

TOWN OF PRINCEVILLE, NORTH CAROLINA



**FINANCIAL STATEMENTS AS OF JUNE 30, 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

Financial Statements

for the Town of Princeville
in North Carolina

Town Council Members

Bobbie Jones, Mayor
Linda Joyner, Mayor Pro Tem
Joe Roam Myrick
Milton Bullock
Kenneth Sanders

TOWN OF PRINCEVILLE, NORTH CAROLINA
FINANCIAL STATEMENTS AS OF JUNE 30, 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|--------------------|
| FINANCIAL SECTION: | |
| ➤ INDEPENDENT AUDITOR'S REPORT | 1-2 |
| ➤ MANAGEMENT'S DISCUSSIONS AND ANALYSIS..... | 3-11 |
| ➤ BASIC FINANCIAL STATEMENTS: | |
| • Statement of Net Position, <i>June 30, 2019</i> | 12 |
| • Statement of Activities, <i>for the year ended June 30, 2019</i> | 13 |
| • Balance Sheet – Governmental Funds, <i>June 30, 2019</i> | 14-15 |
| • Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 16-17 |
| • General Fund and Annually Budgeted Major Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual <i>for the year ended June 30, 2019</i> | 18 |
| • Notes to Financial Statements | 19-39 |
| ➤ REQUIRED SUPPLEMENTAL FINANCIAL DATA: | |
| • Schedule of Proportionate Share of the Net Pension Liability – Local Government Employees' Retirement System | 40 |
| • Schedule of Contributions - Local Government Employees' Retirement System | 41 |
| • Schedule of Revenues, Expenditures and Changes In Fund Balances - Budget and Actual - General Fund..... | 42-43 |
| • Schedule of Ad Valorem Taxes Receivable | 44 |
| • Schedule of Analysis of Current Tax Levy..... | 45 |



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Town of Princeville Council
Princeville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and major fund of the Town of Princeville, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Princeville'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 financial statements are free from material misstatement.

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

Due to the matters described in the Basis for Disclaimer of Opinion section of the auditors report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

Due to the lack of available vendor invoices, we were unable to obtain sufficient appropriate audit evidence to support the Town's reported liability balances as of June 30, 2019, net position as of June 30, 2019 and 2018, and expenditures for the year ended June 30, 2019.

Disclaimer of Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11, the Schedules of the Board's Proportionate Share of the Net Pension Liability and Schedules of Board Contributions on pages 40 through 41, respectively, and Schedule of Revenues, Expenditures and Changes in Fund Balance on pages 42 through 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The budgetary schedule 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. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide an audit opinion on the supplementary information.

Anderson Smith & Wike PLLC

Elon, North Carolina
August 31, 2022

Management's Discussion and Analysis

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

As management of the Town of Princeville (the "Town"), we offer readers of the Town of Princeville's financial statements this narrative overview and analysis of the financial activities of the Town of Princeville for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Princeville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,425,844 (*net position*).
- The government's total net position increased by \$376,155 primarily due to the increase in taxes and grants.
- As of the close of the current fiscal year, the Town of Princeville's governmental funds reported combined ending fund balances of \$1,756,394 with a net increase of \$411,174 in fund balance. Approximately 58% of this total amount, or \$1,017,444, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$738,951, or 114% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

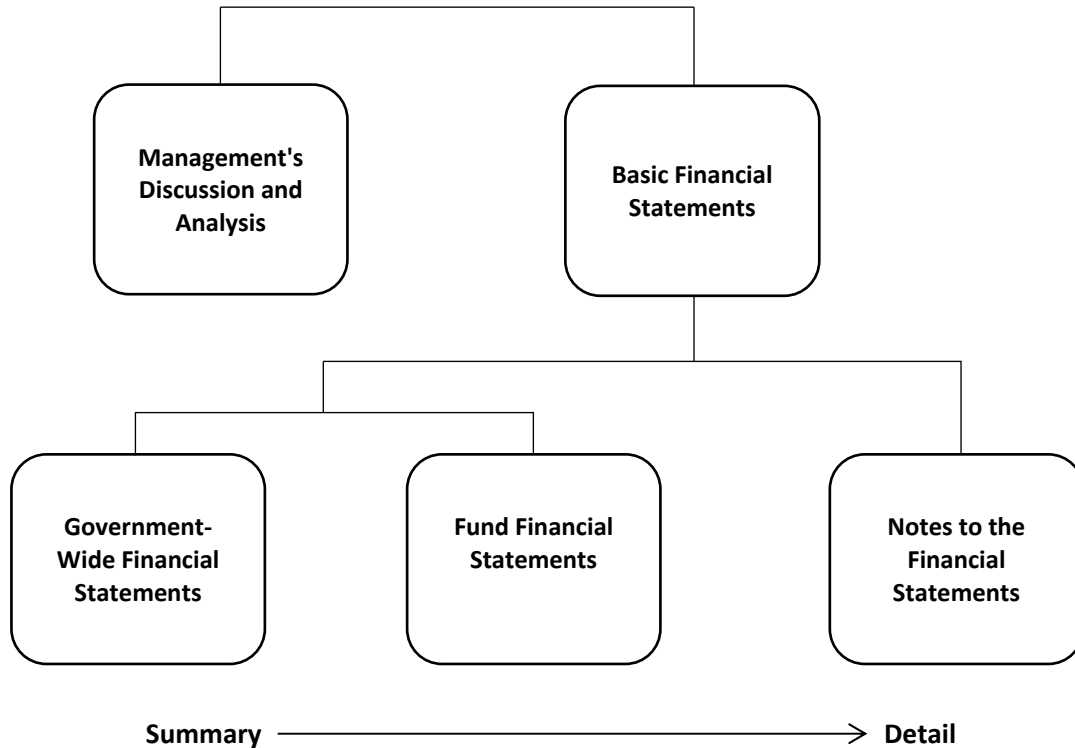
This discussion and analysis are intended to serve as an introduction to Town of Princeville's basic financial statements. The Town's basic financial statements consist of four (4) components: 1) Independent Auditor's Report; 2) Management discussion and analysis; 3) Basic financial statements; and 4) Required supplemental section. 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 Princeville.

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements;

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

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 consist of governmental activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

The government-wide financial statements are Figures 2 and 3 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 Princeville, 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 Princeville are considered governmental 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 Princeville 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 Council 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.

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether 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.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of 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 Princeville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 40 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. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Princeville's Net Position

Figure 2

| | Governmental Activities | |
|--|------------------------------------|----------------------------|
| | 2019 | 2018 |
| Current and other assets | \$ 2,020,244 | \$ 1,602,097 |
| Capital assets | 1,668,658 | 1,703,678 |
| Deferred outflows of resources | 46,650 | 51,774 |
| <i>Total assets and deferred outflows of resources</i> | <u>3,735,552</u> | <u>3,357,549</u> |
| Long-term liabilities outstanding | 41,753 | 51,943 |
| Other liabilities | 255,279 | 250,278 |
| Deferred inflows of resources | 12,676 | 5,639 |
| <i>Total liabilities and deferred inflows of resources</i> | <u>309,708</u> | <u>307,860</u> |
| Net position: | | |
| Net investment in capital assets | 1,668,658 | 1,703,678 |
| Restricted | 1,017,444 | 754,173 |
| Unrestricted | 739,742 | 591,838 |
| <i>Total net position</i> | <u><u>\$ 3,425,844</u></u> | <u><u>\$ 3,049,689</u></u> |

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

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 Princeville exceeded liabilities and deferred inflows by \$3,425,844 as of June 30, 2019. The Town's net position increased by \$376,155 for the fiscal year ended June 30, 2019. However, the largest portion reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) of \$1,668,658. The Town of Princeville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Princeville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Princeville's net position, \$1,017,445, represents resources that are subject to external restrictions on how they may be used.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 84%. The statewide average in fiscal year 2019 was 98.78%.
- Increased sales tax revenues of approximately \$25,344 assisted in the Town's increase.

TOWN OF PRINCEVILLE, NORTH CAROLINA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

Government -Wide

Town of Princeville's Changes in Net Position

Figure 3

| | <u>Governmental Activities</u> | |
|--|---------------------------------------|----------------------------|
| | <u>2019</u> | <u>2018</u> |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 114,617 | \$ 90,115 |
| Operating grants and contributions | 128,972 | 64,236 |
| Capital grants and contributions | - | 522,120 |
| General revenues: | | |
| Property taxes | 209,343 | 183,999 |
| Other taxes | 600,135 | 503,589 |
| Other | <u>3,894</u> | <u>20,253</u> |
| <i>Total revenues</i> | <u>1,056,961</u> | <u>1,384,312</u> |
| Expenses: | | |
| General government | 294,642 | 279,462 |
| Public safety | 43,305 | 119,039 |
| Transportation | 18,782 | 1,373 |
| Environmental protection | 272,202 | 360,137 |
| Economic and physical development | 41,773 | 436,565 |
| Cultural and recreation | 3,806 | 87,998 |
| Human Services | <u>10,153</u> | <u>14,776</u> |
| <i>Total expenses</i> | <u>684,663</u> | <u>1,299,350</u> |
| Increase in net position before transfers | 372,298 | 84,962 |
| Extraordinary item: gain on insurance recovery | <u>3,857</u> | <u>11,731</u> |
| Increase in net position | 376,155 | 96,693 |
| Net position, beginning | <u>3,049,689</u> | <u>2,952,996</u> |
| Net position, ending June 30 | <u>\$ 3,425,844</u> | <u>\$ 3,049,689</u> |

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

Governmental activities. Governmental activities increased the Town's net position by \$376,155. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Though the Town is still in a recovery state from Hurricane Matthew, tax revenues remained steady. Town management acknowledges that 2019 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health. The Town hired a new Town Manager, Dr. Glenda Knight effective December, 2018.

Key elements of this increase are as follows:

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Princeville. At the end of the current fiscal year, Town of Princeville's fund balance available in the General Fund was \$1,756,394 of which \$1,017,444 is restricted funds.

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.

There were several reasons the Town revised its budget throughout the year. The Town received restricted intergovernmental funds that became available for distribution in 2019. Although expenditures were compliant with budgetary requirements, the Town did amend the budget in the General Fund in Transportation and Public Works areas to account for expenditures.

Capital Asset and Debt Administration

Capital assets. The Town of Princeville's investment in capital assets for its governmental type activities as of June 30, 2019, totals \$1,668,658 (net of accumulated depreciation). These assets include roads and bridges, land, machinery and equipment, park facilities, and vehicles.

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

Major capital asset transactions during the year include the following:

- Land donated by Edgecombe County in the amount of \$7,000.

Town of Princeville's Capital Assets (net of depreciation)

Figure 4

| | Governmental Activities | |
|-----------------------------------|----------------------------|---------------------|
| | 2019 | 2018 |
| Land | \$ 912,218 | \$ 905,218 |
| Improvements other than buildings | 231,353 | 237,823 |
| Equipment and furniture | 55,376 | 75,595 |
| Vehicles and motorized equipment | 44,716 | 60,047 |
| Construction in progress | 424,995 | 424,995 |
| Total | <u>\$ 1,668,658</u> | <u>\$ 1,703,678</u> |

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

Debt Outstanding

Exclusive of the pension liability and compensated absences, the Town of Princeville does not carry any debt.

Economic Factors and Next Year's Budgets and Rates

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

Funding for construction and renovations of the Town's hall, building, park, senior citizen center, museum and developmental projects have led to the recovery of the Town.

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities:

Budgeted expenditures in the General Fund are expected to rise approximately 40% to \$1,194,480 based on the Office of State Budget and Management's Grant received by the Town of \$385,000 of which \$309,680 is appropriated. This grant would provide salaries for additional employees on special project, public works equipment and supplies, and professional services.

The Town has chosen not to appropriate fund balance in the fiscal year 2020 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position.

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 Finance Manager, Town of Princeville, 201 S. Main Street, Princeville, NC 27886. One can also call (252)-823-1057, visit our website www.TownofPrinceville.com or send an email to gknight@townofprinceville.com for more information.

Financial Statements

TOWN OF PRINCEVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2019

| Primary Government | |
|--|------------------------------------|
| | Governmental Activities |
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 986,700 |
| Restricted cash and cash equivalents | 699,764 |
| Taxes receivables (net) | 204,135 |
| Accrued interest receivable on taxes | 14,263 |
| Accounts receivable (net) | 90,849 |
| Due from other governments | 24,533 |
| <i>Total current assets</i> | <u>2,020,244</u> |
| Non-current assets: | |
| Capital assets (Note 4): | |
| Land, non-depreciable improvements, and construction in progress | 1,337,213 |
| Other capital assets, net of depreciation | 331,445 |
| <i>Total capital assets</i> | <u>1,668,658</u> |
| <i>Total assets</i> | <u>3,688,902</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension deferrals | 46,650 |
| <i>Total deferred outflows of resources</i> | <u>46,650</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 45,472 |
| Compensated Absences | 7,529 |
| Deferred revenue | 202,278 |
| <i>Total current liabilities</i> | <u>255,279</u> |
| Long-term liabilities: | |
| Net pension liability | 41,753 |
| Due in more than one year | 41,753 |
| <i>Total liabilities</i> | <u>297,032</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension deferrals | 12,676 |
| <i>Total deferred inflows of resources</i> | <u>12,676</u> |
| NET POSITION | |
| Net investment in capital assets | 1,668,658 |
| Restricted for: | |
| Stabilization by State Statute | 317,680 |
| Streets | 151,142 |
| Historical Society | 12,697 |
| State Appropriations Grant | 25,740 |
| Insurance Proceeds- Capital Outlay | 504,595 |
| Park Grant | 5,590 |
| Unrestricted | 739,742 |
| <i>Total net position</i> | <u><u>\$ 3,425,844</u></u> |

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
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 | Primary Government | |
| | | | | | Governmental Activities | Total |
| Primary government: | | | | | | |
| Governmental Activities: | | | | | | |
| General government | \$ 294,642 | \$ 430 | \$ 1,782 | \$ - | \$ (292,430) | \$ (292,430) |
| Public safety | 43,305 | - | - | - | (43,305) | (43,305) |
| Transportation | 18,782 | - | 58,908 | - | 40,126 | 40,126 |
| Economic and physical development | 41,773 | - | 68,282 | - | 26,509 | 26,509 |
| Environmental protection | 272,202 | 112,980 | - | - | (159,222) | (159,222) |
| Cultural and recreation | 3,806 | 1,207 | - | - | (2,599) | (2,599) |
| Human Services | 10,153 | - | - | - | (10,153) | (10,153) |
| Total governmental activities (See Note 1) | 684,662 | 114,617 | 128,972 | - | (441,073) | (441,073) |
| Total primary government | <u>\$ 684,662</u> | <u>\$ 114,617</u> | <u>\$ 128,972</u> | <u>\$ -</u> | <u>\$ (441,073)</u> | <u>\$ (441,073)</u> |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes, levied for general purpose | | | | | \$ 209,343 | \$ 209,343 |
| Other taxes | | | | | 600,135 | 600,135 |
| Unrestricted investment earnings | | | | | 2,497 | 2,497 |
| Miscellaneous | | | | | 1,396 | 1,396 |
| Extraordinary Item: Gain on insurance recovery | | | | | 3,857 | 3,857 |
| Total general revenues | | | | | 817,228 | 817,228 |
| Change in net position | | | | | 376,155 | 376,155 |
| Net position, beginning | | | | | 3,049,689 | 3,049,689 |
| Net position, ending | | | | | \$ 3,425,844 | \$ 3,425,844 |

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

| | Major Funds |
|---|----------------------------|
| | General |
| ASSETS | |
| Cash and cash equivalents | \$ 986,700 |
| Restricted cash and cash equivalents | 699,764 |
| Receivables, net: | |
| Property taxes | 202,278 |
| Other taxes | 90,868 |
| Due from other governments | 24,533 |
| <i>Total assets</i> | <u>2,004,143</u> |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 45,471 |
| <i>Total liabilities</i> | <u>45,471</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property taxes receivable | 202,278 |
| <i>Total deferred inflows of resources</i> | <u>202,278</u> |
| FUND BALANCES | |
| Restricted For: | |
| Stabilization by State Statute | 317,679 |
| Streets | 151,142 |
| Historical Society | 12,697 |
| State Appropriations Grant | 25,740 |
| Insurance Proceed-Capital Outlay | 504,595 |
| Park | 5,590 |
| Unassigned | 738,951 |
| <i>Total fund balances</i> | <u>1,756,394</u> |
| <i>Total liabilities, deferred inflows of resources and fund balances</i> | <u>\$ 2,004,143</u> |

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

Exhibit 3 (continued)

| | <u>Major Funds</u> |
|---|----------------------------|
| | <u>General</u> |
| Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because: | |
| Total Fund Balance, Governmental Funds | \$ 1,756,394 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | 1,668,658 |
| Deferred outflows of resources related to pensions are not reported in the funds | 46,650 |
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds. | 14,263 |
| Earned revenues considered deferred inflows of resources in fund statements. | 1,837 |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds | (7,529) |
| Net pension liability | (41,753) |
| Deferred inflows of resources related to pensions are not reported in the funds | (12,676) |
| Net position of governmental activities | <u><u>\$ 3,425,844</u></u> |

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2019

| | <u>Major Funds</u> |
|---|----------------------------|
| | <u>General Fund</u> |
| REVENUES | |
| Ad valorem taxes | \$ 269,706 |
| Other taxes and licenses | 8,488 |
| Unrestricted intergovernmental | 529,751 |
| Restricted intergovernmental | 130,505 |
| Permits and fees | 430 |
| Sales and services | 112,980 |
| Investment earnings | 3,300 |
| Miscellaneous | <u>1,801</u> |
| <i>Total revenues</i> | <u>1,056,961</u> |
| EXPENDITURES | |
| Current: | |
| General & administration | 284,359 |
| Public safety | 35,078 |
| Transportation | 18,881 |
| Economic and physical development | 41,993 |
| Environmental protection | 253,347 |
| Culture and recreation | 5,778 |
| Human Service | <u>10,208</u> |
| <i>Total expenditures</i> | <u>649,644</u> |
| Excess (deficiency) of revenues over expenditures | <u>407,317</u> |
| OTHER FINANCING SOURCES | |
| Insurance recovery | <u>3,857</u> |
| Net change in fund balance | 411,174 |
| Fund balances, beginning | <u>1,345,220</u> |
| Fund balances, ending | <u><u>\$ 1,756,394</u></u> |

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

TOWN OF TOWN OF PRINCEVILLE, NORTH CAROLINA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2019

| | <u>Major Funds</u> |
|--|---------------------|
| | <u>General Fund</u> |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Net changes in fund balances - total governmental funds | \$ 411,243 |
| Change in fund balance due to change in reserve for inventory | |
| 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 outlays in the current period | |
| Capital outlay expenditures which were capitalized | 4,830 |
| Depreciation expense for governmental assets | (46,850) |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 9,872 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | |
| Amount of donated assets | 7,000 |
| Change in unavailable revenue for tax revenues | 3,505 |
| 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 | (1,619) |
| Pension expense | (11,826) |
| Total changes in net position of governmental activities | <u>\$ 376,155</u> |

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

| | General Fund | | | |
|------------------------------------|----------------|----------------|--------------------|---|
| | Original | Final | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| Revenues: | | | | |
| Ad valorem taxes | \$ 178,000 | \$ 178,000 | \$ 269,706 | \$ 91,706 |
| Other taxes and licenses | 40,500 | 40,500 | 8,488 | (32,012) |
| Unrestricted intergovernmental | 480,300 | 480,300 | 529,751 | 49,451 |
| Restricted intergovernmental | 60,400 | 60,400 | 130,505 | 70,105 |
| Permits and fees | - | - | 430 | 430 |
| Sales and services | 88,000 | 88,000 | 112,980 | 24,980 |
| Investment earnings | - | - | 3,300 | 3,300 |
| Miscellaneous | 8,000 | 8,000 | 1,801 | (6,199) |
| Total revenues | <u>855,200</u> | <u>855,200</u> | <u>1,056,961</u> | <u>201,761</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General & administration | 341,243 | 355,478 | 284,359 | 71,119 |
| Public safety | 35,510 | 35,510 | 35,078 | 432 |
| Transportation | 176,979 | 203,979 | 18,881 | 185,098 |
| Economic and Physical development | - | - | 41,993 | (41,993) |
| Environmental protection | 249,252 | 208,017 | 253,347 | (45,330) |
| Cultural and recreation | 6,512 | 6,512 | 5,778 | 734 |
| Human Services | 18,209 | 18,209 | 10,208 | 8,001 |
| Contingency | 27,495 | 27,495 | - | 27,495 |
| Total expenditures | <u>855,200</u> | <u>855,200</u> | <u>649,644</u> | <u>205,556</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>407,317</u> | <u>407,317</u> |
| Other financing sources (uses): | | | | |
| Insurance recovery | <u>-</u> | <u>-</u> | <u>3,857</u> | <u>3,857</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>411,174</u> | <u>\$ 411,174</u> |
| Fund Balance, Beginning | | | <u>1,345,220</u> | |
| Fund Balance, Ending | | | <u>\$1,756,394</u> | |

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note I - Summary of Significant Accounting Policies

The accounting policies of the Town of Princeville conforms to are the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Town of Princeville (the "Town") is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town as required by accounting principles generally accepted in the United States of America

Basis of Presentation

Government-wide 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. 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 and net position are the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. They include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

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. Under GASB 54 guidance the Economic Development Fund is consolidated in the General Fund.

Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements. The government-wide, financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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.

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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2019** ***(Continued)***

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year.

Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Princeville because the tax is levied by Edgecombe County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

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 budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town's Council Board must approve any revisions that alter total expenditures of any department. 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.

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

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.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2019** *(Continued)*

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.

The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Cash and Cash Equivalents - The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

Restricted Assets - Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Money for state appropriations is classified as restricted assets because its use is restricted to the Economic Development per NC G.S. Chapter 159, Article 3, Part 2. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Historical Society funds, insurance proceeds, and park funds are also classified as restricted cash because they can be expended only for the purpose provided.

| | |
|-------------------------------------|--------------------------|
| General Fund | |
| Historical Society | \$ 12,697 |
| Streets | 151,142 |
| State Appropriations | 25,740 |
| Insurance Proceeds - Capital Outlay | 504,595 |
| Park | <u>5,590</u> |
| Total Restricted Cash | <u><u>\$ 699,764</u></u> |

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2019** *(Continued)*

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.

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.

Capital Assets - Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs is \$1,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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.

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

| Asset Class | Estimated Useful Lives |
|----------------------------------|------------------------|
| Buildings and system | 30 |
| Infrastructure | 40 |
| Equipment and furniture | 10 |
| Vehicles and motorized equipment | 6 |
| Computer equipment | 3 |
| Computer software | 5 |
| Other improvements | 25 |

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 (1) item that meet this criterion, pension deferrals for 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 one (1) item that meets this criterion and pension deferrals.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2019** *(Continued)*

Long-Term Obligations

In the government-wide financial statements, 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.

Compensated Absences

The vacation policy of the Town provides 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 fund, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides 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 does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

Net position in government-wide financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are externally imposed either 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 three 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:

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 *(Continued)*

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" is \$317,680.

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. As of June 30, 2019, the amount was \$151,142.

Restricted for State Appropriations Grant – portion of fund balance that is restricted for State Appropriations Grant is \$25,740.

Restricted for Cultural and Recreation (Historical Society) – the portion of fund balance restricted for the use by the Town's Historical Society. As of June 30, 2019, the amount was \$12,697.

Restricted for Park Grants - portion of fund balance that is restricted for Park Grants is \$5,590.

Restricted for Capital Outlay-Insurance – portion of fund balance portion of fund balance that is restricted for Capital Outlay-Insurance is \$504,595.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds is \$738,951.

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

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Princeville's employer contributions are recognized when due and the Town of Princeville 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.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

Note II - Stewardship, Compliance, and Accountability

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general government activities in the economic and physical development, environmental protection, and human services categories. This over-expenditure occurred because of unplanned payroll expenditures for temporary help needed due to staff illnesses in the administration department. Management and the Board will more closely review the budget reports to ensure compliance in future years.

Note III - Detail Notes on All Funds

Assets

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 the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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 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 \$1,662,557 and a bank balance of \$1,676,803. Of the bank balance, \$250,000 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 did not operate a petty cash fund.

At June 30, 2019, the Town's investment balances were as follows:

| Cash and Cash Equivalent | Valuation Measurement Method | Book Value at 6/30/2019 | Maturity | Rating |
|---|------------------------------------|----------------------------|----------|--------|
| NC Capital Management Trust – Government Portfolio | Fair ValueLevel 1 | \$ 23,907 | N/A | AAAm |

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

At June 30, 2019, the Town of Princeville had \$23,907 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's.

Interest Rate Risk. 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 internal investment policy limits at least half of the Town's investment portfolio to maturities of less than 12 months. Also, the Town's internal management policy requires purchases of securities to be ladderred with staggered maturity dates and limits all securities to a final maturity of no more than two years.

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.

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

General Fund:

| | | |
|------------------|----|--------|
| Taxes receivable | \$ | 10,000 |
|------------------|----|--------|

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

Capital Assets

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

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|---------------------------|--------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 905,218 | \$ 7,000 | \$ - | \$ 912,218 |
| Construction in progress | 424,995 | - | - | 424,995 |
| Total capital assets not being depreciated | <u>1,330,213</u> | <u>7,000</u> | <u>-</u> | <u>1,337,213</u> |
| Capital assets being depreciated: | | | | |
| Buildings | - | - | - | - |
| Park Improvements | 246,059 | 4,830 | - | 250,889 |
| Equipment and furniture | 101,093 | - | - | 101,093 |
| Vehicles and motorized equipment | 76,656 | - | - | 76,656 |
| Total capital assets being depreciated | <u>423,808</u> | <u>4,830</u> | <u>-</u> | <u>428,638</u> |
| Less accumulated depreciation for: | | | | |
| Park Improvements | 8,236 | 11,300 | - | 19,536 |
| Equipment and furniture | 25,498 | 20,219 | - | 45,717 |
| Vehicles and motorized equipment | 16,609 | 15,331 | - | 31,940 |
| Total accumulated depreciation | <u>50,343</u> | <u>46,850</u> | <u>-</u> | <u>97,193</u> |
| Total capital assets being depreciated, net | <u>373,465</u> | <u>(42,020)</u> | <u>-</u> | <u>331,445</u> |
| Governmental activity capital assets, net | <u><u>\$ 1,703,678</u></u> | <u><u>\$ (35,020)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,668,658</u></u> |

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

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

| | |
|----------------------------|-------------------------|
| General government | \$ 5,583 |
| Public safety | 8,412 |
| Environmental protection | 29,967 |
| Cultural and recreational | <u>2,888</u> |
| Total depreciation expense | <u><u>\$ 46,850</u></u> |

Construction commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

| <u>Project</u> | <u>Spent to Date</u> | <u>Left to be Spent</u> | <u>Total Project</u> |
|----------------|--------------------------|----------------------------|----------------------------|
| Museum | \$ 174,760 | \$ 65,240 | \$ 240,000 |
| Town Hall | \$ 5,385 | \$ 799,221 | \$ 804,606 |
| Senior Center | <u>\$ 244,850</u> | <u>\$ 994,540</u> | <u>\$ 1,239,390</u> |
| | <u><u>\$ 424,995</u></u> | <u><u>\$ 1,859,001</u></u> | <u><u>\$ 2,283,996</u></u> |

Liabilities

Pension Plan and Postemployment Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Princeville 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 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.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2019** *(Continued)*

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, 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 have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Princeville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Princeville's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Princeville were \$9,872 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$41,753 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the Town's proportion was 0.00176%, which was a decrease of 0.00164% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$11,826. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 6,442 | \$ 216 |
| Changes of assumptions | 11,080 | - |
| Net difference between projected and actual earnings on pension plan investments | 5,731 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 13,531 | 12,460 |
| Town contributions subsequent to the measurement date | 9,866 | |
| Total | <u><u>\$ 46,650</u></u> | <u><u>\$ 12,676</u></u> |

\$9,872 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended | June 30 |
|------------|-------------------------|
| 2019 | \$ 12,045 |
| 2020 | 9,611 |
| 2021 | 1,804 |
| 2022 | 648 |
| 2023 | - |
| | <u><u>\$ 24,108</u></u> |

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2019** *(Continued)*

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|------------------------------|---|
| Fixed Income | 29.0% | 1.6% |
| 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 | 100% | |

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

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 3.05%. 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 liability 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 one percentage point lower (6.00 percent) or one 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) | \$ 100,295 | \$ 41,753 | \$ (7,165) |

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.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

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

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

| | <u>LGERS</u> |
|--|--------------|
| Pension Expense | \$ 11,826 |
| Pension Liability | 41,753 |
| Proportionate share of the net pension liability | 0.00176% |
| Deferred of Outflows of Resources | |
| Differences between expected and actual experience | 6,442 |
| Changes of assumptions | 11,080 |
| Net difference between projected and actual earnings on plan investments | 5,731 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 13,531 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 9,872 |
| Deferred of Inflows of Resources | |
| Differences between expected and actual experience | 216 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 12,460 |

Healthcare Benefits

Plan Description. The Town provides group health and hospitalization insurance programs for full-time, permanent employees. Employees may purchase family coverage through the Town.

Information concerning cost and benefits shall be available to all employee from the Human Resources Office. All employee who separate from Town employment are eligible for Cobra at their expense.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

Group Life Insurance

The Town provides group life insurance for each employee subject to the stipulations of the insurance contract. Life insurance will be provided by the Town in an amount approved by the Town, subject to appropriation.

Benefits Provided. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates.

Membership of the HCB Plan consisted of the following at December 31, 2019.

| | |
|--|----------|
| Retirees receiving benefits | 0 |
| Terminated plan members entitled to but not yet receiving benefits | 0 |
| Active plan members | <u>5</u> |
| Total | <u>5</u> |

Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

| <u>Source</u> | <u>Amount</u> |
|---|------------------|
| Contributions to pension plan in current fiscal year | \$ 9,872 |
| Differences between expected and actual experience | 6,442 |
| Changes of assumptions | 11,080 |
| Net difference between projected and actual earnings on pension plan investments | 5,731 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <u>13,531</u> |
| Total | <u>\$ 46,656</u> |

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

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

| | <u>Statement of Net Position</u> | <u>General Fund Balance Sheet</u> |
|--|--------------------------------------|---------------------------------------|
| Prepaid taxes (General Fund) | | |
| Taxes Receivable, less penalties (General Fund) | \$ - | \$ 202,278 |
| Changes in assumptions | - | - |
| Differences between expected and actual experience | 216 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <u>12,460</u> | <u>-</u> |
| Total | <u>\$ 12,676</u> | <u>\$ 202,278</u> |

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 insured 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. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical 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 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 has \$5,000,000 in coverage. The Town also is eligible to and has purchased commercial flood insurance for another \$500,000 deductible per building and \$500,000 per contents.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (Continued)

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$15,000.

Long-Term Obligations

| Governmental Activities: | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---------------------------------|---------------------------------|------------------|------------------|----------------------------------|
| Net pension liability (LGERS) | \$ 51,943 | \$ - | \$ 10,190 | \$ 41,753 |
| Compensated Absences | \$ 7,647 | \$ 4,157 | \$ 4,275 | \$ 7,529 |

Extraordinary Event

In October, 2016, Princeville experienced another severe flood as a result of Hurricane Matthew. The long term impact of the flood has yet to be determined, in part because the Federal and State governments are taking a more comprehensive approach in identifying long-term solutions to the issues that the Town is facing. Financially, the Town has received substantial amounts of aid from the State and Federal governments, as well as insurance proceeds for its physical structures that were damaged- Town Hall, the Senior Center, the museum, and the storage facility. As a result of the flood, property tax revenue was impacted through the FEMA buy-back program whereby families opt to sell their property to the government. The population did experience a decline and the Town is in the recovery stages as buildings are under reconstruction. During fiscal years 2018 and 2019 construction for the Town Hall, Senior Center, the museum, and flood gates, and park and pavilion were under construction.

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 | \$ 1,756,394 |
| Less: | |
| Restricted: Stabilization by State Statute | \$ 317,679 |
| Streets-Powell Bill | \$ 151,142 |
| Historical Society | \$ 12,697 |
| State Appropriations Grant | \$ 25,740 |
| Insurance Proceeds - capital outlay | \$ 504,595 |
| Economic Development | \$ 5,590 |
| Remaining Fund Balance | \$ 738,951 |

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2019** ***(Continued)***

Jointly Governed Organization

The Town, in conjunction with other municipalities established the North Carolina League of Municipalities. (League). The League is a member-driven organization representing the interests of cities and towns in the state. Through their collective efforts, League member cities and towns better serve their residents and improve quality of life.

Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$3,090 to the League during fiscal year ended June 30, 2019.

Note IV - Summary Disclosure of Significant Contingencies

State Assisted Programs

The most recent audit performed on the Town of Princeville was for the year ended June 30, 2012. The Local Government Commission granted the Town a waiver for audits for the years ended June 30, 2013 to June 30, 2018. On August 4, 2015, the Town resumed financial control from the Local Government Commission, with the Commission providing limited accounting assistance. The 2019 financials were not readily available to be audited. The Town contracted during FY2021 an accounting firm to perform the reconstruction of the nine years 2013-2021 financial records so that audits could be performed by the independent auditors. As a result of the FY2019 audit not being completed by the State regulated due date, the Office of State Budget Management (OSBM) maintains control of the \$6,000,000 Senate Bill 363 funds awarded to the Town and continues to provide direct payments to all vendors until all audits are completed.

The Town has received proceeds from several 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.

Note V – Availability of Records

During the course of the audit, management was unable to provide sufficient appropriate audit evidence to support reported expenditures, liabilities or net position as of June 30, 2019. Therefore, the opinion to these financial statements has been disclaimed due to this scope limitation.

Note VI - Significant Effects of Subsequent Events

In March 2020, the Town as well as the entire world was impacted by the Coronavirus epidemic. (COVID-19). As a result, the Town had to incur additional expenses to maintain the COVID-19 protocols for safety. The Town received several grants to assistance with the cost.

In September, 2020 the Town was awarded a \$33,000 grant from Edgecombe County to assist with Covid supplies, payroll for workers to provide public health compliance, public health compliance expenditures and economic support.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2019** *(Continued)*

On June 14, 2021 the Town received a United Way grant for the Senior Citizen Center in the amount of \$1,688.

On November 3, 2021 the Town received a state grant from the North Carolina Office of Recovery and Resiliency in the amount of \$500,000 to cover (1) non-disaster related operating expenses; (2) disaster-related expenses denied by the federal government for reimbursement and (3) disaster recovery capacity building expenses listed in Recipients grant application.

On December 28, 2021 the Town was awarded a CDBG-DR Infrastructure Recovery Program grant in the amount of \$3,152,363 from the North Carolina Office of Recovery and Resiliency to develop infrastructure for 53 acres to later provide low- and middle-income housing. The State OSBM has also committed and additional \$1,500,000 to the project.

On July 23, 2021 the Town received \$306,905.65 in American Rescue Plan grant funds.

The Town received in FY20 a \$2,000,000 loan from the North Carolina Office of Recovery and Resiliency to fund the reconstruction capital projects pending FEMA reimbursement.

Supplemental Schedules

TOWN OF PRINCEVILLE, NORTH CAROLINA
Town of Princeville's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Four Fiscal Years *

| Local Government Employees' Retirement System | | | | |
|--|-------------|-------------|-------------|-------------|
| | 2019 | 2018 | 2017 | 2016 |
| Princeville's proportion of the net pension liability (asset) (%) | 0.00176% | 0.00340% | 0.00160% | 0.02918% |
| Princeville's proportion of the net pension liability (asset) (\$) | \$ 41,753 | \$ 51,943 | \$ 33,957 | \$ 2,468 |
| Princeville's covered payroll | \$ 131,807 | \$ 225,398 | \$ 150,241 | \$ 50,439 |
| Princeville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 31.68% | 23.05% | 22.60% | 4.89% |
| Plan fiduciary net position as a percentage of the total pension liability** | 91.63% | 94.18% | 91.47% | 98.09% |

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

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
Town of Princeville's Contributions
Required Supplementary Information
Last Five Fiscal Years

Local Government Employees' Retirement System

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 12,541 | \$ 9,886 | \$ 16,341 | \$ 10,021 | \$ 3,566 |
| Contributions in relation to the contractually required contribution | 12,541 | 9,886 | 16,341 | 10,021 | 3,566 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Princeville's covered payroll | \$ 161,738 | \$ 131,807 | \$ 225,398 | \$ 150,241 | \$ 50,439 |
| Contributions as a percentage of covered payroll | 7.75% | 7.50% | 7.25% | 6.67% | 7.07% |

**TOWN OF PRINCEVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPEDITURES AND
CHANGES IN FUND BLANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------|----------------|------------------|---|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Taxes | \$ 178,000 | \$ 255,015 | \$ 77,015 |
| Interest | 1,000 | 14,690 | 13,690 |
| Total | <u>179,000</u> | <u>269,706</u> | <u>90,706</u> |
| Other taxes and licenses: | | | |
| Vehicle Fee | 39,500 | 8,488 | (31,012) |
| Unrestricted intergovernmental: | | | |
| Local option sales taxes | 422,000 | 472,347 | 50,347 |
| Telecommunications sales tax | - | 13,014 | 13,014 |
| Utilities sales tax | 48,900 | 25,417 | (23,483) |
| Video franchise fee | - | 7,623 | 7,623 |
| Beer and wine tax | 9,400 | 9,475 | 75 |
| ABC profit distribution | - | 1,875 | 1,875 |
| Total | <u>480,300</u> | <u>529,751</u> | <u>49,451</u> |
| Restricted intergovernmental: | | | |
| Powell Bill allocation | 59,000 | 58,908 | (92) |
| State Appropriation Grant | - | 43,750 | 43,750 |
| Senate Bill 363 | - | 24,532 | 24,532 |
| Region L- Senior Center | - | 1,782 | 1,782 |
| Solid waste disposal tax | 1,400 | 1,533 | 133 |
| Total | <u>60,400</u> | <u>130,505</u> | <u>70,105</u> |
| Permits and fees: | | | |
| Building permits | - | 425 | 425 |
| Business registration fee | - | 5 | 5 |
| Total | <u>-</u> | <u>430</u> | <u>430</u> |
| Sales and services: | | | |
| Garbage Disposal Fees | <u>88,000</u> | <u>112,980</u> | <u>24,980</u> |
| Investment earnings | <u>-</u> | <u>3,300</u> | <u>3,300</u> |
| Miscellaneous: | | | |
| Special Revenue | - | 1,208 | 1,208 |
| Miscellaneous Revenues | <u>8,000</u> | <u>593</u> | <u>(7,407)</u> |
| Total | <u>8,000</u> | <u>1,801</u> | <u>(6,199)</u> |
| Total revenues | <u>855,200</u> | <u>1,056,961</u> | <u>201,761</u> |
| Expenditures: | | | |
| General government: | | | |
| Salaries and employee benefits | | 10,793 | |
| Membership dues | | 1,394 | |
| Other operating expenditures | | 1,583 | |
| Total | <u>17,187</u> | <u>13,770</u> | <u>3,417</u> |
| Administration: | | | |
| Salaries and employee benefits | | 188,978 | |
| Other operating expenditures | | 81,611 | |
| Total | <u>338,291</u> | <u>270,589</u> | <u>67,703</u> |

TOWN OF PRINCEVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPEDITURES AND
CHANGES IN FUND BLANCE-BUDGET AND ACTUAL
(Continued)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|----------------|---------------------|---|
| Public safety: | | | |
| Police and fire: | | | |
| Salaries and employee benefits | | 100 | |
| Other operating expenditures | | 30,148 | |
| Capital outlay | | 4,830 | |
| Total public safety | <u>35,510</u> | <u>35,078</u> | <u>432</u> |
| Transportation: | | | |
| Streets and highways: | | | |
| Salaries and employee benefits | | 18,026 | |
| Other operating expenditures | | 855 | |
| Total transportation | <u>203,979</u> | <u>18,881</u> | <u>185,098</u> |
| Environmental protection: | | | |
| Solid waste: | | | |
| Salaries and employee benefits | | 66,017 | |
| Vehicle maintenance | | 9,285 | |
| Other operating expenditures | | 178,045 | |
| Total environmental protection | <u>208,017</u> | <u>253,347</u> | <u>(45,330)</u> |
| Culture and recreation: | | | |
| Parks and recreation: | | | |
| Vehicle maintenance | | 106 | |
| Other operating expenditures | | 5,672 | |
| Total | <u>6,512</u> | <u>5,778</u> | <u>(734)</u> |
| Economic and Physical Development | | | |
| Salaries and employee benefits | | 17,460 | |
| Other operating expenditures | | 24,533 | |
| Total | <u>-</u> | <u>41,993</u> | <u>(41,993)</u> |
| Human Services: | | | |
| Salaries and employee benefits | | 1,263 | |
| Contracted Services | | 8,547 | |
| Other operating expenditures | | 398 | |
| Total culture and recreation | <u>18,209</u> | <u>10,208</u> | <u>8,001</u> |
| Contingency | <u>27,495</u> | <u>-</u> | <u>27,495</u> |
| Total expenditures | <u>855,200</u> | <u>649,643</u> | <u>205,557</u> |
| Revenues over (under) expenditures | <u>(0)</u> | <u>407,317</u> | <u>407,317</u> |
| Other financing sources (uses): | | | |
| Insurance Recovery | <u>\$ -</u> | <u>3,857</u> | <u>\$ 3,857</u> |
| Net change in fund balance | | 411,174 | |
| Fund balances, beginning | | <u>1,345,220</u> | |
| Fund balances, ending | | <u>\$ 1,756,394</u> | |

TOWN OF PRINCEVILLE, NORTH CAROLINA

Ad Valorem Taxes Receivable

June 30, 2019

| Fiscal Year | Uncollected Balance June 30, 2018 | Additions | Collections And Credits | Uncollected Balance June 30, 2019 |
|---|--|--------------------------|------------------------------------|--|
| 2018-2019 | \$ - | \$ 258,647 | \$ 219,500 | \$ 39,147 |
| 2017-2018 | 32,565 | - | 8,914 | 23,651 |
| 2016-2017 | 39,526 | - | 9,024 | 30,502 |
| 2015-2016 | 24,975 | - | 3,481 | 21,494 |
| 2014-2015 | 23,776 | - | 2,435 | 21,341 |
| 2013-2014 | 22,920 | - | 2,888 | 20,032 |
| 2012-2013 | 21,980 | - | 3,623 | 18,357 |
| 2011-2012 | 17,440 | - | 2,623 | 14,817 |
| 2010-2011 | 14,998 | - | 1,151 | 13,847 |
| 2009-2010 | 10,355 | - | 1,265 | 9,090 |
| 2008-2009 | <u>11,035</u> | <u>912</u> | <u>11,947</u> | <u>-</u> |
| | <u>\$ 219,570</u> | <u>\$ 259,559</u> | <u>\$ 266,851</u> | <u>\$ 212,278</u> |
| Less: allowance for uncollectible accounts: | | | | |
| General Fund | | | | <u>10,000</u> |
| Ad valorem taxes receivable - net | | | | <u>\$ 202,278</u> |
| Reconciliation to revenues: | | | | |
| Ad valorem taxes - General Fund | | | | \$ 269,706 |
| Penalties collected on ad valorem taxes - Agency Fund | | | | |
| Reconciling items: | | | | |
| Releases and adjustments | | | | (539) |
| Interest collected | | | | (14,263) |
| Taxes written off | | | | <u>11,947</u> |
| Total collections and credits | | | | <u>\$ 266,851</u> |

Town of Princeville, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
Ad Valorem Taxes Receivable

| | | | | Total Levy | |
|--|-----------------------|------|-------------------|--|---------------------------------|
| | Town - Wide | | | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| | Property Valuation | Rate | Total Levy | | |
| Original levy: | | | | | |
| Property taxed at current rate | \$ 42,401,148 | 0.61 | \$ 260,393 | \$ 214,717 | \$ 45,676 |
| Discoveries - current and prior years | 51,639 | | 975 | 975 | - |
| Releases | <u>(280,492)</u> | | <u>(2,721)</u> | <u>(2,721)</u> | <u>-</u> |
| Total property valuation | <u>\$ 42,172,295</u> | | | | |
| Net levy | | | 258,647 | 212,971 | 45,676 |
| Unpaid (by taxpayer) taxes at June 30, 2019* | | | <u>(39,147)</u> | <u>(39,147)</u> | <u>-</u> |
| Current year's taxes collected | | | <u>\$ 219,500</u> | <u>\$ 173,824</u> | <u>\$ 45,676</u> |
| Current levy collection percentage | | | <u>84.30%</u> | <u>80.95%</u> | <u>100.00%</u> |