



Darrell L. Keller, CPA, PA

TOWN OF POLKVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(704) 739-0771

**Town of Polkville, North Carolina
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June 30, 2019**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Town Council
Town of Polkville
Polkville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Polkville, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

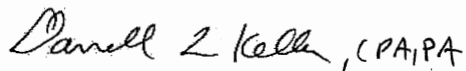
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–10 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 my inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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



Darrell L. Keller, CPA, PA
Kings Mountain, North Carolina
December 10, 2019

Town of Polkville, North Carolina Management's Discussion and Analysis

As management of the Town of Polkville, we offer readers of the Town of Polkville's financial statements this narrative overview and analysis of the financial activities of the Town of Polkville 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 Polkville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,383,022 (*net position*).
- The government's total net position increased by \$33,225.
- As of the close of the current fiscal year, the Town of Polkville's governmental fund reported ending fund balance of \$383,183 an increase of \$47,906 in comparison with the prior year. Approximately 47.8 percent of this total amount, or \$183,279, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$183,279, or 228.96 percent of total general fund expenditures for the fiscal year.

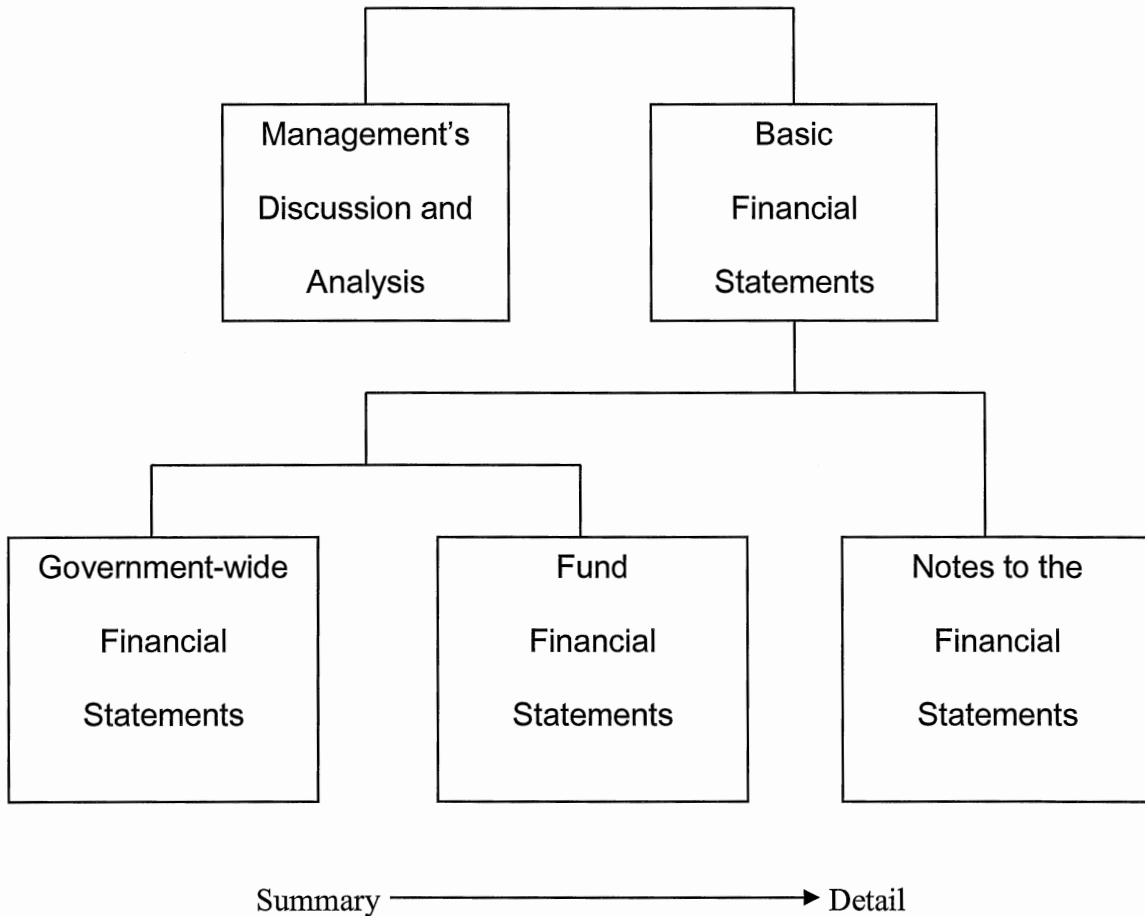
Overview of the Financial Statements

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

Town of Polkville
Management Discussion and Analysis

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Town of Polkville
Management Discussion and Analysis

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

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 Polkville, 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 Polkville operates two funds, the governmental fund and the proprietary fund.

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

Town of Polkville
Management Discussion and Analysis

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

The Town of Polkville 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 Fund-The Town of Polkville has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Polkville uses an enterprise fund to account for its 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 20 of this report.

Government-Wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 395,456	\$ 340,138	\$ 7,397	\$ 11,634	\$ 402,853	\$ 351,772
Capital assets	342,915	335,129	649,518	667,733	992,433	1,002,862
Total assets	738,371	675,267	656,915	679,367	1,395,286	1,354,634
Long-term liabilities outstanding	-	-	-	-	-	-
Other liabilities	2,310	4,756	81	81	2,391	4,837
Deferred inflows of resources	9,873	-	-	-	9,873	-
Total liabilities	12,183	4,756	81	81	2,391	4,837
Net Position:						
Net investment in capital assets	342,915	335,129	649,518	667,733	992,433	1,002,862
Restricted	187,028	169,875	-	-	187,028	169,875
Unrestricted	196,245	165,507	7,316	11,553	203,561	177,060
Total net position	\$ 726,188	\$ 670,511	\$ 656,834	\$ 679,286	\$ 1,383,022	\$ 1,349,797

Town of Polkville
Management Discussion and Analysis

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 Polkville exceeded liabilities and deferred inflows by \$1,383,022 as of June 30, 2019. The Town's net position increased by \$33,225 for the fiscal year ended June 30, 2019. However, the largest portion (71.76%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Polkville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Polkville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Polkville's net position \$187,028 (13.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$203,561 is unassigned.

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

- Interest rates went up earning more interest than anticipated.

Town of Polkville Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Operating grants and contributions	\$ 75,253	\$ 25,281	\$ -	\$ -	\$ 75,253	\$ 25,281
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	13,664	13,698	-	-	13,664	13,698
Other taxes	30,260	30,892	-	-	30,260	30,892
Unrestricted investment earnings	810	136	-	-	810	136
Charges for services	-	-	10,486	13,210	10,486	13,210
Other	7,951	16,303	-	-	7,951	16,303
Total revenues	127,938	86,310	10,486	13,210	138,424	99,520
Expenses:						
General government	42,509	39,497	-	-	42,509	39,497
Street	4,023	9,900	-	-	4,023	9,900
Culture and recreation	25,729	38,952	-	-	25,729	38,952
Sewer	-	-	32,938	35,057	32,938	35,057
Total expenses	72,261	88,349	32,938	35,057	105,199	123,406
Increase (Decrease) before transfers	55,677	(2,039)	(22,452)	(21,847)	68,573	(49,486)
Transfers	-	-	-	-	-	-
Increase (Decrease) in net position	55,677	(2,039)	(22,452)	(21,847)	33,225	(23,886)
Net position, July 1	670,511	672,550	679,286	701,133	1,349,797	1,373,683
Net position, June 30	\$ 726,188	\$ 670,511	\$ 656,834	\$ 679,286	\$ 1,383,022	\$ 1,349,797

Town of Polkville
Management Discussion and Analysis

Governmental activities. Governmental activities increased the Town's net position by \$55,677. Key elements of this decrease are as follows:

- The Town received a revitalization grant of \$60,000.

Business-type activities: Business-type activities decreased the Town of Polkville's net position by \$22,452.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Polkville. At the end of the current fiscal year, Town of Polkville's fund balance available in the General Fund was \$183,279, while total fund balance reached \$383,183. The governing body of Town of Polkville has determined that the Town should maintain an available fund balance of 8% 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 228.96% of general fund expenditures, while total fund balance represents 478.7% 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 Fund: The Town of Polkville's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position at the fiscal year-end in the Sewer Fund was \$7,316. Factors concerning the finances of this fund have already been addressed in the discussion of the Town of Polkville's business-type activities.

Town of Polkville
Management Discussion and Analysis

Capital Asset and Debt Administration

Capital assets. The Town of Polkville's investment in capital assets for its governmental activities as of June 30, 2019, totals \$342,915 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and park facilities.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- A new fence was built for the ballfields.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 211,351	\$ 211,351	\$ -	\$ -	\$ 211,351	\$ 211,351
Buildings	78,261	80,466	-	-	78,261	80,466
Improvements other than buildings	35,720	19,783	649,518	667,733	685,238	687,516
Machinery and equipment	6,898	8,571	-	-	6,898	8,571
Vehicles	10,685	14,958	-	-	10,685	14,958
Total	<u>\$ 342,915</u>	<u>\$ 335,129</u>	<u>\$ 649,518</u>	<u>\$ 667,733</u>	<u>\$ 992,433</u>	<u>\$ 1,002,862</u>

Additional information on the Town's capital assets can be found in note III. A. 3 of the Basic Financial Statements.

Town of Polkville
Management Discussion and Analysis

Long-term Debt. As of June 30, 2019, the Town of Polkville has no outstanding debt.

**Town of Polkville's Outstanding Debt
General Obligation and Revenue Bonds**

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Polkville is \$2,234,080.

Economic Factors and Next Year's Budgets and Rates

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

- Stability and low unemployment. The Town of Polkville's unemployment rate is consistent with the State average and is expected to remain stable.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes are expected to remain steady. The Town has maintained its property tax rate for 2020 and the tax rate is \$.05 per \$100 and the Town can not lower this rate because that would make them ineligible to receive Powell Bill funds.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Polkville, P O Box 146, Polkville, NC 28136-0146.

Basic Financial Statements

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

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 195,462	\$ 3,129	\$ 198,591
Taxes receivables (net)	90	-	90
Due from other governments	6,056	-	6,056
Internal Balances	8,936	(8,936)	-
Accounts receivable (net)	-	851	851
Prepaid expenses	12,876	12,353	25,229
Restricted cash	172,036	-	172,036
Total current assets	395,456	7,397	402,853
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	211,351	-	211,351
Other capital assets, net of depreciation	131,564	649,518	781,082
Total capital assets	342,915	649,518	992,433
Total assets	\$ 738,371	\$ 656,915	\$ 1,395,286
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,718	\$ 81	\$ 1,799
Payroll taxes	592	-	
Total liabilities	2,310	81	1,799
DEFERRED INFLOWS OF RESOURCES			
Unearned Revitalization Grant	9,873	-	9,873
NET POSITION			
Net investment in capital assets	342,915	649,518	992,433
Restricted for:			
Transportation	172,036	-	172,036
Stabilization by State Statute	14,992	-	14,992
Unrestricted	196,245	7,316	203,561
Total net position	\$ 726,188	\$ 656,834	\$ 1,383,022

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

Exhibit 2

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 42,509	\$ -	\$ -	\$ -	\$ (42,509)	\$ -	\$ (42,509)
Streets	4,023	-	13,185	-	9,162	-	9,162
Cultural and recreation	25,729	-	62,068	-	36,339	-	36,339
Total governmental activities (See Note 1)	72,261	-	75,253	-	2,992	-	2,992
Business-type activities:							
Water and sewer	32,938	10,486	-	-	-	\$ (22,452)	(22,452)
Total business-type activities	32,938	10,486	-	-	-	(22,452)	(22,452)
Total primary government	\$ 105,199	\$ 10,486	\$ 75,253	\$ -	2,992	(22,452)	(19,460)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					13,664	-	13,664
Other taxes					30,260	-	30,260
Unrestricted investment earnings					810	-	810
Miscellaneous					7,951	-	7,951
Transfers					-	-	-
Total general revenues and transfers					52,685	-	52,685
Change in net position					55,677	(22,452)	33,225
Net position, beginning					670,511	679,286	1,349,797
Net position, ending					\$ 726,188	\$ 656,834	\$ 1,383,022

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

**Town of Polkville
Balance Sheet
Governmental Fund
June 30, 2019**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 195,462
Receivables, net:	
Taxes	90
Due from other governments	6,056
Due from other funds	8,936
Prepaid expenses	12,876
Restricted cash	172,036
Total assets	<u>\$ 395,456</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 1,718
Payroll taxes	592
Total liabilities	<u>2,310</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes	90
Unearned Revenue	9,873
	<u>9,963</u>
FUND BALANCES	
Non-spendable	
Prepaid expenses	12,876
Restricted:	
Stabilization by State statute	14,992
Streets	172,036
Unassigned	183,279
Total fund balances	<u>383,183</u>
Total liabilities and fund balances	<u>\$ 395,456</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	342,915
Liabilities for earned but unavailable revenues in fund statements.	90
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not	-
Net position of governmental activities	<u>\$ 726,188</u>

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

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

	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 13,679
Other taxes and licenses	30,260
Restricted intergovernmental	75,253
Investment earnings	810
Miscellaneous	7,951
Total revenues	<u>127,953</u>
EXPENDITURES	
Current:	
General government	40,304
Transportation	4,023
Culture and recreation	35,720
Total expenditures	<u>80,047</u>
Excess (deficiency) of revenues over expenditures	<u>47,906</u>
OTHER FINANCING SOURCES (USES)	
Transfers from other funds	-
Transfers to other funds	-
Total other financing sources (uses)	-
Net change in fund balance	47,906
Fund balances, beginning	335,277
Fund balances, ending	<u>\$ 383,183</u>

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

Town of Polkville
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	\$ 47,906
---	-----------

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 depreciation exceeded capital outlay in the current period

7,786

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

Change in unavailable revenue for tax revenues

(15)

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 position. 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.

-

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.

Donation of Land to County

-

Rounding

-

Total changes in net position of governmental activities

\$ 55,677

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

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	14,025	14,025	13,679	(346)
Other taxes and licenses	32,100	32,100	30,260	(1,840)
Restricted intergovernmental	25,941	25,941	75,253	49,312
Investment earnings	135	135	810	675
Miscellaneous	6,085	6,085	7,951	1,866
Total revenues	78,286	78,286	127,953	49,667
Expenditures:				
Current:				
General government	30,000	30,000	40,304	(10,304)
Streets	18,400	18,400	4,023	14,377
Cultural and recreation	25,101	25,101	35,720	(10,619)
Total expenditures	73,501	73,501	80,047	(6,546)
Revenues over (under) expenditures	4,785	4,785	47,906	43,121
Other financing sources (uses):				
Fund Balance Appropriation	-	-	-	-
Transfer to Water/Sewer Fund	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ 4,785</u>	<u>\$ 4,785</u>	47,906	<u>\$ 43,121</u>
Fund balances, beginning			335,277	
Fund balances, ending			<u>\$ 383,183</u>	

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

**Town of Polkville
Statement of Net Position
Proprietary Fund
June 30, 2019**

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,129
Accounts receivable (net) - billed	851
Prepaid expense	12,353
Total current assets	<u>16,333</u>
Capital assets:	
Land and other non-depreciable assets	-
Other capital assets, net of depreciation	649,518
Capital assets (net)	<u>649,518</u>
Total noncurrent assets	<u>649,518</u>
Total assets	<u><u>\$ 665,851</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	81
Due to General Fund	8,936
Total current liabilities	<u>9,017</u>
NET POSITION	
Net investment in capital assets	649,518
Unrestricted	7,316
Total net position	<u><u>\$ 656,834</u></u>

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

TOWN OF POLKVILLE, NORTH CAROLINA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN NET ASSETS
 WATER AND SEWER FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>WATER AND SEWER FUND</u>
OPERATING REVENUES	
Water and Sewer Charges	\$ 10,486
Total Operating Income	<u>10,486</u>
OPERATING EXPENSES	
Utilities	13,169
Repairs and Maintenance	1,554
Materials and Supplies	-
Provision For Bad Debt	-
Depreciation	18,215
Total Operating Expenses	<u>32,938</u>
Operating Income (Loss)	<u>(22,452)</u>
NON-OPERATING REVENUES (EXPENSES)	
Miscellaneous Revenues	-
Investment Earnings	-
Total Non-Operating Revenues (Expenses)	<u>-</u>
INCOME (LOSS) BEFORE GRANTS AND CAPITAL CONTRIBUTIONS	(22,452)
TRANSFER FROM GENERAL FUND	-
CHANGE IN NET POSITION	<u>(22,452)</u>
TOTAL NET POSITION, BEGINNING	679,286
TOTAL NET POSITION, ENDING	<u><u>\$ 656,834</u></u>

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

TOWN OF POLKVILLE, NORTH CAROLINA
WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT 9

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 11,159
Cash Paid for Goods and Services	(11,159)
Net Cash Provided by Operating Activities	<u>-</u>

CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:

Transfer From General Fund	<u>-</u>
Net Cash Provided By (Used By) Noncapital Financing	<u>-</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of Capital Assets	<u>-</u>
Net Cash Used for Capital and Related Financing Activities	<u>-</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>-</u>
Cash and Cash Equivalents at Beginning of Year	3,129
Cash and Cash Equivalents at End of Year	<u>\$ 3,129</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ (22,452)</u>
-------------------------	--------------------

ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:

Depreciation	<u>18,215</u>
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable and Accrued Interest	673
(Increase) Decrease in Prepaid Expense	-
Increase (Decrease) in Accounts Payable	-
Increase (Decrease) in Due to/Due from	3,564
Total Adjustments	<u>4,237</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

<u>\$ -</u>

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

Town of Polkville, 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 Polkville 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 Polkville is a municipal corporation located in Cleveland County that is governed by an elected mayor and a four-member council who are elected for a two-year term. The Town Council and Mayor are responsible for day-to-day operations of the Town and the collection and disbursement of funds and preparation of the annual budget.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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.

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

Town of Polkville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's 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 program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish between 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's enterprise fund is charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Town of Polkville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Polkville because the tax is levied by Cleveland County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then 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 and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be

Town of Polkville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 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.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can only be expended for the purposes outlined in G.S. 136-41.1 through 136-41.4.

<u>Town of Polkville Restricted Cash</u>	
Governmental Activities	
General Fund	
Streets	\$ 172,036
Total governmental activities	<u>\$ 172,036</u>
Total Restricted Cash	<u>\$ 172,036</u>

Town of Polkville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements and expensed as the items are used.

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 is considered to be \$5,000 for all assets. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical value. 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.

In July 2003, the Town increased its capitalization policy for Furniture and Equipment from \$1,000 to \$5,000 to improve the efficiency in keeping the accounting records.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Vehicles	5
Buildings	40
Improvements	25
Furniture and equipment	10
Sewer lines and equipment	30-50

Town of Polkville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

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

The Town of Polkville has no long-term debt.

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 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:

Non-spendable 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 imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were

Town of Polkville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

Committed Fund Balance-portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Polkville's governing body (highest level of decision-making authority). 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.

Assigned Fund Balance-portion of fund balance that Town of Polkville intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the Finance Officer to modify the appropriations by resource or appropriation within funds up to \$2,500.

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

The Town of Polkville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: loan 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 Director has the authority to deviate from this policy if it is in the best interest of the Town.

Town of Polkville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

The Town of Polkville has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures. Any portion of the general fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

II. Stewardship, Compliance, and Accountability

A. Violations of Finance Related Legal and Contractual Provisions

Expenditures in the General Fund for General Government Operations and Cultural and Recreation exceeded budgetary appropriations. This expenditure occurred because of a NC Revitalization Grant received but the expenditures related to the grant were not budgeted. The Council will budget expenditures in the coming year for remaining unspent grant funds.

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 the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, 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 \$370,627 and a bank balance of \$373,964. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Town of Polkville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Receivables - Allowances for Doubtful Accounts

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

Fund	6/30/2019
General Fund:	
Taxes receivable	\$ 125

3. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 211,351	\$ -	\$ -	\$ 211,351
Construction in progress	-	-	-	-
Total capital assets not being depreciated	211,351	-	-	211,351
Capital assets being depreciated:				
Buildings	88,182	-	-	88,182
Other improvements	39,380	17,560	-	56,940
Furniture and Equipment	24,150	-	-	24,150
Vehicles	21,370	-	-	21,370
Total capital assets being depreciated	173,082	17,560	-	190,642
Less accumulated depreciation for:				
Buildings	7,716	2,205	-	9,921
Other improvements	19,597	1,623	-	21,220
Furniture and Equipment	15,580	1,672	-	17,252
Vehicles	6,411	4,274	-	10,685
Total accumulated depreciation	49,304	9,774	-	59,078
Total capital assets being depreciated, net	123,778			131,564
Governmental activity capital assets, net	\$ 335,129			\$ 342,915

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

General government	\$ 2,205
Culture and recreation	7,569
	\$ 9,774

Town of Polkville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

	Beginning Balances	Increases	Decreases	Ending Balance
Business-type activities:				
Water and Sewer Fund				
Capital assets being depreciated:				
Sewer Lines & Equipment	\$ 833,000	\$ -	\$ -	\$ 833,000
Total capital assets being depreciated	833,000	-	-	833,000
Less accumulated depreciation for:				
Sewer Lines & Equipment	165,267	18,215	-	183,482
Total accumulated depreciation	165,267	\$ 18,215	\$ -	183,482
Water and Sewer fund capital assets, net				
Business-type activities capital assets, net	<u>\$ 667,733</u>			<u>\$ 649,518</u>

B. Liabilities

1. Deferred Inflows of Resources

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

	Unavailable Revenue	
Taxes receivable (General Fund)	\$ 90	
Unearned Grant revenue	9,873	
	<u>\$ 9,963</u>	

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 has general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy. The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance. The Town has a \$50,000 fidelity bond for the finance director.

Town of Polkville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

C. Interfund Balances and Activity

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

Due to the General Fund for Sewer Expenses	\$8,936
--	---------

The interfund balance resulted from sewer expenses paid from the general fund checking.

D. Fund Balance

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

<u>Total fund balance-General Fund</u>	<u>\$383,183</u>
Less;	
Stabilization by State Statute	14,992
Streets - Powell Bill	172,036
Prepaid Expenses	12,876
Working Capital / Fund Balance Policy	6,404
Remaining Fund Balance	<u>176,875</u>

The Town of Polkville has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures.

IV. 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 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.

Supplementary Statements

TOWN OF POLKVILLE, NORTH CAROLINA
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 YEARS ENDED JUNE 30

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Ad Valorem Taxes				
Current Year	\$ 14,025	\$ 13,910	\$ (115)	\$ 13,477
Prior Year	-	55	55	407
Interest and fees	-	(286)	(286)	(104)
	<u>14,025</u>	<u>13,679</u>	<u>(346)</u>	<u>13,780</u>
Other Taxes and Licenses				
Sales and Use Tax	5,700	5,817	117	5,784
Beer and Wine Tax	2,400	2,365	(35)	2,361
Franchise Tax	24,000	22,078	(1,922)	22,747
	<u>32,100</u>	<u>30,260</u>	<u>(1,840)</u>	<u>30,892</u>
Restricted Intergovernmental				
Revenue, "State Street - Aid"	14,000	13,185	(815)	13,340
NC Revitalization Grant	-	50,127	50,127	-
Cleveland County				
Recreation Grant	11,941	11,941	-	11,941
	<u>25,941</u>	<u>75,253</u>	<u>49,312</u>	<u>25,281</u>
Other Revenue	6,085	7,951	1,866	16,303
Investment Earnings	135	810	675	136
	<u>6,220</u>	<u>8,761</u>	<u>2,541</u>	<u>16,439</u>
Total Revenues	<u>\$ 78,286</u>	<u>\$ 127,953</u>	<u>\$ 49,667</u>	<u>\$ 86,392</u>

TOWN OF POLKVILLE, NORTH CAROLINA
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 YEARS ENDED JUNE 30

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Expenditures				
General Governments				
Legal and Audit	\$ -	\$ 6,900	\$ -	\$ 6,800
Salaries	-	4,380	-	2,303
Payroll Taxes	-	1,012	-	974
Town Hall	-	8,074	-	6,629
Elections	-	-	-	859
Christmas Decorations	-	523	-	460
Capital Outlay	-	-	-	-
Other General Expense	-	19,415	-	19,267
Total General Governments	<u>30,000</u>	<u>40,304</u>	<u>(10,304)</u>	<u>37,292</u>
Cultural and Recreation				
Town Park	-	13,830	-	23,015
Recreational Supplies	-	4,330	-	8,807
Capital Outlay	-	17,560	-	5,625
Total Cultural and Recreation	<u>25,101</u>	<u>35,720</u>	<u>(10,619)</u>	<u>37,447</u>
	<u>55,101</u>	<u>76,024</u>	<u>(20,923)</u>	<u>74,739</u>

TOWN OF POLKVILLE, NORTH CAROLINA
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 YEARS ENDED JUNE 30

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Other Expenditures				
Street Paving	14,000	-	14,000	5,758
Street Lights	4,400	4,023	377	4,142
	<u>18,400</u>	<u>4,023</u>	<u>14,377</u>	<u>9,900</u>
Total Expenditures	<u>73,501</u>	<u>80,047</u>	<u>(6,546)</u>	<u>84,639</u>
Revenue Over(Under) Expenditures	<u>4,785</u>	<u>47,906</u>	<u>9,893</u>	<u>1,753</u>
Other Financing Sources (Uses)				
Transfer to Water and Sewer Fund	-	-	-	-
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Financing Sources Over(Under) Expenditures	<u>\$ 4,785</u>	<u>47,906</u>	<u>\$ 9,893</u>	<u>1,753</u>
Fund Balance Beginning of Year		335,277		333,524
Fund Balance End of Year		<u>\$ 383,183</u>		<u>\$ 335,277</u>

TOWN OF POLKVILLE, NORTH CAROLINA
WATER AND SEWER FUND

Schedule 2

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	June 30, 2019		Variable	06/30/18
	Budget	Actual	Favorable (Unfavorable)	Actual
OPERATING REVENUES				
Water & Sewer Charges	\$ 13,000	\$ 10,486	\$ (2,514)	\$ 13,344
Total Operating Revenue	<u>13,000</u>	<u>10,486</u>	<u>(2,514)</u>	<u>13,344</u>
NON OPERATING REVENUES				
Fund Balance Appropriated	-	-	-	-
Interest Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>\$ 13,000</u>	<u>\$ 10,486</u>	<u>\$ (2,514)</u>	<u>\$ 13,344</u>
OPERATING EXPENDITURES				
Provision For Bad Debt	\$ -	\$ -	\$ -	-
Utilities	-	13,169	-	13,495
Repairs & Maintenance	-	1,554	-	375
Materials & Supplies	-	-	-	-
Total Operating Expenditures	<u>15,000</u>	<u>14,723</u>	<u>277</u>	<u>13,870</u>
OTHER EXPENDITURES				
Capital Outlay	-	-	-	-
Total Other Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>15,000</u>	<u>14,723</u>	<u>277</u>	<u>13,870</u>
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	-	-	-	11,931
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ (2,000)</u>	<u>\$ (4,237)</u>	<u>\$ (2,237)</u>	<u>\$ 11,405</u>

Note: Prepared on the budgetary basis which is modified accrual.

TOWN OF POLKVILLE, NORTH CAROLINA
WATER AND SEWER FUND
STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON GAAP)
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

Schedule 2

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS

Excess Revenues over (under) Expenditures	(4,237)
Depreciation	(18,215)
Prepaid Expense	<u>-</u>
Net Income (Loss) at Exhibit 8	<u><u>\$ (22,452)</u></u>

Other Schedules

This section contains additional information required on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

TOWN OF POLKVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2018</u>	<u>Additions</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 13,963	\$ 13,910	\$ 53
2017-2018	95	-	51	44
2016-2017	11	-	-	11
2015-2016	7	-	-	7
2014-2015	14	-	-	14
2013-2014	14	-	-	14
2012-2013	27	-	-	27
2011-2012	16	-	-	16
2010-2011	11	-	-	11
2009-2010	23	-	5	18
2008-2009	21	-	21	-
Ad Valorem Taxes Receivable	<u>\$ 239</u>	<u>\$ 13,963</u>	<u>\$ 13,987</u>	215
Allowance for Doubtful Accounts				125
Taxes Receivable				<u>\$ 90</u>
Reconcilement with Revenues:				
Ad Valorem Taxes - General Fund				<u>\$ 13,679</u>
Reconciling items:				
Interest Collected				(56)
Collection Fees				323
Discounts/Adjustments				17
Total Reconciling items				<u>284</u>
Total Collections and Credits				<u>\$ 13,963</u>

TOWN OF POLKVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
JUNE 30, 2019

	District-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	\$ 27,926,000	\$ 0.05	\$ 13,963	\$ 12,302	\$ 1,661
Discoveries:					
Current Year Taxes	-	0.05	-	-	-
Total Property Valuation	<u>\$ 27,926,000</u>		13,963	12,302	1,661
Net Levy:					
Uncollected Taxes at June 30, 2019			53	53	-
Current Year's Taxes Collected			<u>\$ 13,910</u>	<u>\$ 12,249</u>	<u>\$ 1,661</u>
Current Levy Collection Percentage			99.62%	99.57%	100.00%