

Report On

Town Of Kenly

Kenly, North Carolina

June 30, 2019

Town Council Members

Bonnie Williamson, Mayor  
Keith Davis, Mayor Pro-Tem  
Bobby Peele, Commissioner  
Keith Currie, Commissioner  
Janna Rogerson, Commissioner  
Trinity Henderson, Commissioner

Administrative and Financial Staff

Michael Douglas, Town Manager and Finance Officer  
Sharon Evans, Town Clerk

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FINANCIAL SECTION

# ANTHONY & TABB, P.A.

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kenly, 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'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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. 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 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 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 financial statement 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, based on our audit the financial statement referred to above represent 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 Kenly, 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 the Management's Discussion and Analysis on pages 9 through 17 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 53 and 55 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Kenly, North Carolina. The combining and individual fund statements, budgetary schedules, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019 on our consideration of the Town of Kenly's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our 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 Kenly's internal control over financial reporting and compliance.



Anthony & Tabb, P.A.  
Certified Public Accountants  
Wilson, North Carolina

September 25, 2019

## **Management's Discussion and Analysis**



## Management's Discussion and Analysis

As management of the Town of Kenly, we offer readers of the Town of Kenly's financial statements this narrative overview and analysis of the financial activities of the Town of Kenly 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

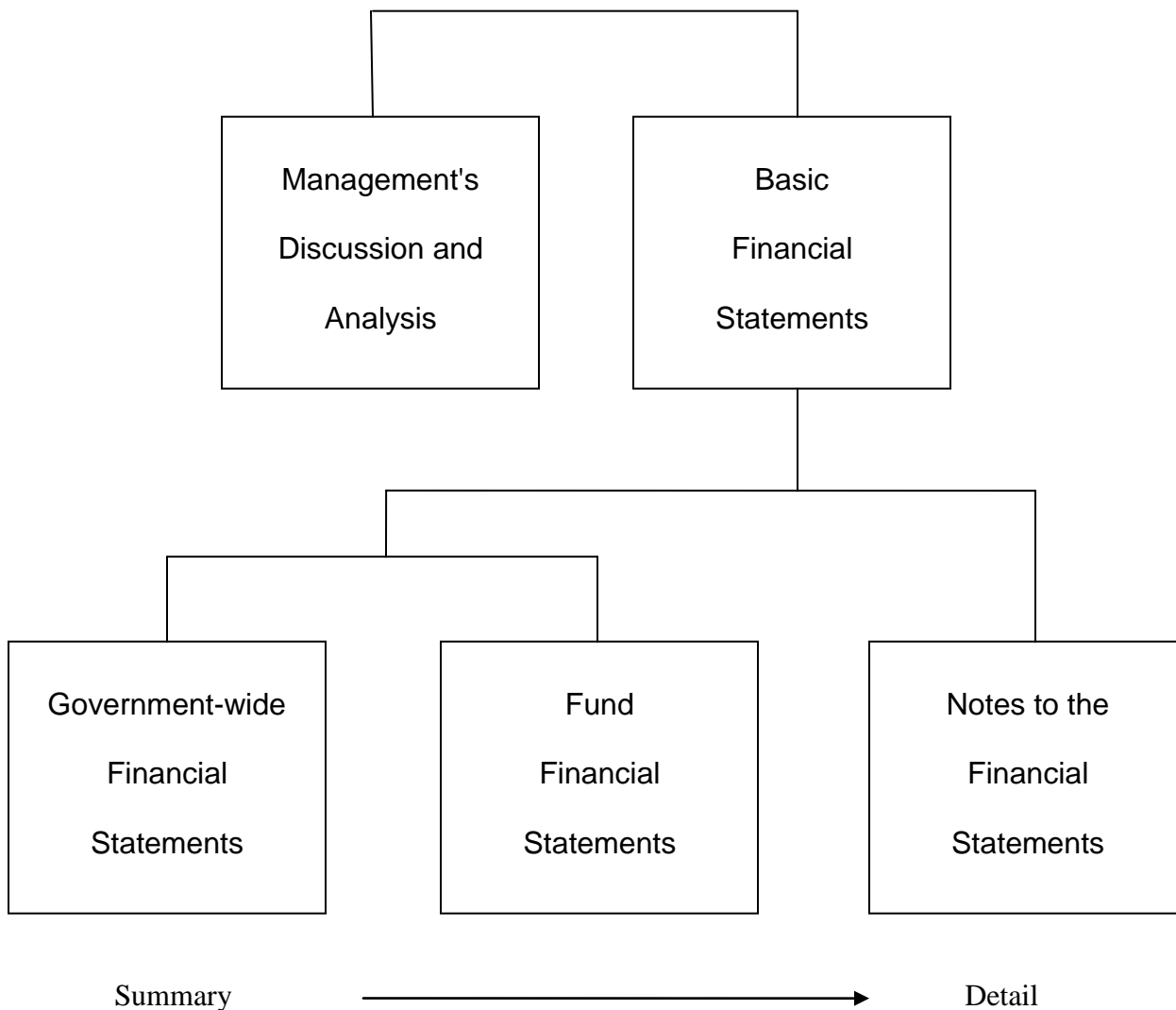
- The assets and deferred outflows of resources of the Town of Kenly exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,308,261 (*net position*).
- The government's total net position increased by \$83,162, primarily due to federal and State grants received.
- As of the close of the current fiscal year, the Town of Kenly's governmental funds reported combined ending fund balances of \$693,974 with a net change of \$134,603 in fund balance. Approximately 38.71 percent of this total amount, or \$268,665 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$372,581 or 24.51 percent of total general fund expenditures for the fiscal year.

### Overview of the Financial Statements

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

**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 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town 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.

## Management Discussion and Analysis Town of Kenly

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

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Town 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 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 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. This includes the water and sewer services offered by the Town of Kenly.

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 Kenly, 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 Kenly can be divided into two categories: governmental funds and proprietary funds.

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

Management Discussion and Analysis  
Town of Kenly

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

**Proprietary Funds** – Town of Kenly has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Kenly uses its enterprise fund to account for its water and sewer activity. 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 30 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Town of Kenly's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 53 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.

Management Discussion and Analysis  
Town of Kenly

**Government-Wide Financial Analysis**

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 726,033	\$ 587,134	\$ 1,067,524	\$ 902,390	\$ 1,793,557	\$ 1,489,524
Capital assets	1,899,041	2,006,633	4,372,643	4,524,146	6,271,684	6,530,779
Deferred outflows of resources	126,115	94,677	59,868	35,840	185,983	130,517
Total assets and deferred outflows of resources	<u>2,751,189</u>	<u>2,688,444</u>	<u>5,500,035</u>	<u>5,462,376</u>	<u>8,251,224</u>	<u>8,150,820</u>
Long-term liabilities outstanding	695,741	669,356	111,247	132,335	806,988	801,691
Other liabilities	20,981	17,165	84,397	75,875	105,378	93,040
Deferred inflows of resources	20,748	22,480	9,849	8,510	30,597	30,990
Total liabilities and deferred inflows of resources	<u>737,470</u>	<u>709,001</u>	<u>205,493</u>	<u>216,720</u>	<u>942,963</u>	<u>925,721</u>
Net position:						
Net investment in capital assets	1,461,810	1,558,207	4,345,976	4,451,052	5,807,786	6,009,259
Restricted	268,665	264,247	-	-	268,665	264,247
Unrestricted	283,244	156,989	948,566	794,604	1,231,810	951,593
Total net position	<u>\$ 2,013,719</u>	<u>\$ 1,979,443</u>	<u>\$ 5,294,542</u>	<u>\$ 5,245,656</u>	<u>\$ 7,308,261</u>	<u>\$ 7,225,099</u>

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 Kenly exceeded liabilities and deferred inflows by \$7,308,261 as of June 30, 2019. The Town's net position increased by \$83,162 for the fiscal year ended June 30, 2019. However, the largest portion (79.47%) 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 Kenly uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Kenly'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 Kenly's net position \$268,665 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,231,810 is unrestricted.

Management Discussion and Analysis  
Town of Kenly

One particular aspect of the Town’s financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.53%, which surpasses the 2019 statewide average of 98.78%.

**Town of Kenly's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue:</b>						
Program revenues:						
Charges for services	\$ 176,338	\$ 169,864	\$ 1,338,480	\$ 1,396,453	\$ 1,514,818	\$ 1,566,317
Operating grants and contributions	134,791	49,837	93,901	-	228,692	49,837
Capital grants and contributions	-	16,000	-	-	-	16,000
General revenues:						
Property taxes	824,173	825,955	-	-	824,173	825,955
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	469,759	440,446	-	-	469,759	440,446
Other	36,704	11,025	245	546	36,949	11,571
Total revenue	<u>1,641,765</u>	<u>1,513,127</u>	<u>1,432,626</u>	<u>1,396,999</u>	<u>3,074,391</u>	<u>2,910,126</u>
<b>Expenses:</b>						
General government	218,125	199,700	-	-	218,125	199,700
Public safety	735,977	699,533	-	-	735,977	699,533
Transportation	188,652	177,623	-	-	188,652	177,623
Economic and physical development	15,019	14,696	-	-	15,019	14,696
Environmental protection	149,885	109,622	-	-	149,885	109,622
Planning board	1,165	2,503	-	-	1,165	2,503
Cultural and recreational	280,088	245,058	-	-	280,088	245,058
Interest on long-term debt	18,578	19,614	-	-	18,578	19,614
Water and sewer	-	-	1,383,740	1,320,302	1,383,740	1,320,302
Total expenses	<u>1,607,489</u>	<u>1,468,349</u>	<u>1,383,740</u>	<u>1,320,302</u>	<u>2,991,229</u>	<u>2,788,651</u>
Increase (decrease) in net position before transfers	34,276	44,778	48,886	76,697	83,162	121,475
Transfers	-	-	-	-	-	-
Net increase (decrease) in net position	<u>34,276</u>	<u>44,778</u>	<u>48,886</u>	<u>76,697</u>	<u>83,162</u>	<u>121,475</u>
Net position, July 1	1,979,443	1,934,665	5,245,656	5,168,959	7,225,099	7,103,624
Net position, June 30	<u>\$ 2,013,719</u>	<u>\$ 1,979,443</u>	<u>\$ 5,294,542</u>	<u>\$ 5,245,656</u>	<u>\$ 7,308,261</u>	<u>\$ 7,225,099</u>

Management Discussion and Analysis  
Town of Kenly

**Governmental activities.** Governmental activities increased the Town net position by \$34,276, thereby accounting for (41.21%) of the total increase in the net position of the Town of Kenly. The increase in net position was the result of depreciation expense of \$142,032 and street resurfacing expenses of \$20,848. Town management reduced non-essential programs to a minimum and implemented cost saving strategies across Town departments. Certain non-recurring expenses were either postponed or renegotiated in an attempt to maintain a healthy net position. Management believes healthy investment in the Town will result in additional revenues, and in that vein added to the Town's net position by investing in capital assets which were largely funded by economic development grant revenues. Increased efforts to maximize tax collections also contributed to the favorable net position. Though many of the Town's residents were hit hard by the recession, tax revenue did not appreciably decline in the current year. 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. Key elements of this increase are as follows:

- Tax revenues remained steady.

**Business-type activities.** Business-type activities increased the Town of Kenly's net position by \$48,886, accounting for 58.79% of the total increase in the government's net position. Key elements of this increase are as follows:

- The Town recognized depreciation expense of \$223,024 in the Proprietary Fund and still increased its net position as noted.





## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

The General Fund is the chief operating fund of the Town of Kenly. At the end of the current fiscal year, Town of Kenly's fund balance available in the General Fund was \$425,309, while total fund balance reached \$693,974. The Governing Body of the Town of Kenly has determined that the Town should maintain an available fund balance of 10.0 percent 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 27.98% of general fund expenditures, while the total fund balance represents 45.66% of the same amount

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

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$948,566. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

### Capital Asset and Debt Administration

**Capital assets.** The Town of Kenly's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$6,271,684 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. Major capital asset transactions during the year included the following:

- Improvements to a public works facility in the amount of \$0.
- Other fixed asset purchases of \$105,961.

**Town of Kenly's Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 184,248	\$ 184,248	\$ 28,000	\$ 28,000	\$ 212,248	\$ 212,248
Buildings and system	1,449,830	1,527,034	3,824,742	3,988,604	5,274,572	5,515,638
Machine and equipment	145,992	134,179	519,901	507,542	665,893	641,721
Infrastructure	-	-	-	-	-	-
Vehicles and motorized equipment	118,971	161,172	-	-	118,971	-
Construction in progress	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,899,041</b>	<b>\$ 2,006,633</b>	<b>\$ 4,372,643</b>	<b>\$ 4,524,146</b>	<b>\$ 6,271,684</b>	<b>\$ 6,369,607</b>

Additional information on the Town's capital assets can be found in note III.A.3 of the basic financial statements.

**Long-term Debt.** As of June 30, 2019, the Town of Kenly had total debt outstanding of \$463,898. Of this, \$463,898 is debt backed by the full faith and credit of the Town of Kenly.

Additional information regarding the Town of Kenly's long-term debt can be found in note III.B.3.6.

**Budget Highlights for the Fiscal Year Ending June 30, 2020**

Property taxes will remain the same at \$.61 per one hundred dollars (\$100) valuation of taxable property. Budgeted expenditures in the General Fund are expected to remain steady, with no fund balance appropriated.

**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 Town Manager, Town of Kenly, PO Box 519, Kenly, NC 27542.

## **Basic Financial Statements**

**Town of Kenly, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 446,290	\$ 877,560	\$ 1,323,850
Taxes receivables (net)	11,078	-	11,078
Accounts receivable (net)	21,186	120,696	141,882
Internal balances	-	-	-
Due from other governments	101,738	10,243	111,981
Restricted cash and cash equivalents	145,741	59,025	204,766
Total current assets	<u>726,033</u>	<u>1,067,524</u>	<u>1,793,557</u>
Non-current assets:			
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	184,248	28,000	212,248
Other capital assets, net of depreciation	1,714,793	4,344,643	6,059,436
Total capital assets	<u>1,899,041</u>	<u>4,372,643</u>	<u>6,271,684</u>
Total assets	<u>2,625,074</u>	<u>5,440,167</u>	<u>8,065,241</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	126,115	59,868	185,983
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	20,981	25,372	46,353
Accrued interest payable	-	-	-
Current portion of long-term liabilities	67,205	21,872	89,077
Payable from restricted assets	-	59,025	59,025
Total current liabilities	<u>88,186</u>	<u>106,269</u>	<u>194,455</u>
Long-term liabilities:			
Due in more than one year	628,536	89,375	717,911
Total liabilities	<u>716,722</u>	<u>195,644</u>	<u>912,366</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	-	-	-
Pension deferrals	20,748	9,849	30,597
Total deferred inflows of resources	<u>20,748</u>	<u>9,849</u>	<u>30,597</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,461,810	4,345,976	5,807,786
Restricted for:			
Capital projects	-	-	-
Stabilization by State Statute	122,924	-	122,924
Pursuant to loan requirements	11,371	-	11,371
Other functions	134,370	-	134,370
Unrestricted	283,244	948,566	1,231,810
Total net position	<u>\$ 2,013,719</u>	<u>\$ 5,294,542</u>	<u>\$ 7,308,261</u>

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

**Town of Kenly, 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	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 218,125	\$ 2,880	\$ -	\$ -	\$ (215,245)	\$ -	\$ (215,245)
Public safety	735,977	1,048	-	-	(734,929)	-	(734,929)
Transportation	188,652	-	43,276	-	(145,376)	-	(145,376)
Economic and physical development	15,019	-	-	-	(15,019)	-	(15,019)
Environmental protection	149,885	142,674	91,515	-	84,304	-	84,304
Planning board	1,165	-	-	-	(1,165)	-	(1,165)
Cultural and recreation	280,088	29,736	-	-	(250,352)	-	(250,352)
Interest on long-term debt	18,578	-	-	-	(18,578)	-	(18,578)
Total governmental activities (See Note 1)	1,607,489	176,338	134,791	-	(1,296,360)	-	(1,296,360)
Business-type activities:							
Water and sewer	1,383,740	1,338,480	93,901	-	-	48,641	48,641
Total business-type activities	1,383,740	1,338,480	93,901	-	-	48,641	48,641
Total primary government	\$ 2,991,229	\$ 1,514,818	\$ 228,692	\$ -	(1,296,360)	48,641	(1,247,719)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					824,173	-	824,173
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					469,759	-	469,759
Unrestricted investment earnings					287	245	532
Miscellaneous					36,417	-	36,417
Total general revenues not including transfers					1,330,636	245	1,330,881
Transfers					-	-	-
Total general revenues and transfers					1,330,636	245	1,330,881
Change in net position					34,276	48,886	83,162
Net position-beginning, previously reported					1,979,443	5,245,656	7,225,099
Net position-ending					\$ 2,013,719	\$ 5,294,542	\$ 7,308,261

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

**Town of Kenly  
Balance Sheet  
Governmental Funds  
June 30, 2019**

	<b>Major Funds General Fund</b>	<b>Total Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 446,290	\$ -	\$ 446,290
Restricted cash	145,741	-	145,741
Receivables, net:			
Taxes	11,078	-	11,078
Accounts	21,186	-	21,186
Due from other governments	101,738	-	101,738
Due from other funds	-	-	-
Total assets	<u>\$ 726,033</u>	<u>\$ -</u>	<u>\$ 726,033</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 20,981	\$ -	\$ 20,981
Due to other fund	-	-	-
Total liabilities	<u>20,981</u>	<u>-</u>	<u>20,981</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	11,078	-	11,078
Prepaid taxes	-	-	-
Total deferred inflows of resources	<u>11,078</u>	<u>-</u>	<u>11,078</u>
<b>FUND BALANCES</b>			
Non-Spendable			
Inventories	-	-	-
Restricted			
Stabilization by State Statute	122,924	-	122,924
Streets	126,702	-	126,702
Public Safety	7,668	-	7,668
Debt service	11,371	-	11,371
Committed			
Culture and recreation	2,728	-	2,728
Assigned			
Subsequent year's expenditures	50,000	-	50,000
Unassigned	372,581	-	372,581
Total fund balances	<u>693,974</u>	<u>-</u>	<u>693,974</u>
Total liabilities and fund balances	<u>\$ 726,033</u>	<u>\$ -</u>	

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

**Exhibit 3  
(continued)**

**Town of Kenly  
Balance Sheet  
Governmental Funds  
June 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$		693,974
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost	\$	4,475,334	
Accumulated depreciation		<u>(2,576,293)</u>	1,899,041
Deferred outflows of resources related to pensions are not reported in the funds			126,115
Earned revenues considered deferred inflows of resources in fund statements			11,078
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds			
Gross long-term debt		474,844	
Net pension liability (LGERS)		142,530	
Total pension liability (LEO)		<u>78,367</u>	(695,741)
Deferred inflows of resources related to pensions are not reported in the funds			(20,748)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.			<u>-</u>
Net position of governmental activities	\$		<u><u>2,013,719</u></u>

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





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

	<b>Major Funds General Fund</b>	<b>Total Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Ad valorem taxes	\$ 823,693	\$ -	\$ 823,693
Other taxes and licenses	230	-	230
Unrestricted intergovernmental	469,759	-	469,759
Restricted intergovernmental	135,222	-	135,222
Permits and fees	3,267	-	3,267
Sales and services	172,410	-	172,410
Investment earnings	287	-	287
Miscellaneous	36,417	-	36,417
Total revenues	<u>1,641,285</u>	<u>-</u>	<u>1,641,285</u>
<b>EXPENDITURES</b>			
Current:			
General government	201,101	-	201,101
Public safety	673,853	-	673,853
Transportation	204,513	-	204,513
Economic and physical development	15,019	-	15,019
Environmental protection	114,426	-	114,426
Planning board	1,165	-	1,165
Culture and recreation	266,832	-	266,832
Debt service:			
Principal	24,528	-	24,528
Interest and other charges	18,578	-	18,578
Total expenditures	<u>1,520,015</u>	<u>-</u>	<u>1,520,015</u>
Excess (deficiency) of revenues over expenditures	<u>121,270</u>	<u>-</u>	<u>121,270</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Installment purchase proceeds	13,333	-	13,333
Sales of capital assets	-	-	-
Total other financing sources (uses)	<u>13,333</u>	<u>-</u>	<u>13,333</u>
Net change in fund balance	134,603	-	134,603
Fund balances-beginning	559,371	-	559,371
Fund balances-ending	<u>\$ 693,974</u>	<u>\$ -</u>	<u>\$ 693,974</u>

**Town of Kenly**  
**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		\$ 134,603
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$ 34,440	
Depreciation expense for governmental assets	<u>(142,032)</u>	(107,592)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Net Position		41,515
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Governmental funds report the proceeds from the sale of capital assets as a revenue. However, in the Statement of Activities, the sales proceeds are offset against the net book value of the assets sold, with the difference being reflected as a gain or loss. This is the amount by which asset sale proceeds exceed the gain or loss for the current period.

-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Amount of donated assets	-	
Change in deferred revenue for tax revenues	<u>480</u>	480

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(13,333)	
Principal payments on long-term debt	<u>24,528</u>	11,195

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

Compensated absences	(3,929)	
Pension expense	<u>(41,996)</u>	<u>(45,925)</u>

Total changes in net position of governmental activities		<u>\$ 34,276</u>
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The notes to the financial statements are an integral part of this statement

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

	<b>General Fund</b>			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 811,766	\$ 811,766	\$ 823,693	\$ 11,927
Other taxes and licenses	-	-	230	230
Unrestricted intergovernmental	454,701	454,701	469,759	15,058
Restricted intergovernmental	44,000	69,000	135,222	66,222
Permits and fees	2,600	2,600	3,267	667
Sales and services	165,500	165,500	172,410	6,910
Investment earnings	100	100	287	187
Miscellaneous	33,500	58,500	36,417	(22,083)
Total revenues	<u>1,512,167</u>	<u>1,562,167</u>	<u>1,641,285</u>	<u>79,118</u>
<b>Expenditures:</b>				
Current:				
General government	193,196	200,131	201,101	(970)
Public safety	706,885	692,936	673,853	19,083
Transportation	265,611	283,459	204,513	78,946
Economic and physical development	15,000	15,000	15,019	(19)
Environmental protection	102,700	112,700	114,426	(1,726)
Planning board	2,628	2,628	1,165	1,463
Culture and recreation	257,555	264,707	266,832	(2,125)
Debt service:				
Principal retirement	11,092	24,528	24,528	-
Interest and other charges	10,000	18,578	18,578	-
Total expenditures	<u>1,564,667</u>	<u>1,614,667</u>	<u>1,520,015</u>	<u>94,652</u>
Revenues over (under) expenditures	<u>(52,500)</u>	<u>(52,500)</u>	<u>121,270</u>	<u>173,770</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Installment purchase proceeds	12,500	12,500	13,333	833
Fund balance appropriated	40,000	40,000	-	(40,000)
Sales of capital assets	-	-	-	-
Total other financing sources (uses)	<u>52,500</u>	<u>52,500</u>	<u>13,333</u>	<u>(39,167)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>134,603</u>	<u>\$ 134,603</u>
Fund balances, beginning of year			<u>559,371</u>	
Fund balances, end of year			<u>\$ 693,974</u>	

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



**Town of Kenly  
Statement of Net Assets  
Proprietary Funds  
June 30, 2019**

	<b>Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 877,560	\$ 877,560
Accounts receivable (net) - billed	120,696	120,696
Due from other funds	-	-
Due from other governments	10,243	10,243
Restricted cash and cash equivalents	59,025	59,025
Total current assets	<u>1,067,524</u>	<u>1,067,524</u>
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	28,000	28,000
Other capital assets, net of depreciation	4,344,643	4,344,643
Capital assets (net)	<u>4,372,643</u>	<u>4,372,643</u>
Total noncurrent assets	<u>4,372,643</u>	<u>4,372,643</u>
Total assets	<u>\$ 5,440,167</u>	<u>\$ 5,440,167</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals	<u>\$ 59,868</u>	<u>\$ 59,868</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,372	\$ 25,372
Compensated absences - current	16,920	16,920
Installment purchase payable - current	4,952	4,952
General obligation notes payable - current	-	-
Liabilities payable from restricted assets:		
Customer deposits	59,025	59,025
Total current liabilities	<u>106,269</u>	<u>106,269</u>
Noncurrent liabilities:		
Installment purchase payable - noncurrent	21,715	21,715
General obligation notes payable- noncurrent (net)	-	-
Net pension liability	67,660	67,660
Total noncurrent liabilities	<u>89,375</u>	<u>89,375</u>
Total liabilities	<u>195,644</u>	<u>195,644</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	9,849	9,849
<b>NET POSITION</b>		
Net investment in capital assets	4,345,976	4,345,976
Unrestricted	948,566	948,566
Total net position	<u>\$ 5,294,542</u>	<u>\$ 5,294,542</u>

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

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

	<b>Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$1,269,997	\$1,269,997
Water and sewer taps	9,960	9,960
Other operating revenues	58,523	58,523
<b>Total operating revenues</b>	<u>1,338,480</u>	<u>1,338,480</u>
<b>OPERATING EXPENSES</b>		
Administration	238,578	238,578
Water treatment and distribution	338,008	338,008
Waste collection and treatment	582,358	582,358
Depreciation	223,024	223,024
<b>Total operating expenses</b>	<u>1,381,968</u>	<u>1,381,968</u>
<b>Operating income (loss)</b>	<u>(43,488)</u>	<u>(43,488)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	245	245
Interest and other charges	(1,772)	(1,772)
Bond issuance costs	-	-
<b>Total nonoperating revenue (expenses)</b>	<u>(1,527)</u>	<u>(1,527)</u>
<b>Income (loss) before contributions and transfers</b>	<u>(45,015)</u>	<u>(45,015)</u>
State grant	93,901	93,901
Transfers from other funds	-	-
Transfers to other funds	-	-
<b>Change in net position</b>	<u>48,886</u>	<u>48,886</u>
<b>Total net position - previously reported</b>	<u>5,245,656</u>	<u>5,245,656</u>
<b>Total net position - ending</b>	<u>\$ 5,294,542</u>	<u>\$ 5,294,542</u>

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

**Town of Kenly**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Business-Type Activities</b>	
	<b>Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,260,272	\$ 1,260,272
Cash paid for goods and services	(831,150)	(831,150)
Cash paid to or on behalf of employees for services	(338,230)	(338,230)
Customer deposits received	14,200	14,200
Customer deposits returned	(2,480)	(2,480)
Other operating revenues	58,523	58,523
Net cash provided by operating activities	<u>161,135</u>	<u>161,135</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	-	-
Transfers to other funds	-	-
Advances from other funds	-	-
Advances to other funds repaid	-	-
Total cash flows from noncapital financing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(71,521)	(71,521)
Principal paid on debt bond maturities	(73,094)	(73,094)
Installment obligations issued	26,667	26,667
Interest paid on debt bond maturities	(2,127)	(2,127)
Capital contributions-State grant	93,901	93,901
Capital contributions-federal grant	-	-
Proceeds from asset sales	-	-
Net cash provided (used) by capital and related financing activities	<u>(26,174)</u>	<u>(26,174)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	<u>245</u>	<u>245</u>
Net increase (decrease) in cash and cash equivalents	135,206	135,206
Balances-beginning of the year	801,379	801,379
Balances-end of the year	<u>\$ 936,585</u>	<u>\$ 936,585</u>

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

**Town of Kenly  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2019**

	<b>Business-Type Activities Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Totals</b>
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ (43,488)	\$ (43,488)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	223,024	223,024
(Gain) loss on sale of capital assets	-	-
Changes in assets and liabilities:		
(Increase) in accounts receivable	(19,685)	(19,685)
(Increase) in due from other governments	(10,243)	(10,243)
(Decrease) in accounts payable and accrued liabilities	(2,836)	(2,836)
Increase in customer deposits	11,720	11,720
Increase in accrued vacation pay	1,553	1,553
Increase (decrease) in net pension liability	23,779	23,779
Increase (decrease) in deferred inflows of resources for pensions	1,339	1,339
(Increase) decrease in deferred outflows of resources for pensions	<u>(24,028)</u>	<u>(24,028)</u>
Total adjustments	<u>204,623</u>	<u>204,623</u>
Net cash provided by operating activities	<u>\$ 161,135</u>	<u>\$ 161,135</u>

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



**Town of Kenly, North Carolina**

**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 Kenly 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 Kenly is a municipal corporation that is governed by an elected mayor and a five-member council.

**B. Basis of Presentation**

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as 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 public safety, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise fund:

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

### C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 cover 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 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 the 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 collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Sales taxes are considered a shared revenue for the Town of Kenly because the tax is levied by Johnston County and then remitted to and distributed by the State. 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 assets 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.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

#### 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. Project ordinances (when they exist) are adopted for the Enterprise Fund Capital Projects Fund, which is consolidated with the operating funds 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 object level for the multi-year funds. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

##### 1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town Board 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 with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

## 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

The unexpended bond proceeds of Water and Sewer Fund serial bonds issued by the Town are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. 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 it can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S.136-41.1 through 136-41.4.

### Town of Kenly Restricted Cash

Governmental activities		
General Fund		
	Streets	\$ 126,702
	Public safety	7,668
	USDA debt service	11,371
Total governmental activities		<u>145,741</u>
Business-type activities		
Water and Sewer Fund		
	Customer deposits	<u>59,025</u>
Total Business-type activities		<u>59,025</u>
Total Restricted Cash		<u>\$ 204,766</u>

#### 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, 2018.

#### 5. Allowances for Doubtful Accounts

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

#### 6. Inventory Items

The Town does not maintain any inventories.

#### 7. 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, \$10,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$10,000; infrastructure, \$50,000; furniture and equipment, \$2,500; and vehicles, \$2,500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	10-25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

## 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are expensed in the reporting period in which they are incurred.

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

## 9. Compensated Absences

The vacation policy of the Town provide for the accumulation of an unlimited number of days of vacation leave for employees with such leave being fully vested when earned. The Town considers all accrued leave as being a current liability.

The Town's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## 10. Net Position/Fund Balances

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.

### Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on low fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Non-spendable Fund Balance** – This classification included amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

**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.

Restricted for debt service – the USDA requires that funds be set aside to ensure that the Town has the resources to make the annual payment on installment purchase agreement.

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

Committed for culture and recreation – portion of fund balance assigned by the Board for library operations.

**Assigned Fund Balance** – portion of fund balance that Town Of Kenly intends to use for specific purposes.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

## 12. Pensions

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

### II. Stewardship, Compliance, and Accountability

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

##### 1. Noncompliance with North Carolina General Statutes

None during the year ended June 30, 2019.

##### 2. Contractual Violations

None during the year ended June 30, 2019.

#### B. Deficit in Fund Balance or Net Position of Individual Funds

None during the year ended June 30, 2019.

#### C. Excess of Expenditures over Appropriations

Certain departments had overexpenditures of their legally-adopted budgets; this was due to not adequately estimating the effect of year end accruals of accounts payable.

### III. Detail Notes on All Funds

#### A. Assets

##### 1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.



The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2019 the Town's deposits had a carrying amount of \$1,495,232 and a bank balance of \$1,547,502. Of the bank balance, \$424,203 was covered by federal depository insurance. At June 30, 2019, the Town's petty cash fund totaled \$75.

## 2. Investments

At June 30, 2019, the Town of Kenly had \$32,809 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

## 3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of no allowances for doubtful accounts.

## 4. 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
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 184,248	\$ -	\$ -	\$ 184,248
Construction in progress	-	-	-	-
Total capital assets not being depreciated	184,248	-	-	184,248
<b>Capital assets being depreciated:</b>				
Buildings	755,929	-	-	755,929
Improvements	2,316,330	-	-	2,316,330
Equipment	761,593	34,440	-	796,033
Vehicles and motorized equipment	422,794	-	-	422,794
Infrastructure	-	-	-	-
Total capital assets being depreciated	4,256,646	34,440	-	4,291,086
<b>Less accumulated depreciation for:</b>				
Buildings	216,436	13,882	-	230,318
Improvements	1,328,789	63,322	-	1,392,111
Equipment	627,414	22,627	-	650,041
Vehicles and motorized equipment	261,622	42,201	-	303,823
Infrastructure	-	-	-	-
Total accumulated depreciation	2,434,261	142,032	-	2,576,293
Total capital assets being depreciated, net	1,822,385			1,714,793
<b>Governmental activity capital assets, net</b>	<b>\$ 2,006,633</b>			<b>\$ 1,899,041</b>

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

General government	\$ 17,128
Public safety	52,358
Transportation	5,001
Economic and physical development	-
Environmental protection	35,459
Planning board	-
Cultural and recreational	32,086
Total depreciation expense	<u>\$ 142,032</u>

Capital assets activity for the Business-Type activities for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 28,000	-	-	\$ 28,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	28,000	-	-	28,000
<b>Capital assets being depreciated:</b>				
Buildings	87,396	-	-	87,396
Plant and distribution systems	6,476,409	6,950	-	6,483,359
Furniture and maintenance equipment	1,973,102	64,571	-	2,037,673
Total capital assets being depreciated	8,536,907	71,521	-	8,608,428
<b>Less accumulated depreciation for:</b>				
Buildings	2,039	1,748	-	3,787
Plant and distribution systems	2,573,162	169,064	-	2,742,226
Furniture and maintenance equipment	1,465,560	52,212	-	1,517,772
Total accumulated depreciation	4,040,761	223,024	-	4,263,785
Total capital assets being depreciated, net	4,496,146			4,344,643
<b>Business-type activities capital assets, net</b>	<b>\$ 4,524,146</b>			<b>\$ 4,372,643</b>

## Construction commitments

The Town has no active construction projects as of June 30, 2019.

### B. Liabilities

#### 1. Pension Plan Obligations

##### a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Kenly is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Kenly employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Kenly's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Kenly were \$61,221 for the year ended June 30, 2019.

*Refunds of Contributions.* Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2019, the Town reported a liability of \$210,910 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan,

relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00886%, which was a decrease of (0.00160)% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$53,168. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 32,427	\$ 1,088
Changes of assumptions	55,776	-
Net difference between projected and actual earnings on pension plan investments	28,853	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,021	15,947
Town contributions subsequent to the measurement date	61,221	-
Total	<u>\$ 181,298</u>	<u>\$ 17,035</u>

\$61,221 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$ 54,005
2021	31,649
2022	2,700
2023	14,688
2024	-
Thereafter	<u>-</u>
Total	<u>\$ 103,042</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
	100.0%	

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

members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 504,893	\$210,190	\$ (36,070)

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

**b. Law Enforcement Officers Special Separation Allowance**

*1. Plan Description.*

The Town of Kenly administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers. The Separation Allowance is equal to 85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>9</u>
Total	<u><u>9</u></u>

*2. Summary of Significant Accounting Policies:*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73.

### 3. Actuarial Assumptions.

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

### 4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2019, the Town reported a total pension liability of \$78,367. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$9,623.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 369	\$ 8,290
Changes of assumptions	4,316	5,272
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 4,685	\$ 13,562



\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$ 1,689
2021	1,689
2022	1,689
2023	1,689
2024	1,389
Thereafter	732

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	\$ 88,449	\$ 78,367	\$ 69,353

**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance**

	<b>2019</b>
Beginning balance	\$ 71,327
Service cost	9,058
Interest on the total pension liability	2,254
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	428
Changes of assumptions and other inputs	(4,700)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 78,367</u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

### 3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

### ***Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions***

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 53,168	\$ 9,623	\$ 62,791
Pension Liability	210,190	78,367	288,557
Proportionate share of the net pension liability	0.00886	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	32,427	369	32,796
Changes of assumptions	55,776	4,316	60,092
Net difference between projected and actual earnings on plan investments	28,853	-	28,853
Changes in proportion and differences between contributions and proportionate share of contributions	3,021	-	3,021
Benefit payments and administrative costs paid subsequent to the measurement date	61,221	-	61,221
Deferred of Inflows of Resources			
Differences between expected and actual experience	1,088	8,290	9,378
Changes of assumptions	-	5,272	5,272
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	15,947	-	15,947

c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$23,535, which consisted of \$15,431 from the Town and \$8,104 from the law enforcement officers.

d. Supplemental Retirement Income Plan for General Employees

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to general employees of the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy.* The Town contributes each month an amount equal to one percent of eligible employee's salary, and all amounts contributed are vested immediately. Also, the eligible employees' may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$6,893, which consisted of \$4,519 from the Town and \$2,374 from the general employees.

e. Other Employment Benefits

The Town provides no other employment benefits to past, present, or future employees.

2. Deferred Outflows and Inflows of Resources

The Town has one deferred outflow of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to the pension plan in current fiscal year	\$ 61,221
Differences between expected and actual experience	32,796
Changes of assumption	60,092
Net difference between projected and actual earnings on pension plan investments	28,853
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,021
Total	<u>\$ 185,983</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable	-	11,078
Changes in assumptions	5,272	-
Differences between expected and actual experience	9,378	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,947	-
Total	\$ 30,597	\$ 11,078

### 3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in one self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town obtains workers' compensation coverage up to the statutory limits. The pool is reinsured through commercial companies for single occurrence claims of \$250,000 up to \$5 million for workers' compensation.

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 and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

The Town does not carry flood insurance, as management does not believe any significant bodies of water are located close enough to the town to pose such a risk. Flooding during prior storms has not been a problem.

The Town carries commercial coverage for all other risks of loss. Settled claims have not exceeded coverage in any of the past three fiscal years.

### 4. Claims, Judgments and Contingent Liabilities

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

### 5. Long-Term Obligations

#### a. Installment Purchases

In January 2010, the Town entered into an agreement to finance drainage improvements for the street department. The financing contract requires annual payments beginning in the fiscal year 2011 with an interest rate of 5.00 percent. The principal balance outstanding at June 30, 2019 was \$76,862.

In December 2012, the Town entered into a \$404,800 agreement to finance the purchase and renovation of a building to be used as the town hall. The financing agreement calls for periodic draws until the project has been completed, at which time the town loan will begin amortizing; annual payments are \$22,014 including interest at 3.50 percent. The principal balance outstanding at June 30, 2019 was \$347,036.

In January 2019, the Town entered into a \$40,000 agreement to finance the purchase of an excavator for use by the street department (1/3) and the water and sewer departments (2/3). The financing contract calls for annual payments beginning in fiscal year 2020 of \$8,909 each including interest at 3.69 percent. The principal balance outstanding at June 30, 2019 was \$40,000.

Annual debt service payments of the installment purchases as of June 30, 2019, including \$189,849 of interest, are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2020	\$ 29,592	\$ 14,816	\$ 4,952	\$ 987
2021	30,892	15,530	5,135	803
2022	32,251	14,182	5,327	612
2023	36,190	12,776	5,524	415
2024	14,186	11,180	5,729	211
2025-2028	49,392	47,625	-	-
2029-2033	72,117	37,953	-	-
2034-2043	172,611	32,759	-	-
Totals	<u>\$ 437,231</u>	<u>\$ 186,821</u>	<u>\$ 26,667</u>	<u>3,028</u>

c. General Obligation Indebtedness

The Town's general obligation notes issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

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

General Obligation Notes

Serviced by the Water and Sewer Fund:

Note Payable - \$1,467,130 N.C. Clean Water

Revolving Fund Loan dated 10/31/99 due in annual installments of \$73,094 through May 15, 2019 plus interest at 2.91%. This was paid off in April, 2019.

\$           -

At June 30, 2019, the Town of Kenly had no bonds authorized but unissued and a legal debt margin of \$10,320,954.

d. Changes in Long-Term Liabilities

	Balance June 30, 2018	Increase	Decrease	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 448,426	\$ 13,333	\$ 24,528	\$ 437,231	\$ 29,592
Compensated absences	33,684	3,929	-	37,613	37,613
Net pension liability (LGERS)	115,919	26,611	-	142,530	-
Total pension liability (LEO)	71,327	7,040	-	78,367	-
Governmental activity					
Long-term liabilities	\$ 669,356	\$ 50,913	\$ 24,528	\$ 695,741	\$ 67,205
Business-type activities:					
Installment purchases	\$ -	\$ 26,667	\$ -	\$ 26,667	\$ 4,952
Compensated absences	15,367	1,553	-	16,920	16,920
General obligation notes	73,094	-	73,094	-	-
Net pension liability (LGERS)	43,881	23,779	-	67,660	-
Business-type activity					
Long-term liabilities	\$ 132,342	\$ 51,999	\$ 73,094	\$ 111,247	\$ 21,872

C. Interfund Balances and Activity

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

None at June 30, 2019.

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

None during this year.

D. Fund Balance

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

Total fund balance - General Fund		\$ 693,974
Less:		
Stabilization by State Statute	122,924	
Streets - Powell Bill	126,702	
Police - Drug Fund	7,668	
USDA debt service	11,371	
Appropriated Fund Balance In 2019-2020 budget	<u>50,000</u>	<u>(318,665)</u>
Remaining Fund Balance		<u>\$ 375,309</u>

## **V. Summary Disclosure of Significant Contingencies**

### **Federal and State Assisted Programs**

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

## **V. Subsequent Events**

Subsequent events were evaluated through September 25, 2019, which is the date the financial statements were available to be issued.

Required  
Supplementary Financial Data

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

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- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability – Law Enforcement Officers Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll



**Town of Kenly, North Carolina**  
**Town of Kenly's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Six Fiscal Years \***

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Kenly's proportion of the net pension liability (asset) (%)	0.00886%	0.01046%	0.01230%	0.01274%	0.01016%	0.01230%
Kenly's proportion of the net pension liability (asset) (\$)	\$ 210,190	\$ 159,800	\$ 289,720	\$ 57,176	\$ (59,918)	\$ 148,262
Kenly's covered-employee payroll	\$ 760,467	\$ 607,672	\$ 719,428	\$ 711,642	\$ 651,751	\$ 616,750
Kenly's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.64%	26.30%	40.27%	8.03%	( 9.19%)	24.04%
Plan fiduciary net position as a percentage of the total pension liability**	(1)	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

(1) data not available at the time this schedule was prepared.

**Town of Kenly, North Carolina  
Town of Kenly's Contributions  
Required Supplementary Information  
Last Six Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 61,221	\$ 47,799	\$ 54,409	\$ 48,875	\$ 46,992	\$ 44,158
Contributions in relation to the contractually required contribution	<u>61,221</u>	<u>47,799</u>	<u>54,409</u>	<u>48,875</u>	<u>46,992</u>	<u>44,158</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Kenly's covered-employee payroll	\$ 760,467	\$ 678,506	\$ 760,646	\$ 719,428	\$ 711,642	\$ 651,751
Contributions as a percentage of covered-employee payroll	8.05%	7.04%	7.15%	6.79%	6.60%	6.78%

**Town of Kenly, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 71,327	\$ 67,544	\$ 60,334
Service Cost	9,058	6,754	7,168
Interest on the total pension liability	2,254	2,607	2,154
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	428	(11,634)	-
Changes of assumptions and other inputs	(4,700)	6,056	(2,112)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 78,367</u>	<u>\$ 71,327</u>	<u>\$ 67,544</u>

**Town of Kenly, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 78,367	\$ 71,327	\$ 67,544
Covered payroll	322,501	264,032	309,311
Total pension liability as a percentage of covered payroll	24.30%	27.01%	21.84%

Notes to the schedules:

The Town of Kenly has not assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 73 to pay related benefits

**Individual Fund Statements and Schedules**

**Town of Kenly, 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	
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 821,321	\$
Penalties and interest		2,372	
Total	<u>811,766</u>	<u>823,693</u>	<u>11,927</u>
Other taxes and licenses:			
Gross receipts tax on short-term rental property		-	
Animal taxes		-	
Privilege licenses		230	
Total	<u>-</u>	<u>230</u>	<u>230</u>
Unrestricted intergovernmental:			
Local option sales taxes		339,538	
Telecommunications sales tax		11,965	
Utility sales tax		90,569	
Video franchise fee		3,532	
Gasoline tax refunds		8,946	
Beer and wine tax		5,997	
ABC profit distribution		9,212	
Total	<u>454,701</u>	<u>469,759</u>	<u>15,058</u>
Restricted intergovernmental:			
Powell Bill allocation		43,276	
USDA search Grant		25,000	
FEMA Reimbursements		65,498	
Controlled substance tax		431	
Solid waste disposal tax		1,017	
Police fines		-	
Total	<u>69,000</u>	<u>135,222</u>	<u>66,222</u>
Permits and fees:			
Building permits/zoning fees		2,650	
Facility fees		617	
Total	<u>2,600</u>	<u>3,267</u>	<u>667</u>
Sales and services:			
Garbage collection		142,674	
Library fees		6,841	
Recreation department fees		22,895	
Total	<u>165,500</u>	<u>172,410</u>	<u>6,910</u>
Investment earnings	<u>100</u>	<u>287</u>	<u>100</u>

**Town of Kenly, 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		
	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Donations		8,642	
All other		27,775	
Total	58,500	36,417	(22,083)
Total revenues	1,562,167	1,641,285	79,118
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits		\$ 4,164	
Professional services		-	
Travel		739	
Election cost		-	
Other operating expenditures		8,870	
Community activities		14,713	
Total		28,486	
Administration:			
Salaries and employee benefits		97,806	
Professional services		20,341	
Tax collection		18,608	
Other operating expenditures		48,736	
Capital outlay		-	
Reimbursement - proprietary fund		(17,107)	
Total		168,384	
Code enforcement:			
Contracted services		-	
Professional services		2,015	
Other operating expenditures		2,216	
Total		4,231	
Total general government	200,131	201,101	(970)

**Town of Kenly, 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	
Public safety:			
Police:			
Salaries and employee benefits		440,414	
Vehicle maintenance		40,962	
Insurance and bonds		40,405	
Other operating expenditures		47,174	
Capital outlay		-	
Total		<u>568,955</u>	
Fire:			
Inspector		-	
Contracted services		104,691	
Total		<u>104,691</u>	
Animal control:			
Departmental supplies		207	
Insurance and bonds		-	
Total		<u>207</u>	
Total public safety	<u>692,936</u>	<u>673,853</u>	<u>19,083</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		73,658	
Vehicle maintenance		10,500	
Street lights		38,437	
Contracted services		38,109	
Other operating expenditures		21,721	
Capital outlay		22,088	
Total transportation	<u>283,459</u>	<u>204,513</u>	<u>78,946</u>
Economic and physical development:			
Economic development		15,019	
Total economic and physical development	<u>15,000</u>	<u>15,019</u>	<u>(19)</u>
Environmental protection:			
Solid waste:			
Contracted services		109,809	
Other operating expenses		4,617	
Total		<u>114,426</u>	



**Town of Kenly, 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	
Cemetery:			
Other operating expenditures		-	
Total		-	
Total environmental protection	112,700	114,426	(1,726)
Planning board:			
Insurance and bonds			
Other operating expenditures		-	
Total planning board	2,628	1,165	1,463
Culture and recreation:			
Library:			
Salaries and employee benefits		59,463	
Utilities		3,166	
Other operating expenditures		14,311	
Capital outlay		-	
Total		76,940	
Parks and recreation:			
Salaries and employee benefits		58,934	
Utilities		33,402	
Contracted services		16,045	
Departmental supplies		25,272	
Other operating expenditures		43,887	
Capital outlay		12,352	
Total		189,892	
Total culture and recreation	264,707	266,832	(2,125)
Debt service:			
Principal retirement	24,528	24,528	-
Interest and other charges	18,578	18,578	-
Total debt service	43,106	43,106	-
Total expenditures	1,614,667	1,520,015	94,652
Revenues over (under) expenditures	(52,500)	121,270	173,770

**Town of Kenly, 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		
	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Fund balance appropriated	40,000	-	(40,000)
Installment purchase proceeds	12,500	13,333	833
Transfers (to) from other funds	-	-	-
Grant Projects Funds	-	-	-
Sale of capital assets	-	-	-
Total	52,500	13,333	(39,167)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	134,603	\$ 134,603
Fund balances:			
Beginning of year, July 1		559,371	
End of year, June 30		\$ 693,974	

**Town of Kenly, 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>
<b>Revenues:</b>			
Water sales	\$	\$ 499,881	\$
Sewer charges		770,116	
Water and sewer taps		9,960	
Other operating revenues		58,523	
Total operating revenues	<u>1,259,750</u>	<u>1,338,480</u>	<u>78,730</u>
<b>Nonoperating revenues:</b>			
Investment earnings	200	245	45
Total revenues	<u>1,259,950</u>	<u>1,338,725</u>	<u>78,775</u>
<b>Expenditures:</b>			
<b>Water and sewer administration:</b>			
Salaries and employee benefits		126,820	
Professional services		25,448	
Supplies		4,895	
Insurance		9,669	
Other operating expenditures		14,706	
Contracted services		37,252	
Utility service fee		17,107	
Total water and sewer administration	<u>220,257</u>	<u>235,897</u>	<u>(15,640)</u>
<b>Water treatment and distribution:</b>			
Salaries and employee benefits		66,062	
Water purchases		169,320	
Contracted services		61,115	
Other operating expenditures		39,836	
Total water treatment and distribution	<u>371,102</u>	<u>336,333</u>	<u>34,769</u>
<b>Waste collection and treatment:</b>			
Salaries and employee benefits		145,348	
Contracted services		237,331	
Supplies		67,785	
Maintenance and repairs		27,751	
Other operating expenditures		105,853	
Total waste collection	<u>600,432</u>	<u>584,068</u>	<u>16,364</u>
<b>Debt service:</b>			
Interest and other charges	5,222	2,130	
Principal retirement	76,000	73,094	
Total debt service	<u>81,222</u>	<u>75,224</u>	<u>5,998</u>
<b>Capital outlay:</b>			
Water extensions	-	-	-
Miscellaneous water	12,500	8,755	3,745
Sewer extensions	-	-	-
Miscellaneous sewer	80,000	62,766	17,224
Total capital outlay	<u>92,500</u>	<u>71,521</u>	<u>20,979</u>
Total expenditures	<u>1,365,513</u>	<u>1,303,043</u>	<u>62,470</u>
Revenues over expenditures	<u>(105,563)</u>	<u>35,682</u>	<u>141,245</u>

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

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
State grant	130,401	93,901	(36,500)
Transfer to other fund:			
Water and Sewer Capital Project	(24,838)	-	24,838
Net position appropriated	-	-	-
Total other financing sources (uses)	<u>105,563</u>	<u>93,901</u>	<u>(11,662)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 129,583</u>	<u>\$ 129,583</u>

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

Reconciling items:		
Principal retirement		73,094
Capital outlay		71,521
(Increase) in accrued vacation pay		(1,553)
Decrease in accrued interest payable		355
Depreciation		(223,024)
(Increase) in net pension liability		(23,779)
Increase in deferred outflows of resources - pensions		24,028
(Increase) in deferred inflows of resources - pensions		(1,339)
Total reconciling items		<u>(80,697)</u>
Change in net position		<u>\$ 48,886</u>

## Other Schedules

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This section contains additional information required on property taxes.

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

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

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 822,345	\$ 818,485	\$ 3,860
2017-2018	3,666	-	1,638	2,028
2016-2017	1,759	-	491	1,268
2015-2016	1,179	-	501	678
2014-2015	548	-	89	459
2013-2014	571	-	89	482
2012-2013	738	-	23	715
2011-2012	560	-	-	560
2010-2011	310	-	14	296
2009-2010	732	-	-	732
2008-2009	535	-	535	-
	<u>\$ 10,598</u>	<u>\$ 822,345</u>	<u>\$ 821,865</u>	<u>11,078</u>

Plus: uncollected 2018-2019 ad valorem taxes receivable  
annually registered vehicles

-

Less: allowance for uncollectible accounts:  
General Fund

-

Ad valorem taxes receivable - net

\$ 11,078

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 823,693

Reconciling items:

Interest collected

(2,372)

Discounts allowed

-

Taxes written off or released

544

Subtotal

(1,828)

Total collections and credits

\$ 821,865



**Town of Kenly, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2019**

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 134,810,656	0.61	\$ 822,345	\$ 766,767	\$ 55,578
Registered motor vehicles taxed at prior year's rate	-		-	-	-
Penalties	-		-	-	-
<b>Total</b>	<u>134,810,656</u>		<u>822,345</u>	<u>766,767</u>	<u>55,578</u>
Discoveries:					
Current year taxes	-	0.61	-	-	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Abatements		0.61			-
Total property valuation	<u>\$ 134,810,656</u>				
Net levy			822,345	766,767	55,578
Uncollected taxes at June 30, 2019			<u>(3,860)</u>	<u>(3,860)</u>	-
Current year's taxes collected			<u>\$ 818,485</u>	<u>\$ 762,907</u>	<u>\$ 55,578</u>
Current levy collection percentage			<u>99.53%</u>	<u>99.50%</u>	<u>100.0%</u>



## **Compliance Section**

# ANTHONY & TABB, P.A.

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## **Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

### Independent Auditor's Report

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

We 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 Kenly, North Carolina, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprises the Town of Kenly's basic financial statements, and have issued our report thereon dated September 25, 2019.

#### Internal Control Over Financial Reporting

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

Our consideration of the internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies

in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies. See finding 2019-1 in that schedule.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kenly's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Town of Kenly's Response to Findings

The Town of Kenly's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on. We did not audit the Town's response and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our 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.

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Anthony & Tabb, P.A.  
Certified Public Accountants  
Wilson, North Carolina

September 25, 2019

