

TOWN OF POWELLSVILLE, NORTH CAROLINA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2019

GREGORY T. REDMAN, CPA
TARBORO, NORTH CAROLINA

Financial Statements

Town of Powellsville, North Carolina

Town of Powellsville, North Carolina
Table of Contents
June 30, 2019

	<u>Page</u>
Financial Section	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund	16
Statement of Fund Net Position – Proprietary Fund	17
Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund	19
Notes to the Financial Statements	21
Individual Fund Statements and Schedules	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund	34
Schedule of Revenues and Expenditures – Budget and Actual (Non – GAAP) – Water and Sewer Fund	37
Other Schedules	
Schedule of Ad Valorem Taxes Receivable	38
Analysis of Current Tax Levy – Town-wide Levy	39

Financial Section



Member
North Carolina Association of
Certified Public Accountants

Member
American Institute of
Certified Public Accountants

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Powellsville, 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Powellsville, North Carolina. The combining and 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 combining and individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me. In my opinion, based on my audit, the procedures performed as described above, individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



Gregory T. Redman, CPA
Tarboro, North Carolina
November 15, 2019

Management's Discussion and Analysis

**Town of Powellsville, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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

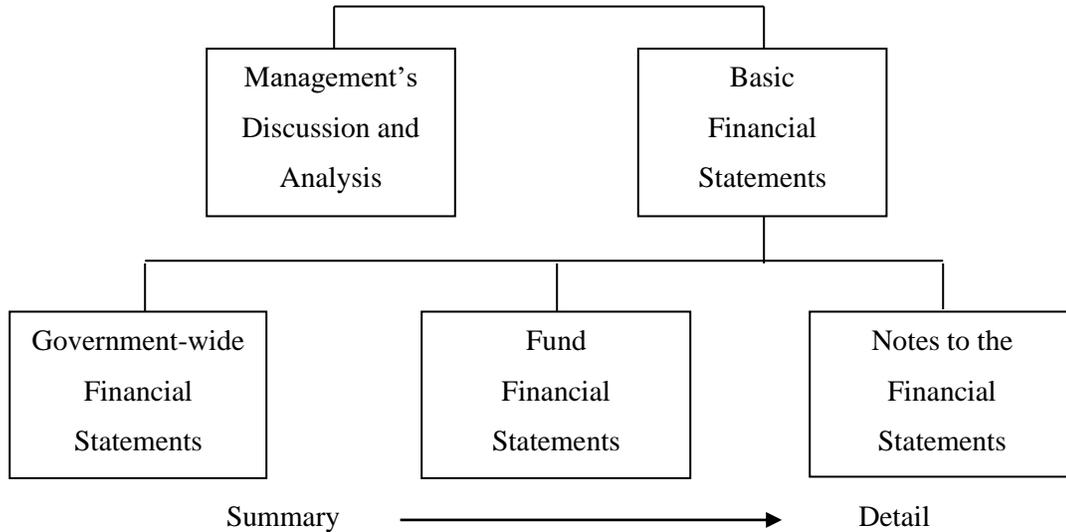
- The assets of the Town of Powellsville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,667,361 (net position).
- The Town's total net position decreased by \$78,745. The governmental activities net position increased by \$55,754, and the net position decreased by \$134,499 for the business-type activities.
- As of the close of the current fiscal year, the Town of Powellsville's governmental funds reported ending fund balance of \$177,157, an increase of \$58,130 in comparison with the prior year. Approximately 15 percent of this total amount or \$25,652 is restricted. Approximately 85 percent of this total amount, \$151,505 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$151,505 or 124 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

**Town of Powellsville, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Required Components of Annual Financial Report



Basic Financial Statements

The first two statements 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 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 they have changed. Net position is the difference between the Town's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

**Town of Powellsville, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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

Fund Financial Statements

The fund financial statements 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 Powellsville, like all other government 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 Powellsville can be divided into two categories: governmental funds and proprietary funds.

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

**Town of Powellsville, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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 included in this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Powellsville's ad valorem tax receivable and current tax levy.

Government-wide Financial Analysis

The Town of Powellsville's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$184,006	\$122,689	\$ 21,804	\$ 4,790	\$ 205,810	\$ 127,479
Non-current assets	36,504	38,791	4,839,389	4,997,738	4,875,893	5,036,529
Total Assets	\$220,510	\$161,480	\$4,861,193	\$5,002,528	\$5,081,703	\$5,164,008
Long-term liabilities outstanding	\$ -	\$ -	\$ 394,000	\$ 401,000	\$ 394,000	\$ 401,000
Current liabilities	4,527	1,212	15,459	15,295	19,986	16,507
Deferred inflows of resources	356	395	-	-	356	395
Total Liabilities and Deferred Inflows of Resources	\$ 4,883	\$ 1,607	\$ 409,459	\$ 416,295	\$ 414,342	\$ 417,902
Net Position:						
Net investment in capital assets	\$ 36,504	\$ 38,791	\$4,438,389	\$4,589,738	\$4,474,893	\$4,628,529
Restricted	25,652	30,784	-	-	25,652	30,784
Unrestricted	153,471	90,298	13,345	(3,505)	166,816	86,793
Total Net Position	\$215,627	\$159,873	\$4,451,734	\$4,586,233	\$4,667,361	\$4,746,106

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Powellsville exceeded liabilities and deferred inflows of resources by \$4,667,631 as of June 30, 2019. The Town's net position decreased by \$78,745 for the fiscal year ended June 30, 2019. However, the largest portion (96%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Powellsville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Powellsville'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 Powellsville's net position \$25,652 (1%) represents resources that are subject to external restrictions in how they may be used. The Town of Powellsville had unrestricted net position in the amount of \$166,816.

**Town of Powellsville, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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

- Increases in property tax rate resulting in increased revenues.

Town of Powellsville's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 22,017	\$ 20,687	\$ 179,583	\$ 164,736	\$ 201,600	\$ 185,423
Operating grants and contributions	7,194	7,353	-	-	7,194	7,353
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	25,404	25,374	-	-	25,404	25,374
Other taxes	69,075	67,334	-	-	69,075	67,334
Unrestricted investment earnings	2,231	1,273	163	-	2,394	1,273
Miscellaneous	54,285	12	16,762	90	71,047	102
Total Revenues	<u>\$ 180,206</u>	<u>\$ 122,033</u>	<u>\$ 196,508</u>	<u>\$ 164,826</u>	<u>\$ 376,714</u>	<u>\$ 286,859</u>
Expenses:						
General government	\$ 73,608	\$ 60,357	\$ -	\$ -	\$ 73,608	\$ 60,357
Public safety	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Environmental protection	13,200	13,200	-	-	13,200	13,200
Economic and physical development	-	-	-	-	-	-
Transportation	37,644	27,858	-	-	37,644	27,858
Interest expense	-	-	9,690	9,856	9,690	9,856
Water and sewer	-	-	321,317	302,283	321,317	302,283
Total Expenses	<u>\$ 124,452</u>	<u>\$ 101,415</u>	<u>\$ 331,007</u>	<u>\$ 312,139</u>	<u>\$ 455,459</u>	<u>\$ 413,554</u>
Increase(decrease) in net position before transfers	55,754	20,618	(134,499)	(147,313)	(78,745)	(126,695)
Transfers	-	-	-	-	-	-
Increase(decrease) in net position	<u>55,754</u>	<u>20,618</u>	<u>(134,499)</u>	<u>(147,313)</u>	<u>(78,745)</u>	<u>(126,695)</u>
Net position, July 1	<u>159,873</u>	<u>139,255</u>	<u>4,586,233</u>	<u>4,733,546</u>	<u>4,746,106</u>	<u>4,872,801</u>
Net position, June 30	<u>\$ 215,627</u>	<u>\$ 159,873</u>	<u>\$ 4,451,734</u>	<u>\$ 4,586,233</u>	<u>\$ 4,667,361</u>	<u>\$ 4,746,106</u>

Governmental Activities. Governmental activities increased the Town's net position by \$55,754. Revenues were \$180,206 compared to the previous year of \$122,033. Expenses were \$124,452 compared to \$101,415 for the previous year.

**Town of Powellsville, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Business-type Activities. Business-type activities decreased the Town of Powellsville's net position by \$134,499. The current rate structure does not cover depreciation expense.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Powellsville'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 Powellsville's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Powellsville. At the end of the current fiscal year, the General fund had an unassigned fund balance of \$151,505, while total fund balance was \$177,157. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 124 percent of total General Fund expenditures and 85 percent of the total Fund Balance.

At June 30, 2019, the governmental funds of Town of Powellsville reported a combined fund balance of \$177,157, a 49 percent increase over last year.

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.

Total revenues were \$56,347 over budget. Total expenditures were \$1,783 under budget and the Town had total budgeted revenue over total budgeted expenditures by \$58,130.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$13,345. The total net position was \$4,451,734. The total decrease in net position was \$134,499. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Powellsville's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$4,875,893 (net of accumulated depreciation). These assets include buildings, roads, and bridges, land, machinery and equipment, and vehicles.

**Town of Powellsville, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

The Town of Powellsville's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,125	\$ 4,125	\$ 49,000	\$ 49,000	\$ 53,125	\$ 53,125
Buildings and systems	30,147	31,241	-	-	30,147	31,241
Vehicles	11	141	-	-	11	141
Equipment	2,221	3,284	2,910	3,010	5,131	6,294
Water and sewer	-	-	4,787,479	4,945,728	4,787,479	4,945,728
Construction in progress	-	-	-	-	-	-
Total	<u>\$ 36,504</u>	<u>\$ 38,791</u>	<u>\$ 4,839,389</u>	<u>\$ 4,997,738</u>	<u>\$ 4,875,893</u>	<u>\$ 5,036,529</u>

Additional information on the Town's capital assets can be found in notes of the Basic Financial Statement.

Long-term Debt. As of June 30, 2019, the Town of Powellsville had Revenue Bonds related to the Water and Sewer Fund in the amount of \$401,000.

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 Powellsville is \$214,200. The Town has \$0 in bonds authorized but un-issued at June 30, 2019.

Economic Factors and Next Year's Budgets and Rates

The following indicators reflect Powellsville and the surrounding are economic condition.

- High unemployment

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:

Town Clerk
Town of Powellsville
106 E. Main Street
Powellsville, NC 27967
(252) 332-5933

Financial Section

Basic Financial Statements

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 156,388	\$ 956	\$ 157,344
Taxes receivable (net)	1,649	-	1,649
Accounts receivable - trade - (net)	11,289	13,164	24,453
Accrued interest receivable	317	-	317
Internal balances	-	-	-
Restricted cash and cash equivalents	14,363	7,684	22,047
Total Current Assets	<u>\$ 184,006</u>	<u>\$ 21,804</u>	<u>\$ 205,810</u>
Non-current Assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	\$ 4,125	\$ 49,000	\$ 53,125
Other capital assets, net of depreciation	32,379	4,790,389	4,822,768
Total capital assets	<u>\$ 36,504</u>	<u>\$ 4,839,389</u>	<u>\$ 4,875,893</u>
Total Assets	<u>\$ 220,510</u>	<u>\$ 4,861,193</u>	<u>\$ 5,081,703</u>
Liabilities			
Current liabilities:			
Accounts payable - trade	\$ 4,527	\$ 775	\$ 5,302
Customer deposits	-	3,098	3,098
Unearned revenue	-	4,586	4,586
Current portion of long-term liabilities	-	7,000	7,000
Total Current Liabilities	<u>\$ 4,527</u>	<u>\$ 15,459</u>	<u>\$ 19,986</u>
Long-term liabilities:			
Due in more than one year	-	394,000	394,000
Total Liabilities	<u>\$ 4,527</u>	<u>\$ 409,459</u>	<u>\$ 413,986</u>
Deferred Inflows of Resources			
Pension deferrals	\$ -	\$ -	\$ -
Prepaid garbage fees	356	-	356
Total Deferred Inflows of Resources	<u>\$ 356</u>	<u>\$ -</u>	<u>\$ 356</u>
Net Position			
Net investment in capital assets	\$ 36,504	\$ 4,438,389	\$ 4,474,893
Restricted for:			
Other functions	14,363	-	14,363
Stabilization by State Statute	11,289	-	11,289
Unrestricted	153,471	13,345	166,816
Total Net Position	<u>\$ 215,627</u>	<u>\$ 4,451,734</u>	<u>\$ 4,667,361</u>

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

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

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Activities</u>	
Primary government:							
Governmental Activities:							
General government	\$ 73,608	\$ 7,905	\$ -	\$ -	\$ (65,703)	\$ -	\$ (65,703)
Public safety	-	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-	-
Environmental protection	13,200	14,112	178	-	1,090	-	1,090
Economic development	-	-	-	-	-	-	-
Transportation	37,644	-	7,016	-	(30,628)	-	(30,628)
Interest expense	-	-	-	-	-	(9,690)	(9,690)
Total governmental activities	<u>\$ 124,452</u>	<u>\$ 22,017</u>	<u>\$ 7,194</u>	<u>\$ -</u>	<u>\$ (95,241)</u>	<u>\$ (9,690)</u>	<u>\$ (104,931)</u>
Business-type activities:							
Water and sewer	321,317	179,583	-	-	-	(141,734)	(141,734)
Total primary government	<u>\$ 445,769</u>	<u>\$ 201,600</u>	<u>\$ 7,194</u>	<u>\$ -</u>	<u>\$ (95,241)</u>	<u>\$ (151,424)</u>	<u>\$ (246,665)</u>
General Revenues							
Taxes:							
Property taxes, levied for general purpose					\$ 25,404	\$ -	\$ 25,404
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					69,075	-	-
Unrestricted investment earnings					2,231	163	2,394
Miscellaneous					54,285	16,762	71,047
Total general revenues					<u>150,995</u>	<u>16,925</u>	<u>98,845</u>
Change in Net Position					\$ 55,754	\$ (134,499)	\$ (78,745)
Net Position, Beginning of year					159,873	4,586,233	4,746,106
Net Position, End of year					<u>\$ 215,627</u>	<u>\$ 4,451,734</u>	<u>\$ 4,667,361</u>

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

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

	Major Funds
	General
Assets	
Cash and cash equivalents	\$ 156,388
Restricted cash	14,363
Receivables, net:	
Taxes	1,649
Accounts	11,289
Due from other funds	-
Total Assets	\$ 183,689
Liabilities	
Liabilities:	
Accounts payable - trade	\$ 4,527
Total Liabilities	\$ 4,527
Deferred Inflows of Resources	
Property taxes receivable	\$ 1,649
Prepaid garbage fees	356
Total Deferred Inflows of Resources	\$ 2,005
Fund Balances	
Restricted:	
Stabilization by State Statute	\$ 11,289
Streets	14,363
Unassigned	151,505
Total Fund Balances	\$ 177,157
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 183,689

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

Town of Powellville, North Carolina
Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
June 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:

Ending fund balance - governmental funds	\$ 177,157
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	36,504
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are not reported in the funds.	317
Earned revenues considered deferred inflows of resources in fund statements	<u>1,649</u>
Net position of governmental activities	<u><u>\$ 215,627</u></u>

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

Town of Powellville, North Carolina
Statement of Revenues, Expenditures And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds
	General
Revenues	
Ad valorem taxes	\$ 25,493
Other taxes and licenses	-
Unrestricted intergovernmental	69,075
Restricted intergovernmental	7,194
Sales and services	22,017
Investment earnings	2,231
Miscellaneous	54,285
Total Revenues	\$ 180,295
Expenditures	
General government	\$ 71,321
Public safety	-
Cultural and recreation	-
Environmental protection	13,200
Transportation	37,644
Total Expenditures	\$ 122,165
Excess of Revenues Over (Under) Expenditures	\$ 58,130
Other Financing Sources (Uses)	
Transfers to other funds	-
Net Change in Fund Balance	\$ 58,130
Fund balances	
Beginning of year	119,027
End of year	\$ 177,157

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

Town of Powellsville, North Carolina
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement Activities
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of net assets are different because:

Net change in fund balance - total governmental funds	\$ 58,130
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(2,287)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in funds.	
- Change in deferred revenue for tax revenues	(89)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Compensated absences	-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	-
Total changes in net position of governmental activities	\$ 55,754

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

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

	General Fund			
	Original	Final	Actual	Variance
Revenues				
Ad valorem taxes	\$ 24,000	\$ 21,196	\$ 21,219	\$ 23
Other taxes and licenses	160	-	-	-
Unrestricted intergovernmental	64,500	69,253	69,075	(178)
Restricted intergovernmental	7,000	7,016	7,194	178
Sales and services	20,100	22,017	22,017	-
Investment earnings	1,000	2,254	2,231	(23)
Miscellaneous	100	2,212	58,559	56,347
Total Revenues	\$ 116,860	\$ 123,948	\$ 180,295	\$ 56,347
Expenditures				
General government	\$ 65,000	\$ 73,103	\$ 71,321	\$ 1,782
Public safety	-	-	-	-
Cultural and recreation	-	-	-	-
Environmental protection	13,200	13,200	13,200	-
Transportation	38,660	37,645	37,644	1
Total Expenditures	\$ 116,860	\$ 123,948	\$ 122,165	\$ 1,783
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 58,130	\$ 58,130
Other Financing Sources (Uses)				
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ 58,130	\$ 58,130
Fund Balances				
Beginning of year			119,027	
End of year			\$ 177,157	

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

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

	Major
	Water and
	Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 956
Restricted cash	7,684
Accounts receivable (net)	13,164
Due from other governments	-
Due from other funds	-
Total Current Assets	\$ 21,804
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	49,000
Other capital assets, net of depreciation	4,790,389
Capital assets (net)	\$ 4,839,389
Total Non-current Assets	\$ 4,839,389
Total Assets	\$ 4,861,193
Liabilities	
Current liabilities:	
Accounts payable - trade	\$ 775
Due to other funds	-
General obligation bonds payable - current	7,000
Liabilities payable from restricted assets:	
Prepaid water bill	4,586
Utility deposits	3,098
Total Current Liabilities	\$ 15,459
Noncurrent liabilities:	
Compensated absences	\$ -
Note payable - non-current	394,000
Total non-current liabilities	\$ 394,000
Total Liabilities	\$ 409,459
Net Position	
Net investment in capital assets	\$ 4,438,389
Restricted net position	-
Unrestricted net position	13,345
Total Net Position	\$ 4,451,734

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

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

	Major
	Water and
	Sewer Fund
Operating Revenues	
Charges for services	\$ 179,443
Other operating revenues	140
Total Operating Revenues	\$ 179,583
Operating Expenses	
Salaries and employee benefits	\$ 25,450
Administration	25,409
Water and sewer operations	112,109
Depreciation	158,349
Total Operating Expenses	\$ 321,317
Operating income (loss)	\$ (141,734)
Non-operating Revenues (Expenses)	
Investment earnings	\$ 163
Miscellaneous revenue	16,762
Interest and other charges	(9,690)
Total Non-operating Revenues (expenses)	\$ 7,235
Income (loss) before contributions and transfers	\$ (134,499)
Capital contributions	-
Transfers from other funds	-
Transfers to other funds	-
	-
Change in net position	\$ (134,499)
Net position, beginning	4,586,233
Net position, ending	\$ 4,451,734

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

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

	Major
	Water and Sewer Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 181,908
Cash paid for goods and services	(137,354)
Cash paid to or on behalf of employees for services	(25,450)
Other operating revenues	140
Net cash provided (used) by operating activities	\$ 19,244
Cash Flows From Noncapital Financing Activities	
Other revenue	\$ 16,762
Due to(from) other funds	(22,799)
Net cash provided by noncapital financing activities	\$ (6,037)
Cash Flows From Capital and Related Financing	
Acquisition of capital assets	\$ -
Principal paid on notes payable	(7,000)
Interest paid on notes payable	(9,690)
Capital contributions	-
Net cash provided (used) by capital and related financing activities	\$ (16,690)
Cash Flows From Investing Activities	
Interest and dividends	\$ 163
Net increase (decrease) in cash and cash equivalents	\$ (3,320)
Balances - Beginning of year	11,960
Balances - End of year	\$ 8,640

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

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

	Major
	Water and
Reconciliation of operating income to net cash provided by	
Operating income (loss)	\$ (141,734)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	\$ 158,349
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	2,465
Increase (decrease) in accounts payable and accrued liabilities	(125)
Increase (decrease) in customer deposits	1,166
Increase (decrease) in prepaid water bills	(877)
Total adjustments	\$ 160,978
Net cash provided by operating activities	\$ 19,244

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

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

I. Summary of Significant Accounting Policies

The accounting policies of Town of Powellsville 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 Powellsville is a municipal corporation, which is governed by an elected mayor and a three-member council. As required by generally accepted accounting principles, these financial statements present the Town. The Town does not have a component unit.

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.

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.

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes 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 Powellsville because the tax is levied by Bertie 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.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by 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, and 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.

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

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 investment are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool is measured at fair value. Because the NCCMT Government Portfolio has a weighted maturity of less than 90 days, it is projected as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

All cash and investments include cash on hand, demand deposits, and certificates of deposits and are deemed to be cash equivalents.

3. Restricted Assets

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

Town of Powellsville Restricted Cash

Governmental Activities:	
General Fund	
Streets	\$ 14,363
Business Activities:	
Water and Sewer Fund:	
Customer Deposits	3,098
Prepaid Water Bills	4,586
Total	<u>\$ 7,684</u>
Total Restricted Cash	<u><u>\$ 22,047</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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

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; furniture and equipment, \$1,000; and vehicles, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimate 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.

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

Asset Class	Estimated Useful Lives
Infrastructure	20-40
Buildings	20-40
Improvements	20
Furniture and equipment	5-10
Computer equipment	5

7. Deferred Outflows/Inflows of Resources

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

8. Compensated Absences

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

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

9. 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, 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.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

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

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

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 the 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.

Assigned – This classification includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed.

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

II. Stewardship, Compliance, and Accountability

There were no stewardship, compliance, and accountability issue to report.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

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

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 formal 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 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 \$30,965, which is comprised of cash and cash equivalents, and a bank balance of \$56,756. Of the bank balance, all of it was covered by federal depository insurance. At June 30, 2019 the Town's petty cash fund totaled \$150.

2. Investments

At June 30, 2019, the Town of Powellsville had \$148,276 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2018	Maturity	Rating
NC Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 148,276	N/A	AAAm
Total		\$ 148,276		

a. The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits as least half of the Town's investment portfolio to maturities of less than 12 months.

b. Credit Risk

The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2019.

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

3. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,125	\$ -	\$ -	\$ 4,125
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 4,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,125</u>
Capital assets being depreciated:				
Buildings	\$ 55,698	\$ -	\$ -	\$ 55,698
Equipment	27,876	-	-	27,876
Vehicles	1,300	-	-	1,300
Total capital assets being depreciated	<u>\$ 84,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,874</u>
Less accumulated depreciation for:				
Buildings	\$ 24,457	\$ 1,094	\$ -	\$ 25,551
Equipment	24,592	1,063	-	25,655
Vehicles	1,159	130	-	1,289
Total accumulated depreciation	<u>\$ 50,208</u>	<u>\$ 2,287</u>	<u>\$ -</u>	<u>\$ 52,495</u>
Total capital assets being depreciated, net	<u>\$ 34,666</u>			<u>\$ 32,379</u>
Governmental activity capital assets, net	<u>\$ 38,791</u>			<u>\$ 36,504</u>

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

General government	<u>\$ 2,287</u>
--------------------	-----------------

Capital asset activity for the Town's business-type activities for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 49,000	\$ -	\$ -	\$ 49,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 49,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,000</u>
Capital assets being depreciated:				
Water and sewer systems	\$ 6,282,078	\$ -	\$ -	\$ 6,282,078
Machinery and equipment	8,823	-	-	8,823
Total capital assets being depreciated	<u>\$ 6,290,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,290,901</u>
Less accumulated depreciation	1,342,163	158,349	-	1,500,512
Total capital assets being depreciated, net	<u>\$ 4,948,738</u>			<u>\$ 4,790,389</u>
Business-type activities capital assets	<u>\$ 4,997,738</u>			<u>\$ 4,839,389</u>

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

B. Liabilities

1. Pension Plan Obligations

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

2. Deferred Outflows and Inflows of Resources

Deferred Inflows of Resources at year-end are comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Prepaid garbage collection	\$ 356	\$ 395
Property taxes receivable	-	1,649
Total	\$ 356	\$ 2,044

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in 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 each year. Stop loss insurance is purchased 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 NC 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 is not deemed to be located in a flood zone and is not required to carry flood insurance.

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 is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

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

4. Long-Term Obligations

Revenue Bond

\$422,000 Water and Sewer Bonds, Series 2014, were issued for water and sewer system improvements. Principal installments are due annually on June 1 with interest on the unpaid part of such principal at a rate of 2.375%.

The future payments of the revenue bond are as follows:

<u>Year Ended June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	16,524	7,000	9,524
2021	17,358	8,000	9,358
2022	17,168	8,000	9,168
2023	16,978	8,000	8,978
2024	16,788	8,000	8,788
2025-2029	84,945	44,000	40,945
2030-2034	84,482	49,000	35,482
2035-2039	85,331	56,000	29,331
2040-2044	84,421	62,000	22,421
2045-2049	84,702	70,000	14,702
2050-2054	86,985	81,000	5,985
	<u>\$ 595,682</u>	<u>\$ 401,000</u>	<u>\$ 194,682</u>

The Town covenants to fix, charge, and collect rates in Section 502 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2014. Section 502(a) of the Bond Order requires the debt service coverage ratio to be no less than 110%.

The Town was in compliance with the covenants as to rates, fees, rentals, and charges in Section 5.02 of the Bond Order, authorizing the issuance for the Water and Sewer Revenue Bonds, Series 2014. Section 5.02 of the Bond Order requires the debt service coverage ratio to be no less than 100% of the debt service requirement excluding revenue bonds plus 110% of the revenue bonds debt service requirement.

Operating revenues	\$ 179,583
Operating expenses*	<u>146,222</u>
Operating income	33,361
Nonoperating revenues (expenses)**	<u>16,852</u>
Income available for debt service	50,213
Debt service, principal and interest paid	16,690
Debt service coverage ratio	301%

*Per rate covenants, this does not include the depreciation expense of \$158,349.

**Per rate covenants, this does not include interest paid of \$9,690.

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

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$422,000 in water and sewer system revenue bonds, issued in December 2014. Proceeds from the bonds provided financing to construct a central sewer collection system along Highway 42. The bonds are payable solely from water and sewer customer net revenues and are payable through 2054. The total principal and interest remaining to be paid on the bonds is \$595,682. At June 30, 2019, the legal debt margin was \$214,200.

5. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Business-type activities:					
Revenue bonds	\$ 408,000	\$ -	\$ 7,000	\$ 401,000	\$ 7,000

6. 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	\$ 177,157
Less:	
Stabilization by State Statute	11,289
Streets-Powell Bill	14,363
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	151,505

7. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 36,504	\$ 4,839,389
Less: Long-term debt	-	401,000
Plus: Unexpended debt proceeds	-	-
Net Investment in Capital Assets	\$ 36,504	\$ 4,438,389

IV. Related Party Transaction

The Town did not have any related party transactions during the year ended June 30, 2019.

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

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Estimates

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

VII. Subsequent Events

On July 6, 2016, the North Carolina State Bureau of Investigation was contacted by the Bertie County Sheriff amidst allegations of possible financial improprieties. The SBI executed a search warrant at Powellsville Town Hall and obtained Town records. The Town Commissioners requested the resignation of the Mayor. The Mayor also served as the Finance Officer, Water Manager, and Maintenance Manager. As of the date of the audit report, no report or findings have been released by the SBI. The Town has received \$50,000 from bond insurance and \$20,000 from the former Mayor.

As of November 15, 2019, the date of the completion of the financial statements, there were no other material subsequent events that were required to be reported.

Town of Powellsville, North Carolina
General Fund
Schedule of Revenues, Expenditures, And
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes:			
Taxes	\$ -	\$ 25,370	\$ 25,370
Penalties and interest	-	123	123
Total	<u>\$ 21,196</u>	<u>\$ 25,493</u>	<u>\$ 4,297</u>
Unrestricted intergovernmental revenues:			
Local option sales tax	\$ 56,982	\$ 39,288	\$ (17,694)
Telecommunication sales tax	-	2,066	2,066
Utility franchise tax	10,995	7,450	(3,545)
Tax refunds	-	-	-
Hold harmless revenues	-	17,695	17,695
Video programming	-	1,479	1,479
Beer and wine tax	1,276	1,097	(179)
Total	<u>\$ 69,253</u>	<u>\$ 69,075</u>	<u>\$ (178)</u>
Restricted intergovernmental revenues:			
Powell bill allocation	\$ 7,016	\$ 7,016	\$ -
Solid waste disposal tax	-	178	178
PARTF grant	-	-	-
Total	<u>\$ 7,016</u>	<u>\$ 7,194</u>	<u>\$ 178</u>
Sales and Services:			
Cemetery fees	\$ -	\$ -	\$ -
Rents	7,905	7,905	-
Solid waste and recycling collection	14,112	14,112	-
Total	<u>\$ 22,017</u>	<u>\$ 22,017</u>	<u>\$ -</u>
Investment Earnings	<u>\$ 2,254</u>	<u>\$ 2,231</u>	<u>\$ (23)</u>
Miscellaneous	<u>\$ 2,212</u>	<u>\$ 54,285</u>	<u>\$ 52,073</u>
Total Revenues	<u>\$ 123,948</u>	<u>\$ 180,295</u>	<u>\$ 56,347</u>

Town of Powellsville, North Carolina
General Fund
Schedule of Revenues, Expenditures, And
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General Government:			
Governing Body			
Salaries and employee benefits	\$ 2,640	\$ 2,519	\$ -
Taxes			
Collection fee	\$ 135	\$ 135	\$ -
Administrative			
Salaries and employee benefits	\$ -	\$ 3,146	\$ -
Insurance	-	6,011	-
Contract services	-	-	-
Dues and subscriptions	-	1,243	-
Utilities	-	6,316	-
Election fees	-	-	-
Telephone	-	552	-
Accounting	-	16,455	-
Legal and audit	-	5,675	-
Capital outlay	-	22,925	-
Other operating expenditures	-	6,344	-
Total Administrative	<u>\$ 70,328</u>	<u>\$ 68,667</u>	<u>\$ -</u>
Total General Government	<u>\$ 73,103</u>	<u>\$ 71,321</u>	<u>\$ 1,782</u>
Public Safety:			
Fire			
Contribution to fire department	\$ -	\$ -	\$ -
Lights	-	-	-
Total Fire	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transportation:			
Salaries and employee benefits	\$ -	\$ 10,135	\$ -
Street lights	-	10,999	-
Contract services	-	-	-
Street repairs	-	654	-
Other operating expenditures	-	2,375	-
Capital outlay	-	13,481	-
Total Transportation	<u>\$ 37,645</u>	<u>\$ 37,644</u>	<u>\$ 1</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental Protection			
Garbage Collection fees	\$ 13,200	\$ 13,200	\$ -
Other operating expenditures	-	-	-
Total Environmental Protection	<u>\$ 13,200</u>	<u>\$ 13,200</u>	<u>\$ -</u>
Cultural and recreation:			
Utilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 123,948</u>	<u>\$ 122,165</u>	<u>\$ 1,783</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 58,130</u>	<u>\$ 58,130</u>
Other financing sources (uses):			
Transfers to other funds	\$ -	\$ -	\$ -
Fund balance appropriated	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>\$ 58,130</u>	<u><u>\$ 58,130</u></u>
Fund Balances			
Beginning of year		119,027	
End of year		<u><u>\$ 177,157</u></u>	

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Charges for services	\$ -	\$ 179,443	\$ 179,443
Other operating revenues	-	140	140
Total operating revenues	<u>\$ 179,443</u>	<u>\$ 179,583</u>	<u>\$ 140</u>
Non-operating revenues:			
Miscellaneous revenue	\$ 2,794	\$ 16,762	13,968
Interest earnings	163	163	-
Total Revenues	<u>\$ 182,400</u>	<u>\$ 196,508</u>	<u>\$ 14,108</u>
Expenditures			
Sewer			
Salaries and employee benefits	\$ -	\$ 25,450	\$ -
Administration	-	25,409	-
Water and sewer operations	-	112,109	-
Total	<u>\$ 162,968</u>	<u>\$ 162,968</u>	<u>\$ -</u>
Debt Service			
Principal	\$ -	\$ 7,000	\$ -
Interest	-	9,690	-
Total Debt Service	<u>\$ 16,690</u>	<u>\$ 16,690</u>	<u>\$ -</u>
Capital Outlay	<u>\$ 2,742</u>	<u>\$ -</u>	<u>\$ 2,742</u>
Total Expenditures	<u>\$ 182,400</u>	<u>\$ 179,658</u>	<u>\$ 2,742</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 16,850</u>	<u>\$ 16,850</u>
Other Financing Sources (Uses)			
Transfers from (to) other funds	\$ -	\$ -	\$ -
Fund balance appropriated	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 16,850</u>	<u>\$ 16,850</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		<u>\$ 16,850</u>	
Reconciling items:			
Depreciation		(158,349)	
Capital outlay		-	
Principal retirement		7,000	
Capital contributions		-	
Total Reconciling Items		<u>\$ (151,349)</u>	
Change in Net Position		<u>\$ (134,499)</u>	

Other Schedules

This section contains additional information on property taxes.

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

Town of Powellsville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 25,377	\$ 24,699	\$ 678
2017-2018	745	-	376	369
2016-2017	512	-	256	256
2015-2016	170	-	81	89
2014-2015	69	-	16	53
2013-2014	60	-	3	57
2012-2013	51	-	-	51
2011-2012	43	-	3	40
2010-2011	32	-	4	28
2009-2010	32	-	4	28
2008-2009	36	-	36	-
Total	<u>\$ 1,750</u>	<u>\$ 25,377</u>	<u>\$ 25,478</u>	<u>\$ 1,649</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 25,493
Reconciling items:	
Interest collected	(123)
Write-offs and adjustments	108
Total collections and credits	<u>\$ 25,478</u>

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

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy: Property taxed at current rate	<u>\$ 7,690,000</u>	0.33	\$ 25,377	\$ 21,414	\$ 3,963
Uncollected taxes at June 30, 2019			678	678	-
Current year's taxes collected			<u>\$ 24,699</u>	<u>\$ 20,736</u>	<u>\$ 3,963</u>
Current levy collection percentage			<u>97.33%</u>	<u>96.83%</u>	<u>100.00%</u>