750
Total operating revenues	144,745
OPERATING EXPENSES	
Water administration and distributions	86,176
Depreciation	40,141
Total operating expenses	126,317
Operating income (loss)	18,428
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	2,390
Interest and fees	(17,061)
Total nonoperating revenues (expenses)	(14,671)
Income (loss) before Transfers	3,757
Transfers	-
Change in net position	3,757
Total net position - beginning	446,475
Total net position - ending	\$ 450,232

Town of Harrellsville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 142,627
Cash paid for goods and services	(44,140)
Cash paid to employees for services	(41,537)
Customer deposits	(800)
	56,150
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bond maturities	(19,041)
Interest paid on bond maturities	(17,193)
	(36,234)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	2,390
Net increase (decrease) in cash and cash equivalents	22,306
Balances-beginning of the year	127,219
	\$ 149,525
 Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ 15,179
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	40,141
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	2,307
Increase (decrease) in accounts payable and accrued liabilities	(866)
Increase (decrease) in unearned income	189
Increase in customer deposits	(800)
Total adjustments	40,971
Net cash provided (used) by operating activities	\$ 56,150

TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Harrellsville is a municipal corporation, which is governed by an elected mayor and a five-member council.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the 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. The Town of Harrellsville does not have nonmajor funds.

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

**TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS**

levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using a 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 in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of

**TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS**

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.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41-1 through 136-41.4.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$1,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$1,000; infrastructure, \$5,000; furniture and equipment, \$1,000 and vehicles, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2004 consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Improvements	20 years
Furniture & equipment	10 years
Computer equipment	10 years

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In

**TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS**

addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has one item that meet the criterion for this category - property taxes receivable.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

9. Compensated Absences

The Town does not provide for the accumulation of vacation or sick pay.

10. Net Position/Fund Balances

Net Position

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets 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.

Fund Balances

In the governmental fund financial statements, fund balance is composed of two 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 – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Assigned fund balance – portion of fund balance that the Town of Harrellsville intends to use for specific purposes as assigned by the Town Council.

 Assigned for cemetery – portion of fund balance that has been assigned for maintenance of Mount Lawn Cemetery.

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

II. Stewardship, Compliance, and Accountability

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

None

B. Excess of Expenditures Over Appropriations

None

**TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS**

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$164,888 and a bank balance of \$170,347. Of the bank balance, all was covered by federal depository insurance.

2. Investments

At June 30, 2019, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Bank Value 6-30-19</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Cash Portfolio Gov't	Amortized Cost	111,793	N/A	AAAm

All investments are measured using the market approach; using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>6/30/2019</u>
General Fund	
Taxes receivable	\$ -
Accounts receivable	-
Total	-
Enterprise Fund	-
Total	\$ -

**TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS**

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:	\$ 16,000	\$ -	\$ -	\$ 16,000
Land				
Capital assets being depreciated:				
Buildings	20,000	-	-	20,000
Vehicles	2,500	-	-	2,500
Equipment	17,486	-	-	17,486
Infrastructure	14,838	-	-	14,838
Total capital assets being depreciated	54,824	-	-	54,824
Less accumulated depreciation for:				
Buildings	20,000	-	-	20,000
Vehicles	2,500	-	-	2,500
Equipment	17,486	-	-	17,486
Infrastructure	5,364	594	-	5,958
Total accumulated depreciation	45,350	\$ 594	\$ -	45,944
Total capital assets being depreciated, net	9,474			8,880
Governmental activity capital assets, net	\$ 25,474			\$ 24,880

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

General government	\$ -
Environmental protection	-
Transportation	594
Total depreciation expense	<u>\$ 594</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 3,281	\$ -	\$ -	\$ 3,281
Capital assets being depreciated:				
Water systems	1,540,777	-	-	1,540,777
Equipment	34,061	-	-	34,061
Vehicles and motorized equipment	4,100	-	-	4,100
Total capital assets being depreciated	1,578,938	-	-	1,578,938
Less accumulated depreciation for:				
Water systems	872,743	36,976	-	909,719
Equipment	39,548	3,165	-	42,713
Vehicles and motorized equipment	4,100	-	-	4,100
Total accumulated depreciation	916,391	\$ 40,141	\$ -	956,532
Total capital assets being depreciated, net	662,547			622,406
Business-type activity capital assets, net	\$ 665,828			\$ 625,687

**TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS**

B. Liabilities

1. Pension Plan Obligations

The Town of Harrellsville does not participate in any type of retirement system.

2. Deferred Outflows and Inflows of Revenues

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

Taxes receivable	\$ 1,789
------------------	----------

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial coverage for protection against loss of the Town's assets. The Town carries no liability coverage except that required for vehicles. The Town does not carry any flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any give time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$100,000.

4. Long-Term Obligations

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued to finance the construction of facilities utilized in the operations of the water system and which are being retired by its resources are reported as long-term debt in the Water Fund. In the event of a default, the Town agrees to pay the purchaser, on demand, interest on any and all amounts due and owing by the Town under related agreements. All general obligation bonds are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water Fund:

\$620,000 water direct placement note issued November 11, 1996 and due in increasing annual installments from \$7,500 to \$25,500; plus interest at 4.2%; maturity date June 2036.

At June 30, 2019, the Town of Harrellsville had a legal debt margin of \$528,710.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$179,041 are as follows:

Year Ending June 30	Business-type Activities		
	Payment Water Fund	Principal	Interest
2019 - 2020	35,853	18,000	17,853
2020 - 2021	35,413	18,500	16,913
2021 - 2022	34,964	19,000	15,964
2022 - 2023	34,490	19,500	14,990
2023 - 2028	164,948	105,498	59,450
2027 - 2031	148,762	117,500	31,262
2031 - 2032	22,486	18,591	3,895
Total	\$ 476,916	\$ 316,589	\$ 160,327

**TOWN OF HARRELLSVILLE
NOTES TO THE FINANCIAL STATEMENTS**

b. Changes in Long-Term Liabilities

Business-type activities:

	<u>Beginning Balances</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balances</u>		<u>Current Portion</u>
General obligation bonds	\$ 335,628	\$		-	\$ 19,039	\$	\$ 316,589	\$	\$ 18,000

C. Interfund Balances and Activity

Balances Due to/from Other Funds

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund Water Fund	<u>\$ 4,689</u>

This interfund balance consisted of water expenses being paid by the general fund during the year.

IV. Summary Disclosure of Significant Contingencies

A. Federal and State Assisted Programs

The Town has received proceeds from 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.

V. Management Estimates

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

VI. Significant Effects of Subsequent Events

There have been no events that occurred between June 30, 2019 and the date of this report that have significant effect on the Town.

Individual Fund Statements and Schedules

Town of Harrellsville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 23,152	\$ -
Penalties and interest	-	-	-
Total	<u>21,211</u>	<u>23,152</u>	<u>1,941</u>
Other taxes & license			
Motor fuel tax refund	-	166	-
Total	<u>140</u>	<u>166</u>	<u>26</u>
Unrestricted intergovernmental:			
Local option sales taxes	-	10,338	-
Beer and wine tax	-	441	-
Utility franchise tax	-	4,895	-
ABC revenue	-	253	-
Solid waste disposal tax	-	72	-
Total	<u>14,999</u>	<u>15,999</u>	<u>1,000</u>
Restricted intergovernmental:			
Powell Bill allocation	-	2,875	-
Total	<u>2,875</u>	<u>2,875</u>	<u>-</u>
Sales and services:			
Cemetery lot	-	800	-
Garbage collection	-	4,748	-
Total	<u>6,468</u>	<u>5,548</u>	<u>(920)</u>
Investment earnings	<u>316</u>	<u>700</u>	<u>384</u>
Other:			
Tower contract	-	-	-
Miscellaneous	-	1,510	-
Total	<u>1,632</u>	<u>1,510</u>	<u>(122)</u>
Total revenues	<u>47,641</u>	<u>49,950</u>	<u>2,309</u>

**Town of Harrellsville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	2019		Variance Positive (Negative)
	Budget	Actual	
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	-	1,290	-
Professional services	-	3,713	-
Total	<u>5,293</u>	<u>5,003</u>	<u>290</u>
Administration:			
Salaries & employee benefits	-	7,247	-
Advertising	-	225	-
Office supplies and postage	-	1,018	-
Insurance and bonds	-	2,773	-
Departmental supplies	-	1,078	-
Telephone	-	1,114	-
Utilities	-	1,145	-
Lawn care	-	2,765	-
Other operating expenses	-	3,765	-
Total	<u>20,742</u>	<u>21,130</u>	<u>(388)</u>
Total general government	<u>26,035</u>	<u>26,133</u>	<u>(98)</u>
Transportation:			
Streets & highways:			
Salaries & employee benefits	-	5,453	-
Maintenance & repairs - streets	-	5,707	-
Utilities	-	5,746	-
Other operating expenses	-	1,566	-
Total transportation	<u>19,163</u>	<u>18,472</u>	<u>691</u>
Environmental protection:			
Sanitation:			
Garbage collection fees	-	2,442	-
Total	<u>2,443</u>	<u>2,442</u>	<u>1</u>
Total expenditures	<u>47,641</u>	<u>47,047</u>	<u>594</u>

Town of Harrellsville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance Positive (Negative)
	Budget	Actual	
Revenues over (under) expenditures	-	2,903	2,903
Other financing sources (uses):			
Appropriated fund balance	-	-	-
Revenues and other financing sources over (under) expenditures	-	2,903	2,903
Fund balances:			
Beginning of year, July 1		128,736	
End of year, June 30		<u>\$ 131,639</u>	

Town of Harrellsville, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		
	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services:			
Water sales	\$ -	\$ 135,995	\$ -
Other operating revenues	-	8,750	-
Total	<u>142,650</u>	<u>144,745</u>	<u>2,095</u>
Nonoperating revenues:			
Interest earnings	2,100	2,390	290
Total nonoperating revenues	<u>2,100</u>	<u>2,390</u>	<u>290</u>
Total revenues	<u>144,750</u>	<u>147,135</u>	<u>2,385</u>
Expenditures			
Water administration and distribution:			
Salaries and employee benefits	-	41,537	-
Office supplies and postage	-	2,324	-
Utilities	-	5,708	-
Insurance	-	2,773	-
Maintenance	-	15,682	-
Water analysis	-	3,931	-
Software	-	4,659	-
Audit	-	3,650	-
Fire Department Allocation	-	2,000	-
Travel	-	1,806	-
Other departmental expenses	-	2,106	-
Total water administration and distributions	<u>108,518</u>	<u>86,176</u>	<u>22,342</u>
Debt service:			
Interest and fees	-	17,061	-
Debt principal	-	19,040	-
Total debt service	<u>36,232</u>	<u>36,101</u>	<u>131</u>
Total expenditures	<u>144,750</u>	<u>122,277</u>	<u>22,473</u>
Revenues over (under) expenditures	-	24,858	24,858
Other Financing Sources			
Fund Balance Appropriated	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and appropriated retained earnings over (under) expenditures	<u>-</u>	<u>24,858</u>	<u>\$ 24,858</u>
Reconciliation from budgetary basis accrual:			
Reconciling items:			
Depreciation		(40,141)	
Principal retirement		19,040	
Capital outlay		-	
Total reconciling items		<u>(21,101)</u>	
Net income		<u>\$ 3,757</u>	

Other Schedules

Town of Harrellsville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 23,331	\$ 22,905	\$ 426
2017-2018	540	-	247	293
2016-2017	133	-	-	133
2015-2016	24	-	-	24
2014-2015	61	-	-	61
2013-2014	480	-	-	480
2012-2013	168	-	-	168
2011-2012	141	-	-	141
2010-2011	38	-	-	38
2009-2010	26	-	-	26
2008-2009	-	-	-	-
	<u>\$ 1,611</u>	<u>\$ 23,331</u>	<u>\$ 23,152</u>	<u>\$ 1,790</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 23,152

Reconciling items:

Penalties and interest -

Taxes written off -

Total Collections and credits \$ 23,152

Town of Harrellsville, 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	\$ 6,667,143	0.35%	\$ 23,331	\$ 20,270	\$ 3,061
Penalties	-		-		
Total	<u>6,667,143</u>		<u>23,331</u>	<u>20,270</u>	<u>3,061</u>
Net levy			23,331	20,270	3,061
Uncollected taxes at June 30, 2019			<u>(426)</u>	<u>(426)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 22,905</u>	<u>\$ 19,844</u>	<u>\$ 3,061</u>
Current levy collection percentage			<u>98.17%</u>	<u>97.90%</u>	<u>100.00%</u>