

**TOWN OF POLLOCKSVILLE
North Carolina**

FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

**TOWN OF POLLOCKSVILLE
North Carolina**

FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Prepared By
BARROW, PARRIS & DAVENPORT, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
Kinston, North Carolina

TOWN OF POLLOCKSVILLE, NORTH CAROLINA

MAYOR

James V. Bender, Jr.

BOARD OF COMMISSIONERS

Samuel Lincoln

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Nancy Barbee

Michael Duffy

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FINANCE OFFICER

Jenny Miller

TOWN CLERK

Amanda Howard

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pollocksville, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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.

Because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinions on these financial statements.

Basis for Disclaimer of Opinion

During September of 2019, the impact of Hurricane Florence caused devastating flooding in the Town of Pollocksville. The Town Hall was inundated with historical amounts of water, causing extensive damage to the building, and destroying all of the physical records of the Town, including cash receipts, cash disbursements, and various other records. As a result of the loss of records, we were not able to perform sufficient audit procedures that would be adequate for us to express on the accompanying financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. Accordingly, we do not express an opinion on the accompanying financial statements of the Town of Pollocksville.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 37 and 38, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have not applied the certain limited procedures to the required supplementary information typically performed 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Pollocksville, North Carolina. However, we were unable to form an opinion as described in the Disclaimer of Opinion paragraph. 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 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. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this supplementary information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020 on our consideration of Town of Pollocksville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Pollocksville's internal control over financial reporting and compliance.

Barrow, Parris & Davenport, P.A.

BARROW, PARRIS & DAVENPORT, P.A.
Kinston, North Carolina

June 29, 2020

Management's Discussion and Analysis

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

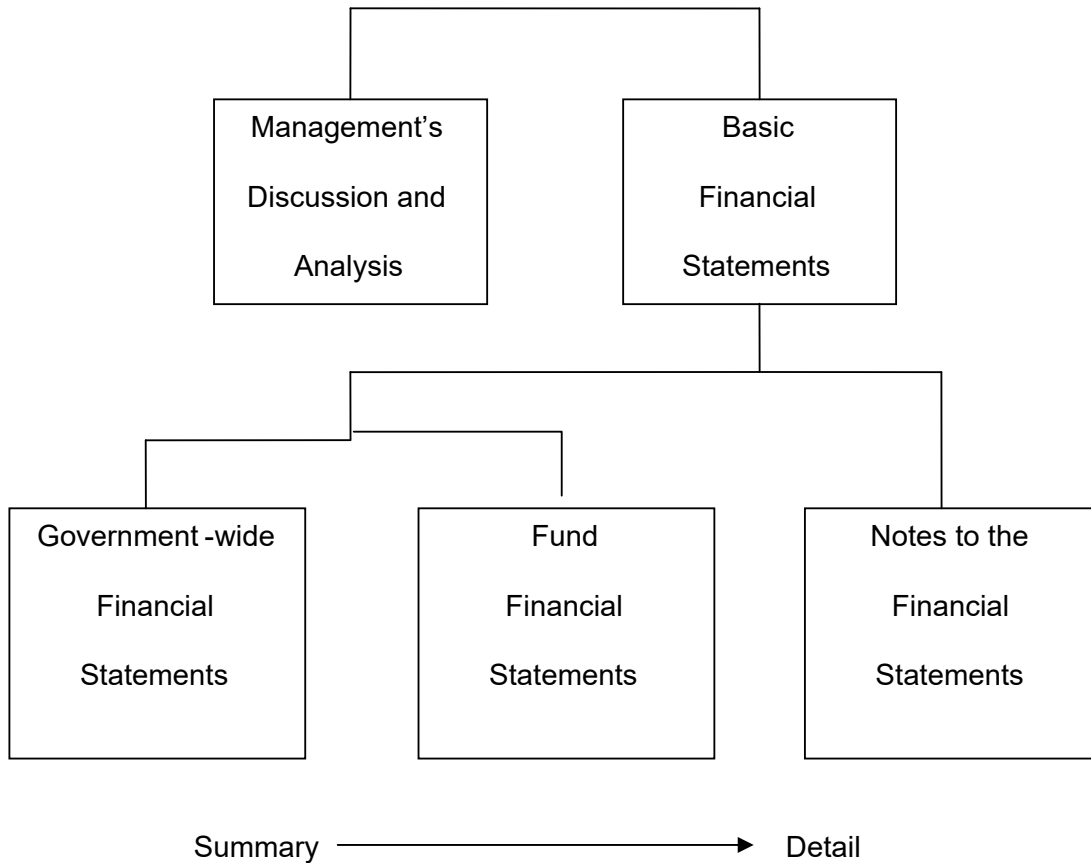
Financial Highlights

- The assets and deferred outflows of the Town of Pollocksville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,703,860 (*net position*).
- The government's total net position increased by \$19,116, due to an increase in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Pollocksville's governmental funds reported ending fund balances of \$564,451 with a net change of \$317,063 in fund balance. Approximately 11.07 percent of this total amount, or \$62,467, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$479,615, or 210.18 percent of total general fund expenditures for the fiscal year.
- The Town of Pollocksville's total debt decreased by \$32,582 (5.0%) during the current fiscal year. The Town is currently making payments on its sewer bonds issued in 1995 as well as an ARRA loan.
- The Town had one capital project related to water and sewer activities during the year. The project was funded by the Golden Leaf Foundation and was completed during the year.
- The Town received a disaster recovery grant from the North Carolina Office of Recovery and Resiliency during the year for \$500,000. The Town is using the grant proceeds to make payments on its sewer bonds, ARRA loan, tank maintenance, and other various expenses over the next three years.
- The Town made repairs to the sewer system during the year due to damage caused by Hurricane Florence. The repairs were funded by the Golden Leaf Foundation and were completed during the year.
- The Town received insurance proceeds for the catastrophic damage to the Town Hall and destruction of its contents due to flooding from Hurricane Florence.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, public works, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer offered by the Town of Pollocksville.

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 Pollocksville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Pollocksville can be divided into two categories: governmental funds and proprietary funds.

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

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Pollocksville has one fiduciary fund, which is an agency fund.

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 pages 21-36 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Government-Wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$1,034,299	\$281,395	\$316,144	\$351,474	\$1,350,443	\$632,869
Capital assets	276,435	526,195	4,298,971	4,456,708	4,575,406	4,982,903
Deferred outflows of resources	2,707	5,233	8,823	5,348	11,530	10,581
Total assets and deferred outflows of resources	\$1,313,441	\$812,823	\$4,623,938	\$4,813,530	\$5,937,379	\$5,626,353
Current liabilities	\$10,411	\$4,004	\$189,122	\$283,101	\$199,533	\$287,105
Long-term liabilities	3,063	6,347	599,311	629,394	602,374	635,741
Deferred inflows of resources	430,215	17,957	1,397	806	431,612	18,763
Total liabilities and deferred inflows of resources	\$443,689	\$28,308	\$789,830	\$913,301	\$1,233,519	\$941,609
Net position:						
Net investment in capital assets	\$276,435	\$526,195	\$3,676,062	\$3,801,217	\$3,952,497	\$4,327,412
Restricted	62,467	54,322			62,467	54,322
Unrestricted	530,850	203,998	158,046	99,012	688,896	303,010
Total net position	\$869,752	\$784,515	\$3,834,108	\$3,900,229	\$4,703,860	\$4,684,744

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 Pollocksville exceeded liabilities and deferred inflows by \$4,703,860 as of June 30, 2019. The Town's net position increased by \$19,116 for the fiscal year ended June 30, 2019. However, the largest portion (84.03%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Pollocksville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pollocksville's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Pollocksville's net position (1.33%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$688,896 is unrestricted.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services		\$86	\$244,229	\$290,582	\$244,229	\$290,668
Operating grants and contributions	\$95,898	12,075	248,820		344,718	12,075
Capital grants and contributions	3,913	2,831	20,575	679,168	24,488	681,999
General revenues:						
Property taxes	77,286	76,254			77,286	76,254
Grants and contributions not restricted to specific programs	49,059	49,341			49,059	49,341
Other	21,773	6,187	519	3,518	22,292	9,705
Total revenues	\$247,929	\$146,774	\$514,143	\$973,268	\$762,072	\$1,120,042
Expenses:						
General government	\$135,268	\$77,832			\$135,268	\$77,832
Public safety	33,770	26,117			33,770	26,117
Public works	45,983	22,879			45,983	22,879
Water and sewer			\$663,733	\$375,290	663,733	375,290
Total expenses	\$215,021	\$126,828	\$663,733	\$375,290	\$878,754	\$502,118
Increase (decrease) in net position before transfers and extraordinary item	\$32,908	\$19,946	(\$149,590)	\$597,978	(\$116,682)	\$617,924
Transfers	(83,469)		83,469			
Extraordinary item: gain on insurance recovery	135,798				135,798	
Increase (decrease) in net position before transfers and extraordinary item	\$85,237	\$19,946	(\$66,121)	\$597,978	\$19,116	\$617,924
Net position, July 1	784,515	764,569	3,900,229	3,302,251	4,684,744	4,066,820
Net position, June 30	\$869,752	\$784,515	\$3,834,108	\$3,900,229	\$4,703,860	\$4,684,744

Governmental activities. Governmental activities increased the Town's net position by \$85,237. Key elements of this increase are as follows:

- Operating revenues increased by \$83,823, primarily due to an increase in operating grants. Expenses increased by \$88,193, primarily in the area of general government.

Business-type activities: Business-type activities decreased the Town of Pollocksville's net position by (\$66,121). Key elements of this increase are as follows:

- Expenses increased by \$288,443, mainly due to repairs to the sewer system.
- Operating revenues decreased by \$46,353 or 15.95% compared to the prior year due to the effects of Hurricane Florence.
- Operating grants increased by \$248,820 due to funding from Golden Leaf Foundation to assist with repairs to the system.
- Capital grants decreased by \$658,593 as no significant capital projects were ongoing during the year.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Pollocksville. At the end of the current fiscal year, Town of Pollocksville's fund balance available in the General Fund was \$479,615, while total fund balance reached \$564,451. The Governing Body of the Town of Pollocksville has determined that the Town should maintain sufficient fund balance in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town has not adopted a formal fund balance policy.

At June 30, 2019, the governmental funds of the Town of Pollocksville reported a combined fund balance of \$564,451, with a net increase in fund balance of \$317,063. The Town currently has an available fund balance of 210.18% of general fund expenditures, and total fund balance represents 247.35% of the same amount.

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

Proprietary Funds. The Town of Pollocksville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$158,046. The total decrease in net position for the fund was (\$66,121). Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Pollocksville's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Pollocksville's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$4,575,406 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, water and sewer facilities, and vehicles.

Major capital asset transactions during the year include the following additions and disposals:

- Several of the Town's governmental assets, including the Town Hall, were destroyed due to flooding from Hurricane Florence.

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

	Governmental	Governmental	Business-type	Business-type	Total	
	Activities	Activities	Activities	Activities	2019	2018
	2019	2018	2019	2018	2019	2018
Land	\$34,475	\$34,475	\$21,695	\$21,695	\$56,170	\$56,170
Construction in Progress				46,525		46,525
Buildings and System	1,363	261,248	4,275,134	4,382,627	4,276,497	4,643,875
Machinery and Equipment	28,397	5,288		1,311	28,397	6,599
Infrastructure	212,200	223,761			212,200	223,761
Vehicles and Motorized Equipment		1,423	2,142	4,550	2,142	5,973
Total	\$276,435	\$526,195	\$4,298,971	\$4,456,708	\$4,575,406	\$4,982,903

Additional information on the Town's capital assets can be found in note II.A.4 on page 28 of this report.

Long-term Debt. As of June 30, 2019, the Town of Pollocksville had total bonded debt outstanding of \$622,909. Of this, \$622,909 is debt backed by the full faith and credit of the Town.

Town of Pollocksville's Outstanding Debt
Figure 5

	Governmental	Governmental	Business-type		Total	
	Activities	Activities	Activities	Activities	2019	2018
	2019	2018	2019	2018	2019	2018
Installment Purchase			\$44,909	\$48,991	\$44,909	\$48,991
General Obligation Bonds			578,000	606,500	578,000	606,500
Total	\$0	\$0	\$622,909	\$655,491	\$622,909	\$655,491

The Town of Pollocksville's total debt decreased by \$32,582 (5.0%) during the past fiscal year due to the retirement of debt principal. All current year payments were made in accordance with loan requirements.

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 Pollocksville is \$1,625,684.

Additional information regarding the Town of Pollocksville's long-term debt can be found in note II-B-7 beginning on page 33 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Jones County's unemployment rate is 4.2% for June 2019 which is comparable to the State average of 4.0%.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The tax rate will remain at 38 cents per \$100 valuation. Budgeted expenditures in the General Fund are also expected to be consistent with the prior year, other than grants and expenditures related to recovery efforts from Hurricane Florence.

Business – type Activities: The Town expects water and sewer revenues to be consistent with the prior year. General operating expenses are also expected to be consistent with the prior year. The Town will also pay \$33,583 in principal to reduce its sewer debt. The Town also has project budgets in place for the three enterprise capital projects.

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 Pollocksville, P.O. Box 97, Pollocksville, NC 28573. One can also call (252) 224-9831 or visit our website at www.townofpollocksville.com.

BASIC FINANCIAL STATEMENTS

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$942,182	\$138,117	\$1,080,299
Taxes Receivables (Net)	22,454		22,454
Accrued Interest Receivable on Taxes	3,238		3,238
Accounts Receivable (Net)		158,059	158,059
Due From Other Governments	12,071		12,071
Internal Balances	18,767	(18,767)	
Restricted Cash and Cash Equivalents	35,587	38,735	74,322
Total Current Assets	\$1,034,299	\$316,144	\$1,350,443
<i>Capital Assets:</i>			
Land, Non-depreciable Improvements, and Construction in Progress	\$34,475	\$21,695	\$56,170
Other Capital Assets, Net of Depreciation	241,960	4,277,276	4,519,236
Total Capital Assets	\$276,435	\$4,298,971	\$4,575,406
Total Assets	\$1,310,734	\$4,615,115	\$5,925,849
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Deferrals	\$2,707	\$8,823	\$11,530
Total Deferred Outflows of Resources	\$2,707	\$8,823	\$11,530
<u>LIABILITIES</u>			
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	\$10,411	\$114,310	\$124,721
Accrued Interest Payable		2,494	2,494
Payable from Restricted Assets		38,735	38,735
Current Portion of Long-term Liabilities		33,583	33,583
Total Current Liabilities	\$10,411	\$189,122	\$199,533
<i>Long-term Liabilities:</i>			
Net Pension Liability	3,063	9,985	13,048
Due In More Than One Year		589,326	589,326
Total Liabilities	\$13,474	\$788,433	\$801,907
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Deferrals	\$429	\$1,397	\$1,826
Grants Not Earned	429,786		429,786
Total Deferred Inflows of Resources	\$430,215	\$1,397	\$431,612
Net Position:			
Net Investment in Capital Assets	\$276,435	\$3,676,062	\$3,952,497
<i>Restricted For:</i>			
Stabilization by State Statute	26,880		26,880
Streets	35,587		35,587
Unrestricted	530,850	158,046	688,896
Total Net Position	\$869,752	\$3,834,108	\$4,703,860

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$135,268		\$83,469		(\$51,799)		(\$51,799)
Public Safety	33,770				(33,770)		(33,770)
Public Works	45,983		12,429	\$3,913	(29,641)		(29,641)
Total Governmental Activities	\$215,021	\$0	\$95,898	\$3,913	(\$115,210)	\$0	(\$115,210)
Business-type Activities:							
Water and Sewer	\$663,733	\$244,229	\$248,820	\$20,575		(\$150,109)	(\$150,109)
Total Business-type Activities	\$663,733	\$244,229	\$248,820	\$20,575		(\$150,109)	(\$150,109)
Total Primary Government	\$878,754	\$244,229	\$344,718	\$24,488	(\$115,210)	(\$150,109)	(\$265,319)
<i>General Revenues:</i>							
<i>Taxes:</i>							
Property Taxes, Levied for General Purpose					\$77,286		\$77,286
Grants and Contributions Not Restricted to Specific Programs					49,059		49,059
Investment Earnings, Unrestricted					2,733	\$519	3,252
Miscellaneous, Unrestricted					19,040		19,040
Extraordinary Item: Gain on Insurance Recovery					135,798		135,798
Total General Revenues And Extraordinary Items Not Including Transfers					\$283,916	\$519	\$284,435
Transfers					(83,469)	83,469	
Total General Revenues, Extraordinary Items And Transfers					\$200,447	\$83,988	\$284,435
Change in Net Position					\$85,237	(\$66,121)	\$19,116
<i>Net Position, Beginning</i>					784,515	3,900,229	4,684,744
NET POSITION, ENDING					\$869,752	\$3,834,108	\$4,703,860

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>Major Funds</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$942,182	\$942,182
Restricted Cash and Cash Equivalents	35,587	35,587
Taxes Receivable (Net)	22,454	22,454
Due From Other Funds	18,767	18,767
Due From Other Governments	12,071	12,071
TOTAL ASSETS	<u>\$1,031,061</u>	<u>\$1,031,061</u>
LIABILITIES:		
<i>Liabilities:</i>		
Accounts Payable and Accrued Liabilities	\$10,411	\$10,411
Total Liabilities	<u>\$10,411</u>	<u>\$10,411</u>
DEFERRED INFLOWS OF RESOURCES:		
Property Taxes Receivable	\$22,454	\$22,454
Franchise Taxes Receivable	3,959	3,959
Grants Not Earned	429,786	429,786
Total Deferred Inflows of Resources	<u>\$456,199</u>	<u>\$456,199</u>
FUND BALANCES:		
Restricted:		
Stabilization by State Statute	\$26,880	\$26,880
Streets - Powell Bill	35,587	35,587
Assigned:		
Subsequent Year's Expenditures	22,369	22,369
Unassigned	479,615	479,615
Total Fund Balances	<u>\$564,451</u>	<u>\$564,451</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$1,031,061</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.

Gross capital assets at historical cost	\$485,789	
Accumulated depreciation	<u>(209,354)</u>	276,435

Deferred outflows of resources related to pensions are not reported in funds. 2,707

Liabilities for earned revenues considered deferred inflows of resources in fund statements 26,413

Deferred inflows of resources related to pensions are not reported in funds. (429)

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

Net pension liability (3,063)

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and are deferred in the funds.

Net Position of Governmental Activities **3,238**

\$869,752

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2019

	<u>Major Funds</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Funds</u>
REVENUES:		
Ad Valorem Taxes	\$61,800	\$61,800
Unrestricted Intergovernmental	48,941	48,941
Restricted Intergovernmental	99,811	99,811
Permits and Fees	50	50
Investment Earnings	2,733	2,733
Other Revenues	9,556	9,556
TOTAL REVENUES	\$222,891	\$222,891
EXPENDITURES:		
<i>Current:</i>		
General Government	\$149,593	\$149,593
Public Safety	32,621	32,621
Public Works	45,983	45,983
TOTAL EXPENDITURES	\$228,197	\$228,197
OTHER FINANCING SOURCES (USES):		
Transfers to Other Funds	(\$83,469)	(\$83,469)
Insurance Recovery	405,838	405,838
TOTAL OTHER FINANCING SOURCES (USES)	\$322,369	\$322,369
Net Change in Fund Balance	\$317,063	\$317,063
<i>Fund Balance, Beginning</i>	247,388	247,388
FUND BALANCE, ENDING	\$564,451	\$564,451

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
STATEMENT 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		\$317,063
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:</p>		
Capital outlay expenditures that were capitalized	26,781	
Depreciation expense for governmental assets	(15,935)	
Loss on disposal of fixed assets	<u>(255,159)</u>	
		(244,313)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.</p>		
		779
<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	15,486	
Change in unavailable revenue for other revenues	<u>(118)</u>	
		15,368
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expense	<u>(3,660)</u>	
		<u>(3,660)</u>
Total Changes in Net Position of Governmental Activities		<u><u>\$85,237</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For The Year Ended June 30, 2019

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad Valorem Taxes	\$70,899	\$70,899	\$61,800	(\$9,099)
Unrestricted Intergovernmental	47,979	47,979	48,941	962
Restricted Intergovernmental	12,075	512,075	99,811	(412,264)
Permits and Fees	300	300	50	(250)
Investment Earnings			2,733	2,733
Miscellaneous	1,800	1,800	9,556	7,756
Total Revenues	\$133,053	\$633,053	\$222,891	(\$410,162)
Expenditures:				
<i>Current:</i>				
General Government	\$69,898	\$569,898	\$149,593	\$420,305
Public Safety	41,462	41,462	32,621	8,841
Public Works	71,781	121,781	45,983	75,798
Total Expenditures	\$183,141	\$733,141	\$228,197	\$504,944
Revenues Over (Under) Expenditures	(\$50,088)	(\$100,088)	(\$5,306)	\$94,782
Other Financing Sources (Uses):				
Transfers to Other Funds		(\$500,000)	(\$83,469)	(\$416,531)
Insurance Recovery		500,000	405,838	94,162
Total Other Financing Sources (Uses)		\$0	\$322,369	(\$322,369)
Fund Balance Appropriated	\$50,088	\$100,088		(\$100,088)
Net Change in Fund Balance	\$0	\$0	\$317,063	\$317,063
<i>Fund Balances:</i>				
<i>Beginning of Year, July 1</i>			247,388	
End of Year, June 30			\$564,451	

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	<u>Major Enterprise Fund Water & Sewer Fund</u>
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$138,117
Accounts Receivable (Net)	158,059
Restricted Cash and Cash Equivalents	38,735
Total Current Assets	<u>\$334,911</u>
Noncurrent Assets:	
Capital Assets:	
Land and Other Non-Depreciable Assets	\$21,695
Other Capital Assets, Net of Depreciation	4,277,276
Total Capital Assets (Net)	<u>\$4,298,971</u>
Total Noncurrent Assets	<u>\$4,298,971</u>
Total Assets	<u>\$4,633,882</u>
<u>Deferred Outflows of Resources</u>	
Pension Deferrals	\$8,823
Total Deferred Outflows of Resources	<u>\$8,823</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	\$114,310
Due to Other Funds	18,767
Accrued Interest Payable	2,494
General Obligation Bonds Payable - Current	29,500
Installment Note Payable - Current	4,083
Liabilities Payable from Restricted Assets:	
Customer Deposits	38,735
Total Current Liabilities	<u>\$207,889</u>
Noncurrent Liabilities:	
General Obligation Bonds Payable - Noncurrent	\$548,500
Installment Note Payable - Noncurrent	40,826
Net Pension Liability	9,985
Total Noncurrent Liabilities	<u>\$599,311</u>
Total Liabilities	<u>\$807,200</u>
<u>Deferred Inflows of Resources</u>	
Pension Deferrals	\$1,397
Total Deferred Inflows of Resources	<u>\$1,397</u>
<u>Net Position</u>	
Net Investment in Capital Assets	\$3,676,062
Unrestricted	158,046
Total Net Position	<u>\$3,834,108</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2019

	Major Enterprise Fund Water and Sewer Fund
<i>OPERATING REVENUES:</i>	
Charges for Services	\$242,976
Other Operating Revenues	1,253
Total Operating Revenues	\$244,229
<i>OPERATING EXPENSES:</i>	
Administration	\$79,080
Water and Sewer Treatment and Distribution	374,624
Depreciation	168,792
Total Operating Expenses	\$622,496
Operating Income (Loss)	(\$378,267)
<i>NONOPERATING REVENUES (EXPENSES):</i>	
Investment Earnings	\$519
Golden Leaf Grant Revenues	248,820
Gain (Loss) on Disposal of Assets	(9,519)
Interest and Other Charges	(31,718)
Total Nonoperating Revenues (Expenses)	\$208,102
Income (Loss) Before Contributions and Transfers	(\$170,165)
Capital Contributions	20,575
Transfers From Other Funds	83,469
Change in Net Position	(\$66,121)
Total Net Position, Beginning	3,900,229
Total Net Position, Ending	\$3,834,108

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2019

	<u>Major Enterprise Fund Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	\$248,621
Cash Paid for Goods and Services	(376,923)
Cash Paid to or on Behalf of Employees for Services	(68,257)
Customer Deposits Received	3,371
Customer Deposits Returned	(7,246)
Net Cash Provided (Used) by Operating Activities	<u>(\$200,434)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	\$83,469
Golden Leaf Grant	112,440
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$195,909</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(\$119,463)
Capital Contributions - Federal and State Grants	225,866
Principal Paid on Bond Maturities	(32,583)
Interest Paid on Bond Maturities	(31,841)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$41,979</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earnings	<u>\$519</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$37,973
Cash and Cash Equivalents, July 1	138,879
Cash and Cash Equivalents, June 30	<u>\$176,852</u>
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>	
Operating Income (Loss)	<u>(\$378,267)</u>
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</i>	
Depreciation	\$168,792
<i>Changes in Assets, Deferred Inflows and Outflows and Liabilities:</i>	
(Increase) Decrease in Accounts Receivable	4,392
(Increase) Decrease in Deferred Outflows of Resources for Pensions	(3,475)
Increase in Net Pension Liability	3,499
Increase (Decrease) in Deferred Inflows of Resources for Pensions	591
Increase (Decrease) in Accounts Payable and Accrued Liabilities	7,909
Increase (Decrease) in Customer Deposits	(3,875)
Total Adjustments	<u>\$177,833</u>
Net Cash Provided (Used) by Operating Activities	<u>(\$200,434)</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
For The Fiscal Year Ended June 30, 2019

<u>Assets</u>	<u>Agency Fund</u>
Cash and Cash Equivalents	<u>\$1,182</u>
 <u>Liabilities and Net Assets</u>	
<i>Liabilities:</i>	
Intergovernmental Payable	<u>\$1,182</u>
Total Liabilities	<u>\$1,182</u>

TOWN OF POLLOCKSVILLE, 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 Pollocksville 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 Pollocksville is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and all of its operations.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund is used for accounts for and report all financial resources not accounted for and reported 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 funds:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. One water and sewer capital project fund have been combined with the Water and Sewer Fund for financial reporting.

The Town reports the following fund type:

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the Town is required to remit to the Jones County Board of Education.

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

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, Proprietary, and Fiduciary 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 operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Town 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 water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed 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.

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

Sales taxes and certain intergovernmental revenues 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 Pollocksville because the tax is levied by Jones County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. 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. Project ordinances are adopted for the Water and Sewer Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multiyear funds. Amendments are required for any revisions to the budget. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

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

Restricted Cash:

Governmental Activities	
General Fund:	
Streets	\$35,587
Total Governmental Activities	\$35,587
Business-type Activities	
Water and Sewer Fund:	
Customer Deposits	\$38,735
Total Business-type Activities	\$38,735

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$1,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$1,000; infrastructure, \$1,000; furniture and equipment, \$1,000; and vehicles, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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. General infrastructure assets acquired prior to July 1, 2003 have not been capitalized as the Town has elected not to retroactively implement the capitalization of infrastructure.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	10 - 25
Vehicles	6
Furnishings and Fixtures	5 - 10
Computer Equipment	3
Equipment (Non-Computer)	5 - 10
Software	5 - 7

TOWN OF POLLOCKSVILLE, 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. The Town has one item that meet this criterion at the end of the year, contributions made to the pension plan in the 2019 fiscal year. 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 three items that meet the criterion for this category – property taxes receivable, pension deferrals, and unearned grants.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

9. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, the liability related to compensated absences has been deemed immaterial and has not been recorded.

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

10. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified 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.

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Committed Fund Balance – This classification includes the portion of fund balance that can only be used for specific purposes imposed by majority vote of quorum of the Town of Pollocksville'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 – This classification includes portion of fund balance that the Town of Pollocksville 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 all appropriations.

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

11. Defined Benefit Cost-Sharing Plans

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

II. 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

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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 agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,155,728 and a bank balance of \$1,180,878. Of the bank balance, \$271,009 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$75.

2. Accounts Receivable

Receivables at the government-wide level at June 30, 2019, were as follows:

Due from other governments consists of the following:

	Due From Other Governments	Other	Due From Other Funds (Internal Balances)	Total
Governmental Activities:				
General Fund	\$12,071		\$18,767	\$30,838
Business-Type Activities:				
Enterprise Fund		\$158,059	(18,767)	139,292
	\$12,071	\$158,059	\$0	\$170,130
Governmental Activities:				
Local Option Sales Tax	\$5,114			
Utility Franchise and Telecommunications Sales Tax	3,958			
Motor Vehicle Tax Due From Jones County	871			
Utilities Reimbursement From Jones County	1,409			
Payroll Tax Refund	719			
	\$12,071			

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Statement of Net Position and the Statement of Fund Net Position is net of the following allowances for doubtful accounts:

Business-Type Activities:	
Enterprise Fund	\$5,415
	\$5,415

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For the Fiscal Year Ended June 30, 2019

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$34,475			\$34,475
Total Capital Assets Not Being Depreciated	\$34,475	\$0	\$0	\$34,475
Capital Assets Being Depreciated:				
Buildings	\$396,313		\$379,313	\$17,000
Equipment	110,011	\$26,781	69,091	67,701
Infrastructure	346,842			346,842
Vehicles and Motorized Equipment	43,367		23,596	19,771
Total Capital Assets Being Depreciated	\$896,533	\$26,781	\$472,000	\$451,314
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$135,065	\$1,619	\$121,047	\$15,637
Equipment	104,723	2,686	68,105	39,304
Infrastructure	123,081	11,561		134,642
Vehicles and Motorized Equipment	41,944	69	22,242	19,771
Total Accumulated Depreciation	\$404,813	\$15,935	\$211,394	\$209,354
<i>Total Capital Assets Being Depreciated, Net</i>	\$491,720			\$241,960
Governmental Activity Capital Assets, Net	\$526,195			\$276,435

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

General Government	\$14,786
Public Safety	1,149
Total Depreciation Expense	\$15,935

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activity:				
<i>Water and Sewer Fund:</i>				
Capital Assets Not Being Depreciated:				
Land	\$21,695			\$21,695
Construction in Progress	46,525		\$46,525	
Total Capital Assets Not Being Depreciated	\$68,220	\$0	\$46,525	\$21,695
Capital Assets Being Depreciated:				
Plant and Distribution Systems	\$6,985,786	\$67,100	\$36,512	\$7,016,374
Furniture and Maintenance Equipment	8,246		8,096	150
Vehicles and Construction Equipment	110,525		13,715	96,810
Total Assets Being Depreciated	\$7,104,557	\$67,100	\$58,323	\$7,113,334
<i>Less Accumulated Depreciation for:</i>				
Plant and Distribution Systems	\$2,603,159	\$168,004	\$29,923	\$2,741,240
Furniture and Maintenance Equipment	6,937	44	6,831	150
Vehicles and Construction Equipment	105,973	745	12,050	94,668
Total Accumulated Depreciation	\$2,716,069	\$168,793	\$48,804	\$2,836,058
<i>Total Capital Assets Being Depreciated, Net</i>	\$4,388,488			\$4,277,276
Water and Sewer Fund Capital Assets, Net	\$4,456,708			\$4,298,971

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B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2019 were as follows:

	Vendors	Other	Capital Projects	Total
Governmental Activities:				
General Fund	\$8,947	\$1,464	\$0	\$10,411
Business-Type Activities:				
Water and Sewer Fund	\$114,310			\$114,310

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 55, or have completed 15 years of creditable service as

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an LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2019 was 7.75% for employees, actuarially determined as an amount that, when combined with employer contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$3,318 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$13,048 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of the future payroll covered by the pension plan of all participating LGERS employees, actuarially determined. At June 30, 2018, the Town's proportion was 0.0006%, which was a decrease of 0.0002% from its proportion measured at June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of (\$502). At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,013	\$68
Changes of assumptions	3,462	
Net difference between projected and actual earnings on pension plan investments	1,791	
Change in proportion and differences between Town contributions and proportionate share of contributions	946	1,758
Town contributions subsequent to the measurement date	3,318	
	\$11,530	\$1,826

\$3,318 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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<u>Year Ended June 30:</u>	
2019	\$3,512
2020	2,256
2021	(34)
2022	653
2023	-
Thereafter	-
	<u>\$6,387</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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

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The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00 percent) or 1-percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$31,342	\$13,048	(\$2,239)

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

3. Deferred Outflows and Inflows of Resources:

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

Differences between expected and actual experience	\$2,013
Changes of assumptions	3,462
Net difference between projected and actual earnings on pension plan investments	1,791
Change in proportion and differences between Town contributions and proportionate share of contributions	946
Town contributions subsequent to the measurement date	3,318
Total	\$11,530

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes Receivable (General Fund), less penalties		\$22,454
Franchise Taxes Receivable (General Fund)		3,959
Grants Not Earned	\$429,786	429,786
Differences between expected and actual experience	68	
Change in proportion and differences between Town contributions and proportionate share of contributions	1,758	
Total	\$431,612	\$456,199

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4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the N.C. League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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 carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town is also eligible to and has purchased commercial flood insurance for another \$207,500 of coverage for the Town Hall.

In September 2018, flooding caused by Hurricane Florence caused extensive damage to the Town Hall and destroyed its contents. The Town has received approximately \$406,000 at the statement date in flood insurance proceeds.

In accordance with G.S.159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and town clerk are bonded for \$50,000 each.

5. Claims and Judgments

At June 30, 2019, the Town was not a defendant to any lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Installment Purchase Obligation

On December 15, 2010, the Town entered into a financing agreement with NC Department of Environment & Natural Resources – Division of Water Quality to complete a construction project designed to provide more updated and improved meters to local area residents and improved meter reading function to Town personnel. The financing contract is part of the American Recovery Reinvestment Act of 2009 (ARRA) and totals \$163,304, with a forgiveness principal amount of \$81,652. The loan requires 20 annual principal payments in the amount of \$4,083 beginning May 2011. The agreement carries an interest rate of 0%. The project assets and the related liability will be recorded in the Water and Sewer Fund. The balance at June 30, 2019 is \$44,909.

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

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<u>Year Ending June 30,</u>	<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$4,083	\$0
2021	4,083	0
2022	4,083	0
2023	4,083	0
2024	4,083	0
2025-2029	20,411	0
2030	4,083	0
Total	\$44,909	\$0

b. General Obligation Indebtedness

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

General obligation debt payable at June 30, 2019 is comprised of the following individual issues:

Series A Sewer Bonds held by Rural Economic and Community Development issued on September 7, 1995, due in annual variable installments through June 1, 2034; interest at 5.25%.	\$530,000
Series B Sewer Bonds held by Rural Economic and Community Development issued on September 7, 1995, due in annual variable installments through June 1, 2034; interest at 5.25%.	48,000
	\$578,000

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

<u>Year Ending June 30,</u>	<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$29,500	\$30,345
2021	31,000	28,796
2022	33,000	27,169
2023	34,500	25,436
2024	37,000	23,626
2025-2029	203,000	87,465
2030-2034	210,000	33,075
Total	\$578,000	\$255,912

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c. Changes in Long-Term Liabilities

	<u>Balance</u> <u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental Activities:					
Net Pension Liability (LGERS)	\$6,347		\$3,284	\$3,063	
Governmental Activity Long-Term Liabilities	\$6,347	\$0	\$3,284	\$3,063	\$0
	<u>Balance</u> <u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Business-type Activities:					
Net Pension Liability (LGERS)	\$6,486	\$3,499		\$9,985	
Installment Purchase Obligation	48,991		\$4,082	44,909	\$4,083
General Obligation Bonds	606,500		28,500	578,000	29,500
Business-type Activity Long-Term Liabilities	\$661,977	\$3,499	\$32,582	\$632,894	\$33,583

7. Operating Lease

The Town has entered into an agreement to maintain and repair their water tank with Utility Service Co., Inc. The lease agreement qualifies as an operating lease for accounting purposes. The agreement was executed on October 5, 2011 and requires 12 annual payments. The lease qualifies as an operating lease because, although the current cost to cancel the contract at June 30, 2019 is \$30,837, the Town has no intention of cancelling the contract before the term of the lease.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

<u>Year Ending June 30</u>	
2020	\$30,837
2021	24,850
Total Minimum Future Payments Required	\$55,687

C. Interfund Balances and Activity

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

Due to the General Fund for wage expenses not paid by the Water/Sewer Fund	\$18,767
	\$18,767

In the year ended June 30, 2011, the Water and Sewer Fund borrowed \$18,767 from the General Fund in order to pay wage expenses. The amount has not been repaid.

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

From General Fund to Water and Sewer Fund for debt payments and tank maintenance expenses	\$83,469
	\$83,469

The Town received a disaster recovery grant from the North Carolina Office of Recovery and Resiliency during the year for \$500,000. This transfer represents a portion of this grant used to pay debt payments and tank maintenance expenses.

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

III. Summary Disclosure of Significant Contingencies

The Town has received proceeds from federal 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 monies.

IV. Fund Balance

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

Total Fund Balance - General Fund	\$564,451
Less:	
Stabilization by State Statute	26,880
Streets - Powell Bill	35,587
Appropriated Fund Balance in 2020 Budget	22,369
Remaining Fund Balance	\$479,615

V. Extraordinary Event

During September of 2018, the impact of Hurricane Florence caused devastating flooding in the Town. The Town Hall was inundated with a significant amount of water causing extensive damage to the building. All of the Town’s records were lost in the flood. The Town has received \$336,197 in insurance recovery for the building, and the Town Hall has been deemed a total loss resulting in an extraordinary gain of \$81,037. Restoration cost of the building is estimated to be \$658,694. For other items destroyed in the flood, the Town received an additional \$60,207 in insurance recovery resulting in an extraordinary gain of \$54,761.

VI. Significant Effects of Subsequent Events

In January 2020, the first case of COVID-19 (Coronavirus Disease 2019) was reported in the United States. North Carolina reported its first case in March of 2020. The economic impact of COVID-19 has been disastrous for many businesses and governmental entities. The far-reaching impact is unknown but is expected to continue potentially for several years. The Town could see a decrease in restricted and unrestricted intergovernmental revenues, property tax collections, and water and sewer collections as a result of the economic downturn. However, at this time the Town is unsure of the ultimate financial effect of COVID-19 on Town operations.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability (Asset)

Schedule of Contributions

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.0600%	0.0008%	0.0009%	0.0006%	-0.0009%	0.0016%
Town's portion of the net pension liability (asset) (\$)	\$13,048	\$12,833	\$19,525	\$2,648	(\$5,427)	\$19,286
Town's covered-employee payroll	\$41,423	\$44,665	\$60,136	\$73,356	\$101,054	\$115,540
Town's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	31.50%	28.73%	32.47%	3.61%	-5.37%	16.69%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$3,318	\$3,439	\$4,368	\$4,167	\$5,186	\$7,145
Contributions in relation to the contractually required contribution	3,318	3,439	4,368	4,167	5,186	7145
Contribution deficiency (excess)						
Town's covered-employee payroll	\$41,423	\$44,665	\$58,313	\$60,136	\$73,356	\$101,054
Contributions as a percentage of covered-employee payroll	7.75%	7.70%	7.49%	6.93%	7.07%	7.07%

Individual Fund Statements and Schedules

GENERAL FUND

The General Fund is used to account for and report all financial resources not accounted for and reported in other funds.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
<i>Ad Valorem Taxes:</i>			
Current Year	\$70,899	\$60,631	(\$10,268)
Prior Years		993	993
Interest		176	176
Total	\$70,899	\$61,800	(\$9,099)
<i>Unrestricted Intergovernmental:</i>			
Local Option Sales Tax	\$27,900	\$28,881	\$981
Utility Sales Tax	13,000	12,813	(187)
Telecommunications Sales Tax	3,000	3,063	63
Video Franchise Tax	2,400	2,235	(165)
Beer and Wine Tax	1,429	1,409	(20)
Piped Natural Gas Sales Tax	250	540	290
Total	\$47,979	\$48,941	\$962
<i>Restricted Intergovernmental:</i>			
Powell Bill Allocation	\$12,075	\$12,429	\$354
NCORR Disaster Relief Grant	500,000	83,469	
Beautification Grant		3,913	3,913
Total	\$512,075	\$99,811	\$4,267
<i>Permits and Fees:</i>			
Zoning and Other Permits and Fees	\$300	\$50	(\$250)
Total	\$300	\$50	(\$250)
<i>Investment Earnings</i>		\$2,733	\$2,733
<i>Miscellaneous:</i>			
Other	\$1,800	\$9,556	\$7,756
Total	\$1,800	\$9,556	\$7,756
Total Revenues	\$633,053	\$222,891	\$6,369

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Expenditures:			
<i>General Government:</i>			
Board of Commissioners	\$4,780	\$2,044	\$2,736
Salaries and Employee Benefits	16,168	13,192	2,976
Professional and Contracted Services	21,300	18,123	3,177
Other Operating Expenses	517,625	108,945	408,680
Capital Outlay	1,000		1,000
Insurance	9,025	7,289	1,736
Total General Government	\$569,898	\$149,593	\$420,305
<i>Public Safety:</i>			
Professional Services	\$29,000	\$21,673	\$7,327
Other Operating Expenses	2,300	786	1,514
Assistance to Local Fire Department	7,762	7,762	
Assistance to Local Rescue Unit	2,400	2,400	
Total Public Safety	\$41,462	\$32,621	\$8,841
<i>Public Works:</i>			
Street Lighting	\$8,500	\$7,387	\$1,113
Other Operating Expenses	78,781	26,167	52,614
Other Operating Expenses - Powell Bill	34,500	12,429	22,071
Total Public Works	\$121,781	\$45,983	\$75,798
Total Expenditures	\$733,141	\$228,197	\$504,944
Revenues Over (Under) Expenditures	(\$100,088)	(\$5,306)	\$511,313
Other Financing Sources (Uses):			
Transfers To Other Funds	(\$500,000)	(\$83,469)	(\$416,531)
Insurance Recovery	500,000	405,838	94,162
Total Other Financing Sources	\$0	\$322,369	(\$322,369)
Fund Balance Appropriated	\$100,088		(\$100,088)
Revenues and Other Financing Sources Over Expenditures	\$0	\$317,063	\$317,063
Fund Balances:			
Beginning of Year, July 1		247,388	
End of Year, June 30		\$564,451	

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2019

REVENUES	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues:			
<i>Charges For Service:</i>			
Water Sales	\$106,525	\$91,219	(\$15,306)
Sewer Sales	159,200	132,399	(26,801)
Water Recap Fees	6,300	5,217	(1,083)
Sewer Recap Fees	10,000	8,468	(1,532)
Reconnect and Other Fees	2,550	5,673	3,123
Total Charges for Service	\$284,575	\$242,976	(\$41,599)
<i>Other Operating Revenues:</i>			
Penalties and Interest	\$5,000	\$1,253	(\$3,747)
Total Other Operating Revenues	\$5,000	\$1,253	(\$3,747)
Total Operating Revenues	\$289,575	\$244,229	(\$45,346)
Nonoperating Revenues:			
Interest on Investments		\$519	\$519
Golden Leaf Grant Revenues	\$316,000	248,920	(67,080)
Total Nonoperating Revenues	\$316,000	\$249,439	(\$66,561)
TOTAL REVENUES	\$605,575	\$493,668	(\$111,907)
EXPENDITURES			
Administration, Treatment and Distribution:			
Personal Services - Board	\$3,216	\$3,216	
Water Salaries and Benefits	34,944	32,522	\$2,422
Sewer Salaries and Benefits	34,944	32,519	2,425
Administrative Expenditures	10,400	10,208	192
Water Operating Expenditures	33,009	31,561	1,448
Water Repairs and Maintenance	52,464	50,169	2,295
Sewer Operating Expenditures	34,059	25,291	8,768
Sewer Repairs and Maintenance	338,115	267,703	70,412
Total Administration, Treatment and Distribution	\$541,151	\$453,189	\$87,962

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Debt Service:			
Interest Expense	\$31,841	\$31,841	
Principal Retirement	32,583	32,583	
Total Debt Service	\$64,424	\$64,424	\$0
TOTAL EXPENDITURES	\$605,575	\$517,613	\$87,962
Revenues Over (Under) Expenditures	\$0	(\$23,945)	(\$23,945)
Other Financing Sources (Uses):			
Transfers From Other Funds		\$83,469	\$83,469
Total Other Financing Sources (Uses)	\$0	\$83,469	\$83,469
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$0	\$59,524	\$59,524
<i>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</i>			
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		\$59,524	
Reconciling Items:			
Principal Retirement		\$32,583	
Capital Contributions		20,575	
Depreciation		(168,792)	
Loss on Disposal of Assets		(9,519)	
Decrease in Bond Interest Accrued		123	
Increase in Deferred Outflows of Resources for Pensions		3,475	
Increase in Net Pension Liability		(3,499)	
Increase in Deferred Inflows of Resources for Pensions		(591)	
Total Reconciling Items		(\$125,645)	
Change in Net Position		(\$66,121)	

TOWN OF POLLOCKSVILLE, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT FUND – WATER TREATMENT PLANT IMPROVEMENTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2019

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues:					
Golden Leaf Foundation	\$67,100	46,525	\$20,575	\$67,100	
Total Revenues	\$67,100	\$46,525	\$20,575	\$67,100	\$0
Expenditures:					
Construction	\$55,130	\$37,530	\$17,600	\$55,130	
Engineering	7,975	5,000	2,975	7,975	
Inspection	3,995	3,995		3,995	
Total Expenditures	\$67,100	\$46,525	\$20,575	\$67,100	\$0
Revenues Over (Under) Expenditures	\$0	\$0	\$0	\$0	\$0

AGENCY FUND

Agency Funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FINES AND FORFEITURES AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Assets:				
Cash and Cash Equivalents	<u>\$1,136</u>	<u>\$46</u>		<u>\$1,182</u>
Liabilities:				
Intergovernmental Payable	<u>\$1,136</u>	<u>\$46</u>		<u>\$1,182</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 POLLOCKSVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2019

	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-19		\$77,225	\$60,682	\$16,543
2017-18	\$2,483		991	1,492
2016-17	1,123			1,123
2015-16	774			774
2014-15	48			48
2013-14	520			520
2012-13	1,361		4	1,357
2011-12	251			251
2010-11	237			237
2009-10	127		18	109
2008-09	44		44	
	\$6,968	\$77,225	\$61,739	

Ad Valorem Taxes Receivable - Net

\$22,454

Reconciliation With Revenues:

Ad Valorem Taxes - General Fund	\$61,800
Penalties Collected on Ad Valorem Taxes - Agency Fund	46
Reconciling Items:	
Taxes Written Off	69
Interest Collected	(176)
Total Collections and Credits	\$61,739

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
 For the Fiscal Year Ended June 30, 2019

	Town-Wide		Total Levy		
	Property	Rate	Amount of	Property	Registered
	Valuation		Levy	Excluding	Motor Vehicles
	Property		Levy	Registered	Registered
	Valuation	Rate	Levy	Motor Vehicles	Motor Vehicles
Original Levy:					
Property Taxed at Current Year's Rate	\$20,318,684		\$77,211	\$67,893	\$9,318
Total	\$20,318,684		\$77,211	\$67,893	\$9,318
Discoveries:					
Current Year Taxes at Current Year's Rate	\$31,579		\$120	\$120	
Penalties			5	5	
Total	\$31,579		\$125	\$125	\$0
Abatements:					
Current Year Taxes at Current Year's Rate	(\$29,211)		(\$111)	(\$111)	
Total	(\$29,211)		(\$111)	(\$111)	\$0
Total Property Valuation	\$20,321,052				
Net Levy			\$77,225	\$67,907	\$9,318
Uncollected Taxes at June 30, 2019			(16,543)	(16,543)	
Current Year's Taxes Collected			\$60,682	\$51,364	\$9,318
Current Levy Collection Percentage			78.58%	75.64%	100.00%

COMPLIANCE SECTION



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Honorable Mayor and Board of Commissioners
Town of Pollocksville, North Carolina

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pollocksville, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Pollocksville's basic financial statements and have issued our report thereon dated June 29, 2020. Our report disclaims an opinion on such financial statements because of the destruction of Town records due to flooding caused by Hurricane Florence.

Internal Control over Financial Reporting

In connection with our engagement to audit of the financial statements, we considered the Town of Pollocksville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Pollocksville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph of this and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as Finding 19-1 and Finding 19-2 to be material weaknesses.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Town of Pollocksville, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Pollocksville's Response to Findings

The Town of Pollocksville's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town of Pollocksville's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Barrow, Parris & Davenport, P.A.

BARROW, PARRIS & DAVENPORT, P.A.
Kinston, North Carolina

June 29, 2020

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019

FINDING 19-1
MATERIAL WEAKNESS

Criteria: Bank accounts should be reconciled monthly, financial transactions should be entered into the accounting system at regular intervals, and financial reports should be prepared within a reasonable period of time to ensure that management is provided with accurate, timely financial reports.

Condition: For the entirety of the fiscal year, the Town's bank accounts were not reconciled. Timely reconciliation of bank statements is an important part of monthly financial reporting to ensure that financial information prepared for management is accurate and complete.

Effect: Monthly financial reports prepared for management may be materially misstated.

Cause: Prior personnel did not appear to have adequate training in reconciling bank accounts and entering financial transactions into the general ledger.

Recommendation: All bank accounts should be reconciled in a timely manner to ensure financial reporting can be prepared accurately and timely. Also, financial transactions should be entered into the accounting system at regular intervals to allow accurate interim financial reporting.

*Views of Responsible
Officials and Planned
Corrective Action:*

The Town agrees with this finding. In March 2018, the Town had contracted with the Eastern Carolina Council of Governments to reconcile bank balances and enter financial transactions into the accounting system. However, due to the inaccuracies and tardiness of prior finance officers and the loss of accounting records due to Hurricane Florence, the Town spent the entirety of the year without reconciling bank balances in a timely fashion. We feel significant improvement has been made in the timeliness and accuracy of financial reporting as a result. Bank reconciliations and financial reports have become more current recently and we anticipate being prepared for the annual audit in a timely manner for the current year.

FINDING 19-2
MATERIAL WEAKNESS

Criteria: Disaster recovery procedures should be in place to protect and safeguard the Town's accounting records.

Condition: During September of 2018, Hurricane Florence caused catastrophic flooding in the Town and surrounding areas. As a result, the Town Hall was flooded and most of the Town's accounting records were lost in the flood.

Effect: Due to the loss of most of the underlying accounting records, a disclaimer of opinion was issued for the June 30, 2019 audit.

Cause: Due to the historic flooding of the Trent River in a very short period of time, personnel was unable to reach Town Hall safely to retrieve the accounting records. While personnel did move the accounting records to a higher elevation in

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019

the building, which they felt would be sufficient based on forecasts, the Town Hall was completely inundated and all records were lost.

Recommendation:

We recommend that the Town review procedures related to extreme weather conditions to ensure that vital accounting records and backups of financial data are not at risk of loss and procedures allow for off site storage of important financial records.

*Views of Responsible
Officials and Planned
Corrective Action:*

The Town agrees with this finding. While the Town did consider the impact of the hurricane and worked to elevate the important records in case of flooding, no one imagined the flooding that actually occurred. Plans are currently underway for the relocation of the Town Hall to a location that is not flood prone. Also, the Town has implemented procedures required cloud backups as well as digital imaging of certain accounting records to ensure the safeguarding of the books and underlying documents.