

TOWN OF KITTRELL, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2019

Town Council Members

Jerry Joyner, Mayor

Josh Boyd

Susan Pulley

Administrative and Financial Staff

Vicki Collins, Town Clerk/Finance Officer

TOWN OF KITTRELL, NORTH CAROLINA
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June 30, 2019

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William L. Stark and Company
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Kittrell, North Carolina, as of and for the year then 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 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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 statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Kittrell, North Carolina as of June 30, 2019, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

October 14, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Kittrell, North Carolina
Management's Discussion and Analysis
June 30, 2019

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

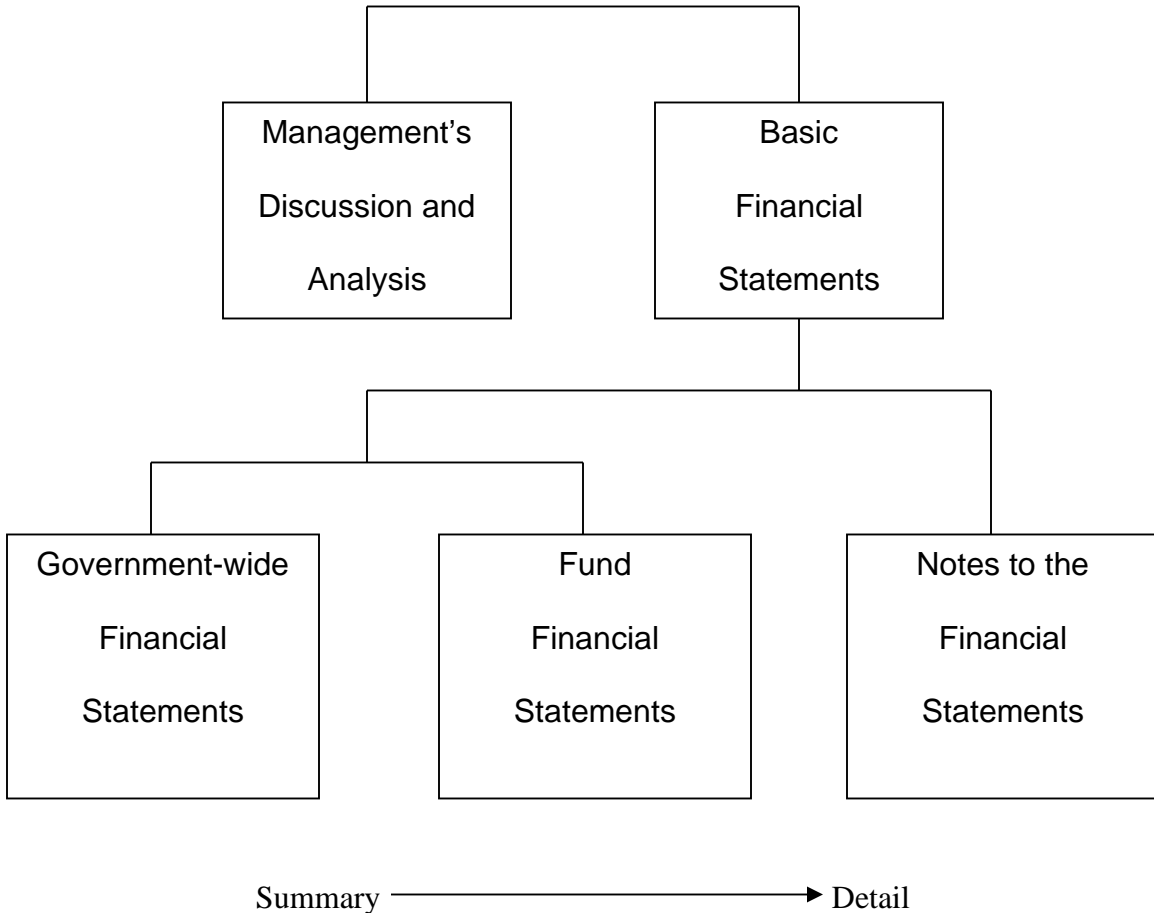
- The assets and deferred outflows of resources of the Town of Kittrell exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$273,776 (*net position*).
- The government's total net position increased by \$4,132.
- As of the close of the current fiscal year, the Town of Kittrell's General Fund reported ending fund balance of \$272,605, an increase of \$3,595 in comparison with the prior year. Approximately 39 percent of this total amount, or \$105,252, is non-spendable or restricted. The General Fund represents the Town's single governmental fund.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$157,353, or approximately 619 percent of total general fund expenditures for the fiscal year.
- The Town of Kittrell issued no debt during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Kittrell'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 Kittrell.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through E) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the

Management Discussion and Analysis Town of Kittrell

notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

The government-wide statements have only one category: governmental activities. There are no component units. The governmental activities include the Town's basic services such as public safety and general administration. Property taxes, local option sales taxes, and grant funds finance most of these activities.

The government-wide financial statements are on Exhibits A and B 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 Kittrell, 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. The Town of Kittrell has one governmental fund.

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

Management Discussion and Analysis
Town of Kittrell

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

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 are on page 21 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 City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Government-Wide Financial Analysis

The Town of Kittrell’s Net Position
Figure 2

	Governmental Activities	
	2019	2018
Current and other assets	\$ 274,111	\$ 270,070
Capital assets	-	-
Deferred outflows of resources	-	-
Total assets and deferred outflows of resources	274,111	270,070
Other liabilities	335	362
Deferred inflows of resources	-	64
Total liabilities and deferred inflows of resources	335	426
Net position:		
Net investment in capital assets	-	-
Restricted	105,252	103,797
Unrestricted	168,524	165,847
Total net position	\$ 273,776	\$ 269,644

Management Discussion and Analysis
Town of Kittrell

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Town of Kittrell exceeded liabilities by \$273,776 as of June 30, 2019. The Town’s net position increased by \$4,132 for the fiscal year ended June 30, 2019. However, a portion of the Town's net position, \$105,252, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$168,524 is unrestricted.

The following aspect of the Town’s financial operations positively influenced the total unrestricted governmental net position:

- Property tax collection percentage of 93.72%.

Town of Kittrell’s Changes in Net Position
Figure 3

	Governmental Activities	
	2019	2018
Revenues:		
Program Revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	6,337	13,010
Capital grants and contributions	-	-
General Revenues:		
Property taxes	8,614	8,020
Grants and contributions not restricted to specific programs	13,746	16,071
Other	870	236
Total Revenues	<u>29,567</u>	<u>37,337</u>
Expenses:		
General government	20,160	21,883
Public safety	550	550
Highways/streets	4,725	5,375
Total Expenses	<u>25,435</u>	<u>27,808</u>
Increase (Decrease) in net position	4,132	9,529
Net position, July 1	269,644	260,115
Net position, June 30	<u>\$ 273,776</u>	<u>\$ 269,644</u>

Governmental activities. Governmental activities increased the Town’s net position by \$4,132.

Financial Analysis of the Town’s Funds

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

Management Discussion and Analysis Town of Kittrell

Governmental Funds. The focus of the Town of Kittrell’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 Kittrell’s financing requirements.

The general fund is the chief operating fund of the Town of Kittrell. At the end of the current fiscal year, Town of Kittrell's fund balance available in the General Fund was \$269,732 while total fund balance reached \$272,605. Fund balance available represents 1,060 percent of total General Fund expenditures, while total fund balance represents 1,072 percent of that same amount. Total fund balance increased by 1.3 percent from the previous year.

General Fund Budgetary Highlights. There were no amendments to the General Fund budget during the fiscal year ended June 30, 2019.

Capital Asset and Debt Administration

Capital assets. The Town of Kittrell’s investment in capital assets for its governmental activities as of June 30, 2019, totals \$-0- (net of accumulated depreciation). These assets include roads, machinery, and equipment.

There were no major capital asset additions or deletions during the year.

Town of Kittrell’s Capital Assets

Figure 4

	Governmental Activities	
	2019	2018
Infrastructure	\$ 8,280	\$ 8,280
Equipment	785	785
Less: Accumulated depreciation	(9,065)	(9,065)
Total	\$ -	\$ -

Additional information on the Town’s capital assets can be found in Note II.A.2 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2019 the Town of Kittrell had no long-term debt.

**Management Discussion and Analysis
Town of Kittrell**

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities. The Town's 2019-2020 budget anticipates revenues that similar to the current year results and an increase in expenditures of \$13,430. The 2019-2020 budget additionally includes appropriated fund balance of \$10,000, which is reflected in the current year as fund balance assigned for expenditures in the subsequent year.

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 Clerk, Town of Kittrell, P.O. Box 525, Kittrell NC 27544.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF KITTRELL, NORTH CAROLINA
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 167,688
Restricted cash and cash equivalents	102,379
Ad valorem tax receivable	1,010
Accrued interest receivable on taxes	161
Due from other governments	2,873
Total current assets	274,111
Non-Current Assets:	
Capital assets (net of \$9,065 accumulated depreciation)	-
Total Assets	\$ 274,111
LIABILITIES	
Current Liabilities:	
Accrued payroll liabilities	\$ 335
Total Liabilities	335
NET POSITION	
Restricted for:	
Stabilization by State Statute	2,873
Streets – Powell Bill	102,379
Unrestricted	168,524
Total Net Position	\$ 273,776

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

TOWN OF KITTRELL, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
General government	\$ 20,160	\$ -	\$ -	\$ -	\$ (20,160)
Public safety	550	-	-	-	(550)
Transportation	4,725	-	6,337	-	1,612
Total governmental activities	<u>\$ 25,435</u>	<u>\$ -</u>	<u>\$ 6,337</u>	<u>\$ -</u>	<u>\$ (19,098)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					8,614
Grants and contributions not restricted to specific programs					13,746
Unrestricted investment earnings					870
Total general revenues					<u>23,230</u>
Change in net position					4,132
Net position—beginning					269,644
Net position—ending					<u>\$ 273,776</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF KITTRELL, NORTH CAROLINA
Balance Sheet—Governmental Funds
Governmental Funds
June 30, 2019

	General Fund
ASSETS	
Cash and cash equivalents	\$ 167,688
Restricted cash and cash equivalents	102,379
Property taxes receivable	1,010
Due from other governments:	
Utility tax distributions	1,919
Local sales taxes	770
Property taxes	184
Total Assets	\$ 273,950
LIABILITIES	
Accrued payroll liabilities	\$ 335
Total Liabilities	335
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	1,010
Total Deferred Inflows of Resources	1,010
FUND BALANCES	
Restricted	
Stabilization by State Statute	2,873
Streets – Powell Bill	102,379
Assigned	
Subsequent year's expenditures	10,000
Unassigned	157,353
Total Fund Balances	272,605
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 273,950

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

TOWN OF KITTRELL, NORTH CAROLINA
Reconciliation of Balance Sheet—Governmental Funds
to Statement of Net Position
June 30, 2019

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

Total fund balance, Governmental Funds	\$	272,605
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		
Accrued interest on taxes receivable		161
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		<u>1,010</u>
Net position of governmental activities	\$	<u><u>273,776</u></u>

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

TOWN OF KITTRELL, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	General Fund
REVENUES	
Ad valorem taxes	\$ 8,077
Unrestricted intergovernmental	13,746
Restricted intergovernmental	5,816
Investment earnings	1,391
Total Revenues	29,030
EXPENDITURES	
General government	20,160
Public safety	550
Transportation	4,725
Total Expenditures	25,435
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,595
FUND BALANCE:	
Beginning of year — July 1	269,010
End of year — June 30	\$ 272,605

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

TOWN OF KITTRELL, NORTH CAROLINA
Reconciliation of the Statements of Revenues, Expenditures, and Changes in
Fund Balances—Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net changes in fund balances—total government funds	\$	3,595
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		474
Change in accrued interest on taxes receivable		63
		63
Total changes in net position of governmental activities	\$	4,132

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

TOWN OF KITTRELL, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and Changes
In Fund Balance—Annual Budget and Actual
For the Year Ended June 30, 2019

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 8,500	\$ 8,500	\$ 8,077	\$ (423)
Unrestricted intergovernmental	15,600	15,600	13,746	(1,854)
Restricted intergovernmental	12,800	12,800	5,816	(6,984)
Investment earnings	15	15	1,391	1,376
Total Revenues	<u>36,915</u>	<u>36,915</u>	<u>29,030</u>	<u>(7,885)</u>
EXPENDITURES				
General government	34,365	34,365	20,160	14,205
Public safety	550	550	550	-
Transportation	12,000	12,000	4,725	7,275
Total Expenditures	<u>46,915</u>	<u>46,915</u>	<u>25,435</u>	<u>21,480</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,000)</u>	<u>(10,000)</u>	<u>3,595</u>	<u>13,595</u>
Appropriated fund balance	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>3,595</u>	<u>\$ 3,595</u>
FUND BALANCE:				
Beginning of year — July 1			<u>269,010</u>	
End of year — June 30			<u>\$ 272,605</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF KITTRELL, 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 Kittrell 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 Kittrell is a municipal corporation which is governed by an elected mayor and a three-member council. The accompanying statements present the Town's primary government. The Town has no component units over which it is financially accountable.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. 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. The Town does not have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues 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. The Town has only one fund—the General Fund—which is a governmental fund.

The Town reports the following major governmental fund:

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

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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. Nonexchange 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.

TOWN OF KITTRELL, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Kittrell because the tax is levied by Vance County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those designated for specific purposes, are reported as general revenues rather than program revenues.

Under the terms of grant agreements, the Town at times may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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. All annual appropriations lapse at the fiscal-year end. The budget is 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. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

TOWN OF KITTRELL, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

<u>Town of Kittrell Restricted Cash</u>	
Governmental Activities	
General Fund	
Streets	\$ 102,379

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 major 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. The Town has recognized no doubtful accounts as of June 30, 2019.

6. Capital Assets

The Town's general fixed assets are recorded at original cost at the time of acquisition. Donated assets are listed at the market value at the time of donation. Certain items are recorded at an estimated original cost. The total of such estimates is not considered large enough that the errors would be material when fixed assets are considered as a whole. Assets are capitalized which have costs over \$250. The Town, as a phase 3 government, has elected not to report major general infrastructure retroactively.

Assets of the Town are depreciated on a class life basis at the following rates:

Furniture and office equipment	20%
Infrastructure	10%

TOWN OF KITTRELL, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category—property taxes receivable and prepaid property taxes.

8. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

TOWN OF KITTRELL, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Restricted for Streets - Powell Bill – Portion of fund balance that is restricted by the North Carolina Department of Transportation for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town Council of the Town of Kittrell. Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance – Portion of fund balance that the Town of Kittrell intends to use for a specific purpose.

Subsequent year's expenditures – Portion of the fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The Town Council of the Town of Kittrell 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 Kittrell operates in accordance with State law [G.S. 159-13(b)(16)] restricting appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

II. Stewardship, Compliance, and Accountability

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

In accordance with G.S. 159-28, all disbursements are required to include a signed disbursement certificate on the face of the check or draft, comprised of the following statement: "This disbursement has been approved as required by the Local Government Budget and Fiscal Control Act." The Town's current check stock does not include the certificate preprinted on the face of the check. The Town will purchase a stamp with the required language which will be utilized for the remainder of the existing check stock, and will ensure that future purchases of check stock include the disbursement certificate.

In accordance with G.S. 129-28, written contracts, agreements, or purchase orders that create an obligation are required to include a signed preaudit certificate comprised of the following statement: "This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act." The Town's current process for ensuring that sufficient funds have been appropriated to authorize obligations does not include the preparation of a signed preaudit certificate. The Town does not have a formal policy that provides guidance for which obligations must be put in writing. The Town will adopt a policy that establishes a minimum pre-audit amount. For transactions above this floor, an Obligation of Budget form that includes a signed preaudit certificate will be prepared.

TOWN OF KITTRELL, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 undercollateralization, 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. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The Town relies on the State Treasurer to monitor those financial institutions. The Town analyzes the financial soundness of any other financial institution used by the Town. The Town complies with the provisions of G. S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$270,068 and a bank balance of \$270,880. All of the bank balance was covered by federal depository insurance.

2. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Improvements	\$ 8,280	\$ -	\$ -	\$ 8,280
Equipment and vehicles	<u>785</u>	<u>-</u>	<u>-</u>	<u>785</u>
Total capital assets being depreciated	9,065	-	-	9,065
Less accumulated depreciation for:				
Improvements	8,280	-	-	8,280
Equipment and vehicles	<u>785</u>	<u>-</u>	<u>-</u>	<u>785</u>
Total accumulated depreciation	<u>9,065</u>	<u>-</u>	<u>-</u>	<u>9,065</u>
Total capital assets being depreciated, net	<u>-</u>			<u>-</u>
Governmental activity capital assets, net	<u>\$ -</u>			<u>\$ -</u>

The Town had no depreciation expense for the year ended June 30, 2019.

TOWN OF KITTRELL, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

B. Liabilities

1. Deferred Outflows and Inflows of Resources

The Town has no deferred outflows of resources as of June 30, 2019.

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

General Fund:	
Property taxes receivable	\$ 1,010

2. 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 considers the risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions to be immaterial. 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 statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town does not participate in any flood insurance plan. However, the Town has plans to participate in a flood insurance plan with Vance County.

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

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 Town Clerk, serving in a dual role as finance officer, is bonded for \$50,000. No other employee of the Town has access to funds.

3. Claims, Judgments, and Contingent Liabilities

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

C. Fund Balance

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

Total fund balance – General Fund	\$ 272,919
Less:	
Stabilization by State Statute	2,873
Streets – Powell Bill	102,379
Appropriated fund balance in 2019-2020 budget	10,000
Remaining fund balance	157,667

TOWN OF KITTRELL, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

IV. Jointly Governed Organization

The Town, in conjunction with five counties and fifteen municipalities, established the Kerr-Tar Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints at least one member to the Council's governing board. The Town paid membership fees totaling \$276 to the Council during the fiscal year ended June 30, 2019.

V. Summary Disclosure of Significant Contingencies

State Assisted Programs

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

VI. Significant Effects of Subsequent Events

The Town has evaluated events and transactions that occurred between June 30, 2019 and October 14, 2019 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

INDIVIDUAL FUND STATEMENTS

TOWN OF KITTRELL, NORTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances—Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Taxes	\$	\$ 8,035	\$
Penalties and interest		42	
Total	<u>8,500</u>	<u>8,077</u>	<u>(423)</u>
Unrestricted intergovernmental:			
Local option sales taxes	3,600	4,439	839
Beer and wine tax	2,200	748	(1,452)
Utility tax distributions	9,800	8,559	(1,241)
Total	<u>15,600</u>	<u>13,746</u>	<u>(1,854)</u>
Restricted intergovernmental:			
Powell Bill allocation	12,800	5,816	(6,984)
Total	<u>12,800</u>	<u>5,816</u>	<u>(6,984)</u>
Investment earnings	15	1,391	1,376
Total Revenues	<u>36,915</u>	<u>29,030</u>	<u>(7,885)</u>

TOWN OF KITTRELL, NORTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances—Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES			
General Government:			
Administration:			
Clerk fee	\$	\$ 3,600	\$
Professional services		5,920	
Mayor and commissioner fees		2,894	
Workers' compensation insurance		600	
Bonding insurance		175	
Dues and assessments		1,390	
Utilities		3,617	
Advertising		205	
Bank charges		155	
Payroll taxes		491	
Rent		600	
Miscellaneous		513	
Total General Government	<u>34,365</u>	<u>20,160</u>	<u>14,205</u>
Public Safety:			
Contribution to fire department	<u>550</u>	<u>550</u>	<u>-</u>
Transportation:			
Street repair and construction	<u>12,000</u>	<u>4,725</u>	<u>7,275</u>
Total Expenditures	<u>46,915</u>	<u>25,435</u>	<u>21,480</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,000)	3,595	13,595
Appropriated Fund Balance	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>3,595</u>	<u>\$ 3,595</u>
FUND BALANCE:			
Beginning of year — July 1		<u>269,010</u>	
End of year — June 30		<u>\$ 272,605</u>	

OTHER SCHEDULES

TOWN OF KITTRELL, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 8,565	\$ 8,027	\$ 538
2017-2018	253	-	49	204
2016-2017	84	-	1	83
2015-2016	104	-	-	104
2014-2015	27	-	8	19
2013-2014	22	-	-	22
2012-2013	25	-	1	24
2011-2012	5	-	-	5
2010-2011	4	-	-	4
2009-2010	7	-	-	7
2008-2009	5	-	5	-
	<u>\$ 536</u>	<u>\$ 8,565</u>	<u>\$ 8,091</u>	<u>\$ 1,010</u>

Reconciliation with revenues:

Ad valorem taxes—General Fund	\$ 8,077
Reconciling items:	
Interest and fees collected	(42)
Collectors charges	44
Releases	7
Taxes written off	5
	<u>5</u>
Total Collection and Credits	<u>\$ 8,091</u>

TOWN OF KITTRELL, NORTH CAROLINA
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2019

	<u>Town-Wide</u>		<u>Total Levy</u>		
			<u>Property</u>	<u>Total</u>	<u>Property</u>
	<u>Valuation</u>	<u>Rate</u>	<u>Levy</u>		<u>Excluding</u>
				<u>Registered</u>	<u>Motor</u>
				<u>Motor</u>	<u>Motor</u>
				<u>Vehicles</u>	<u>Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 8,394,710	0.10	\$ 8,395	\$ 7,111	\$ 1,284
Penalty			34	34	-
Total	<u>8,394,710</u>		<u>8,429</u>	<u>7,145</u>	<u>1,284</u>
Discoveries:					
Current year taxes	61,418	0.10	61	61	-
Prior year taxes	87,891	0.10	88	88	-
Total	<u>149,309</u>		<u>149</u>	<u>149</u>	<u>-</u>
Abatements:					
Current year taxes	(10,265)	0.10	(10)	(10)	-
Prior year taxes	(3,071)	0.10	(3)	(3)	-
Total	<u>(13,336)</u>		<u>(13)</u>	<u>(13)</u>	<u>-</u>
Total Property Valuation	<u>\$ 8,530,683</u>				
Net Levy			8,565	7,281	1,284
Uncollected taxes at June 30, 2019			<u>538</u>	<u>538</u>	<u>-</u>
Current year's taxes collected			<u>\$ 8,027</u>	<u>\$ 6,743</u>	<u>\$ 1,284</u>
Current levy collection percentage			<u>93.72%</u>	<u>92.61%</u>	<u>100.00%</u>