
**TOWN OF HALIFAX
HALIFAX, NORTH CAROLINA
JUNE 30, 2020**

**TOWN OF HALIFAX
NORTH CAROLINA**

FINANCIAL STATEMENTS

JUNE 30, 2020

**Mayor
John White**

**Town Clerk
Holly Borcelo**

Commissioners

William Johnson

Lisa Turner

Patterson Wilson

Christina Wells

Jane P. Bass

**TOWN OF HALIFAX, NORTH CAROLINA
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JUNE 30, 2020**

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Financial Section

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Independent Auditor's Report

To the Honorable Mayor
And Members of the Town of Halifax
Halifax, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Halifax, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Halifax's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Halifax, North Carolina as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, and 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 to provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Halifax's basic financial statements. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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



Johnson, McLean & Company, CPA's
Murfreesboro, North Carolina

October 7, 2020

Management's Discussion and Analysis

As management of the Town of Halifax, we offer readers of the Town of Halifax's financial statements this narrative overview and analysis of the financial activities of the Town of Halifax for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

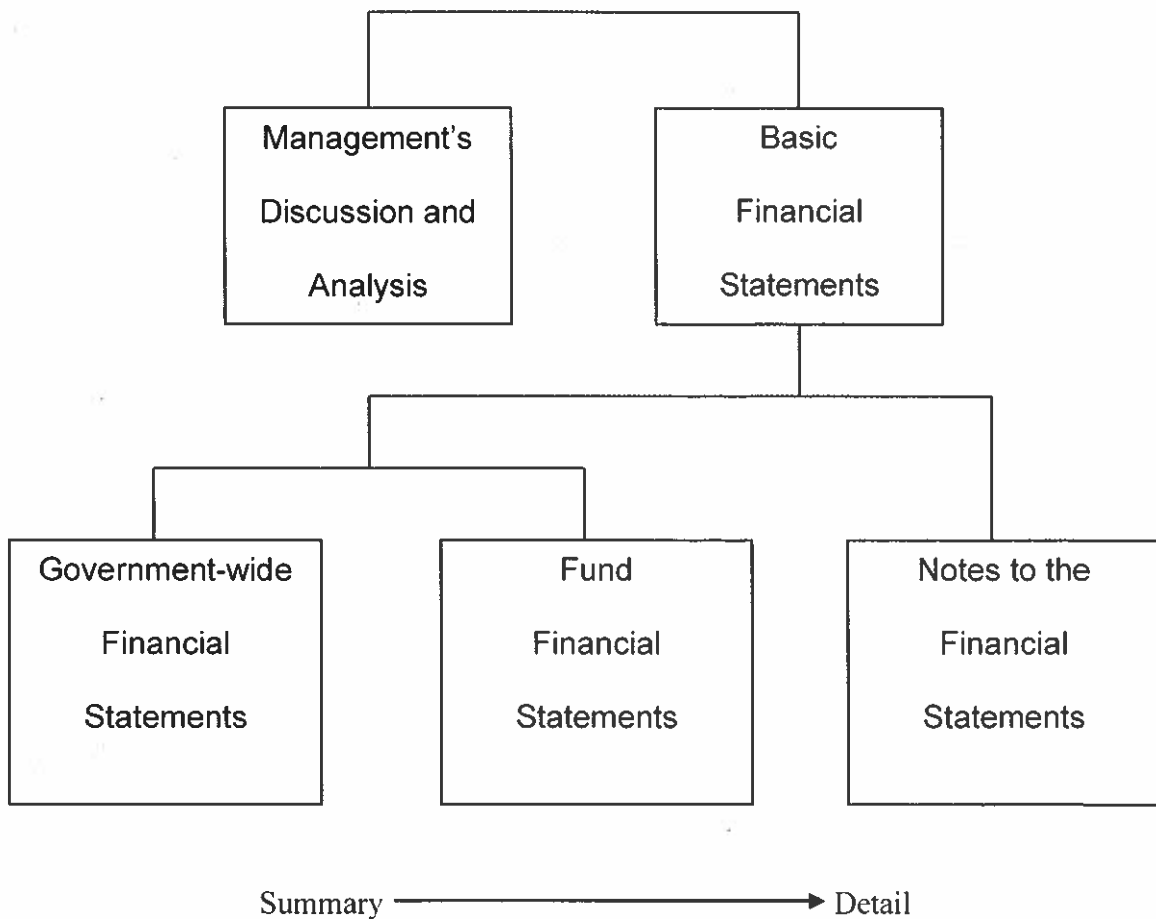
- The assets of the Town of Halifax exceeded its liabilities at the close of the fiscal year by \$3,506,100 (*net position*).
- The government's total net position decreased by \$127,881, due to decreases in the business-type activities net position of \$131,375 and a increase of the governmental activities of \$3,494.
- As of the close of the current fiscal year, the Town of Halifax's governmental funds reported combined ending fund balances of \$195,993 an increase of \$7,981 in comparison with the prior year. Approximately 47 percent of this total amount, or \$92,336, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$92,336 or 51.5 percent of total general fund expenditures for the fiscal year.
- The Town of Halifax's long- debt decreased by \$2,075 during the current fiscal year. The key factor in the decrease was reduction in notes payable for payments made.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Halifax's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Halifax.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through H) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government.

Management Discussion and Analysis

Town of Halifax

These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position 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.

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

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Halifax, 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 Halifax can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are

Management Discussion and Analysis Town of Halifax

left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are included in this report.

Government-Wide Financial Analysis

The Town of Halifax's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 200,669	\$ 189,957	\$ 25,944	\$ 82,524	\$ 226,613	\$ 272,481
Capital assets	87,954	94,416	3,253,179	3,298,252	3,341,133	3,392,668
Total assets	<u>288,623</u>	<u>284,373</u>	<u>3,279,123</u>	<u>3,380,776</u>	<u>3,567,746</u>	<u>3,665,149</u>
Long-term liabilities outstanding	14,525	16,600	-	-	14,525	16,600
Other liabilities	2,951	119	44,169	14,448	47,120	14,567
Total liabilities	<u>17,476</u>	<u>16,719</u>	<u>44,169</u>	<u>14,448</u>	<u>61,645</u>	<u>31,167</u>
Net Position:						
Invested in capital assets, net of related debt	73,429	94,416	3,253,178	3,298,252	3,326,607	3,392,668
Restricted	103,657	93,074	-	-	103,657	93,074
Unrestricted	94,061	80,164	(18,225)	68,076	75,836	148,240
Total net assets	<u>\$ 271,147</u>	<u>\$ 267,654</u>	<u>\$ 3,234,953</u>	<u>\$ 3,366,328</u>	<u>\$ 3,506,100</u>	<u>\$ 3,633,982</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Halifax exceeded liabilities by \$3,506,100 as of June 30, 2020. The Town's net position decreased by \$127,881 for the fiscal year ended June 30, 2020. However, the largest portion 94.9 percent reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Halifax uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Halifax's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Halifax net position (2.9%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of the Town of Halifax's net position \$75,836 (2.2%) is unrestricted.

Management Discussion and Analysis
Town of Halifax

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

- Continued low amounts of debt for the Town.

Town of Halifax Changes in Net Position
 Figure 3

	Governmental Activities 2020	Governmental Activities 2019	Business Type Activities 2020	Business Type Activities 2019	Total 2020	Total 2019
Revenues:						
Program revenues:						
Charges for services	\$ 37,287	\$ 39,111	\$ 145,388	\$ 148,647	\$ 182,675	\$ 187,758
Operating grants and contrib	10,790	65,706	-	-	10,790	65,706
Capital grants and contributic	-	-	-	-	-	-
General revenues:						
Property taxes	80,738	76,731	-	-	80,738	76,731
Other taxes	57,932	55,728	-	-	57,932	55,728
Capital Grants	-	-	-	-	-	-
Grants and contributions not res to specific programs	-	-	-	-	-	-
Other	396	1,751	-	1	396	1,752
Total revenues	187,143	239,027	145,388	148,648	332,531	387,675
Expenses:						
General government	66,839	67,366	-	-	66,839	67,366
Public safety	11,253	11,253	-	-	11,253	11,253
Transportation	97,107	21,741	-	-	97,107	21,741
Public works	-	94,983	-	-	-	94,983
Culture and recreation	7,450	11,672	-	-	7,450	11,672
Economic development	1,000	1,000	-	-	1,000	1,000
Water and sewer	-	-	276,763	266,060	276,763	266,060
Total expenses	183,649	208,015	276,763	266,060	460,412	474,075
Increase in net assets before transf	3,494	31,012	(131,375)	(117,412)	(127,881)	(86,400)
Transfers	-	-	-	-	-	-
Increase in net assets	3,494	31,012	(131,375)	(117,412)	(127,881)	(86,400)
Net Position, July 1	267,653	236,641	3,366,328	3,483,740	3,633,981	3,720,381
Net Position, June 30	\$ 271,147	\$ 267,653	\$ 3,234,953	\$ 3,366,328	\$ 3,506,100	\$ 3,633,981

Governmental activities. Governmental activities increased the Town's net position by \$3,494. Revenues were \$51,884 less than last year mainly due to the Town receiving a public Wi-Fi grant of \$50,000 the previous year. Expenditures were \$24,366 less than last year. For the current year presentation public works and transportation were combined.

Management Discussion and Analysis
Town of Halifax

Business-type activities. Business-type activities decreased the Town of Halifax's net position by \$131,375 mainly due to utility rates not covering depreciation. Revenues were \$3,260 less than last year, and expenditures were \$10,703 more than last year.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Halifax. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$92,336, while total fund balance was \$195,993. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 51.5 percent of total General Fund expenditures while total fund balance is 109 percent.

At June 30, 2020, the governmental funds of Town of Halifax reported a combined fund balance of \$195,993, a 4.2 percent increase over last year. The increase is completely from the General Fund.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget several times. 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.

Revenues were \$15,257 less than budgeted. Expenditures were \$23,238 less than budgeted. The town was under budget in all expenditure classifications.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to a deficit of \$18,225. The decrease in net position was \$131,375 for the current year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Halifax's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$3,341,133 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, and construction in progress.

The Town had additions in the Business-type activities in the amount of \$54,991 related to the water and sewer fund collection system.

Town of Halifax's Capital Assets
Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 32,801	\$ 32,801	\$ 11,712	\$ 11,712	\$ 44,513	\$ 44,513
Construction in progress	\$ -	\$ -	-	-	-	-
Buildings and systems	39,258	40,995	3,177,451	3,213,196	3,216,709	3,254,191
Machinery and equipment	6,419	10,264	64,016	73,344	70,435	83,608
Infrastructure	9,478	10,358	-	-	9,478	10,358
Vehicles and motorized equipment	(2)	(2)	-	-	(2)	(2)
Total	\$ 87,954	\$ 94,416	\$ 3,253,179	\$ 3,298,252	\$ 3,341,133	\$ 3,392,668

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

Management Discussion and Analysis
Town of Halifax

Long-term Debt. As of June 30, 2020, the Town of Halifax had a notes payable outstanding of \$14,525. All of which is debt backed by the full faith and credit of the Town.

**Town of Halifax’s Outstanding Debt -
 General Obligation and Revenue Bonds**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 14,525	\$ 16,600	\$ -	\$ -	\$ 14,525	\$ 16,600
Revenue bonds	-	-	-	-	-	-
Total	\$ 14,525	\$ 16,600	\$ -	\$ -	\$ 14,525	\$ 16,600

The Town of Halifax’s total debt decreased by the amount of the principal payments made during the year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Town of Halifax is \$957,050. The Town has \$ 0 in bonds authorized and un-issued at June 30, 2020.

Economic Factors and Next Year’s Budgets and Rates

The following indicators reflect Halifax and the surrounding area economic condition.

- High unemployment. The unemployment rate for the area is 9.5% compared to the State rate of 7.3% (September, 2020).
- No significant jobs have been created.
- The Town received a grant to provide public Wi-Fi service to the business area. It is hoped this service will bring people to the business area.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes remained the same as last year, 66 cents per \$100 valuation. Budgeted expenditures in the General Fund (including Powell Bill) for the 2021 budget was set at \$195,185 compared to \$179,262 for the final 2020 actual expenditures.

Business – type Activities: An operating expense budget for 2021 was set at \$157,710 as compared to last year’s actual expenses of \$176,699. Water and sewer rates were increased to cover expenses for the 2021 year.

Requests for Information

This report is designed to provide an overview of the Town’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, P.O. Box 222, Halifax, NC 27839, and phone (252) 583-6571.

Basic Financial Statements

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 95,287	\$ -	\$ 95,287
Restricted cash and cash equivalents	90,724	-	90,724
Taxes receivables (net)	1,290	-	1,290
Accrued interest receivable on taxes	435	-	435
Accounts receivable (net)	12,933	25,944	38,877
Total current assets	<u>200,669</u>	<u>25,944</u>	<u>226,613</u>
Capital assets			
Land, non-depreciable improvements	32,801	11,712	44,513
Other capital assets, net of depreciation	55,153	3,241,467	3,296,620
Total capital assets	<u>87,954</u>	<u>3,253,179</u>	<u>3,341,133</u>
Total assets	<u>288,623</u>	<u>3,279,123</u>	<u>3,567,746</u>
LIABILITIES			
Current liabilities:			
Check written in excess of bank balance	-	20,137	20,137
Accounts payable	2,951	10,242	13,193
Customer deposits	-	13,790	13,790
Long-term liabilities:			
Due within one year	2,075	-	2,075
Due in more than one year	12,450	-	12,450
Total liabilities	<u>17,476</u>	<u>44,169</u>	<u>61,645</u>
NET POSITION			
Net Investment in Capital Assets	73,429	3,253,178	3,326,607
Restricted for:			
Stabilization by State statute	12,933	-	12,933
Streets	32,624	-	32,624
Escrow	8,000	-	8,000
Wifi	50,100	-	50,100
Unrestricted	94,061	(18,225)	75,836
Total net position	<u>\$ 271,147</u>	<u>\$ 3,234,953</u>	<u>\$ 3,506,100</u>

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

TOWN OF HALIFAX, NORTH CAROLINA
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 66,839	\$ 5,649	\$ -	\$ -	\$(61,190)	\$ -	\$(61,190)
Public safety	11,253	-	-	-	(11,253)	-	(11,253)
Transportation	97,107	31,352	9,100	-	(56,655)	-	(56,655)
Economic development	1,000	-	-	-	(1,000)	-	(1,000)
Cultural and recreation	7,450	286	1,690	-	(5,474)	-	(5,474)
Total governmental activities (See Note 1)	183,649	37,287	10,790	-	(135,572)	-	(135,572)
Business-type activities:							
Water and sewer	276,763	145,388	-	-	-	(131,375)	(131,375)
Total business-type activities	276,763	145,388	-	-	-	(131,375)	(131,375)
Total primary government	\$ 460,412	\$ 182,675	\$ 10,790	\$ -	\$(135,572)	\$ -	\$(266,947)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					80,738	-	80,738
Other taxes					57,932	-	57,932
Miscellaneous					358	-	358
Unrestricted investment earnings					38	-	38
Total general revenues, special items, and transfers					139,066	-	139,066
Change in net position					3,494	(131,375)	(127,881)
Net position-beginning					267,653	3,366,328	3,633,981
Net position-ending					\$ 271,147	\$ 3,234,953	\$ 3,506,100

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

Fund Financial Statements

**TOWN OF HALIFAX, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020**

	<u>Major Funds</u>		<u>Total</u>
	<u>General</u>	<u>Non-Major Funds</u>	
ASSETS			
Current Assets:			
Cash and temporary cash equivalents	\$ 95,287	\$ -	\$ 95,287
Restricted cash	90,724	-	90,724
Taxes receivable	1,290	-	1,290
Accounts receivable	12,933	-	12,933
Total Assets	<u>200,234</u>	<u>-</u>	<u>200,234</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and accrued liabilities	2,951	-	2,951
Total liabilities	<u>2,951</u>	<u>-</u>	<u>2,951</u>
Deferred Inflows of Resources			
Property Taxes Uncollected	1,290	-	1,290
Fund balances:			
Restricted			
Stabilization by State statute	12,933	-	12,933
Streets	32,624	-	32,624
Escrow	8,000	-	8,000
Wifi grant	50,100	-	50,000
Unassigned	92,336	-	92,336
Total fund balances	<u>195,993</u>	<u>-</u>	<u>195,893</u>
Total liabilities and fund balances	<u>\$ 200,234</u>	<u>\$ -</u>	<u>\$ 200,134</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

87,954

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

435

Liabilities for earned but unavailable revenues in fund statements.

1,290

Some liabilities are not due and payable in the current period and therefore are not reported in the funds

(14,525)

Net position of governmental activities

\$ 271,147

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

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	<u>Major Funds</u>	<u>Total</u>	<u>Total</u>
	<u>General Fund</u>	<u>Non-Major</u>	<u>Governmental Funds</u>
REVENUES:			
Ad Valorem Taxes	\$ 80,838	\$ -	\$ 80,838
Other Taxes and Licenses	35,108	-	35,108
Unrestricted Intergovernmental Revenues	22,824	-	22,824
Restricted Intergovernmental Revenues	9,100	-	9,100
Sales and Service	31,352	-	31,352
Investment Earnings	38	-	38
Other	7,983	-	7,983
Total Revenues	<u>187,243</u>	<u>-</u>	<u>187,243</u>
EXPENDITURES			
General Government	65,121	-	65,121
Public Safety	11,000	-	11,000
Transportation	10,323	-	10,323
Public Works	85,290	-	85,290
Recreation	4,453	-	4,453
Economic Development	1,000	-	1,000
Debt Service:			
Principal	2,075	-	2,075
Total Expenditures	<u>179,262</u>	<u>-</u>	<u>179,262</u>
Revenues Over (Under) Expenditures	<u>7,981</u>	<u>-</u>	<u>7,981</u>
OTHER FINANCING SOURCES (USES):			
Transfer to Water and Sewer	-	-	-
Revenue and Other Sources Over (Under) Expenditures	7,981	-	7,981
FUND BALANCE - BEGINNING	<u>188,012</u>	<u>-</u>	<u>188,012</u>
FUND BALANCE - ENDING	<u>\$ 195,993</u>	<u>\$ -</u>	<u>\$ 195,993</u>

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

TOWN OF HALIFAX
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$	7,981
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(6,462)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		(62)
Accrued interest on tax receivable		(38)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt relation items.

Principal payments on long-term debt		2,075
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Total changes in net position of governmental activities	\$	3,494
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TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ANNUAL BUDGET AND ACTUAL
FOR THE YEAR ENDED June 30, 2020

	General Fund			Variance With Final Budget Positive (Negative)
	Budget		Actual Amount	
	Original	Final		
REVENUES:				
Ad Valorem Taxes	\$ 83,775	\$ 83,775	\$ 80,838	\$ (2,937)
Other Taxes and Licenses	31,660	31,660	35,108	3,448
Unrestricted Intergovernmental Revenues	24,000	24,000	22,824	(1,176)
Restricted Intergovernmental Revenues	9,610	9,610	9,100	(510)
Sales and Service	31,000	31,000	31,352	352
Investment Earnings	50	50	38	(12)
Miscellaneous	15,850	22,405	7,983	(14,422)
Total Revenues	<u>195,945</u>	<u>202,500</u>	<u>187,243</u>	<u>(15,257)</u>
EXPENDITURES				
General Government	66,245	66,245	65,121	1,124
Public Safety	11,000	11,000	11,000	-
Transportation	20,675	20,675	10,323	10,352
Economic Development	1,000	1,000	1,000	-
Public Works	88,950	95,505	85,290	10,215
Cultural and Recreational	6,000	6,000	4,453	1,547
Debt Service:				
Principal	2,075	2,075	2,075	-
Total Expenditures	<u>195,945</u>	<u>202,500</u>	<u>179,262</u>	<u>23,238</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>7,981</u>	<u>7,981</u>
OTHER FINANCING SOURCES (USES):				
Fund Balance Appropriated	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>-</u>	<u>7,981</u>	<u>\$ 7,981</u>
FUND BALANCE - BEGINNING JULY 1		<u>-</u>	<u>188,012</u>	
FUND BALANCE - ENDING JUNE 30		<u>\$ -</u>	<u>\$ 195,993</u>	

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

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Water and Sewer Fund
ASSETS:	
Current assets:	
Cash and Cash Equivalents	\$ -
Accounts Receivable (net) - billed	25,944
Total Current Assets	25,944
Capital Assets:	
Land and Other Non-Depreciable Assets	11,712
Other Capital Assets, Net of Depreciation	3,241,467
Capital Assets (net)	3,253,179
Total Assets	3,279,123
LIABILITIES:	
Current Liabilities:	
Checks Written in Excess of Bank Balance	20,137
Accounts Payable and Accrued Liabilities	10,242
Customer Deposits	13,790
Total Current Liabilities	44,169
NET POSITION	
Net Invested in Capital Assets, Net of Related Debt	3,253,178
Unrestricted	(18,225)
Total Net Position	\$ 3,234,953

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

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND - NET POSITION
FOR THE YEAR ENDED June 30, 2020

OPERATING REVENUE:	
Charges for Services	\$ 145,388
OPERATING EXPENSES:	
Water & Sewer Department	
Salaries	22,887
Payroll Taxes	1,886
Office Supplies	487
Telephone & Postage	4,568
Professional Fees	17,376
Repairs & Maintenance	3,049
Utilities	112,703
Depreciation	100,064
Laboratory Analysis	8,768
Insurance	1,776
Supplies	903
Advertising	858
Dues	945
Training	493
Total Operating Expense	<u>276,763</u>
Operating Income (Loss)	<u>(131,375)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>-</u>
Net (Loss) Income Before Transfers and Capital Contributions	(131,375)
Change in Net Position	(131,375)
Net Position - July 1, 2019	<u>3,366,328</u>
Net Position - June 30, 2020	<u>\$ 3,234,953</u>

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

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 143,228
Cash Paid for Goods and Services	(142,489)
Cash Paid to or on Behalf of Employees for Services	(24,772)
Customer Deposits Received	147
Net Cash Provided (Used) by Operating Activities	<u>(23,886)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital Outlay	<u>(54,991)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(54,991)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(78,877)
Balances - Beginning of the Year	<u>58,740</u>
Balances - End of the Year	<u><u>(20,137)</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	(131,375)
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:	
Depreciation	100,064
(Increase) Decrease in:	
Water Accounts Receivable	(2,160)
(Decrease) Increase in:	
Accounts Payable	9,438
Customer Deposits	147
Net cash provided by operating activities	<u>\$ (23,886)</u>

**TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Halifax is a municipal corporation that is governed by an elected mayor and a five-member council.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental fund:

None.

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

**TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2020**

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

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

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

Sales taxes 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 because the tax is levied by Halifax County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflow/Inflows of Revenue and Fund Equity

1. Deposits and Investments

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

**TOWN OF HALIFAX, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS (cont.)
 JUNE 30, 2020**

accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The Town investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

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.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-4101 thru 136-4104. Building escrow is for proceeds for the sale of a building required to be held in escrow for 5-years.

Town of Halifax Restricted Cash	
Governmental Activities	
General Fund - Streets	\$ 32,624
Building Escrow	8,000
Wi-fi Grant	50,100
Total restricted cash	<u>\$ 90,724</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land,

TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2020

\$1,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$1,000; infrastructure, \$20,000; furniture and equipment, \$1,000; and vehicles, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at 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
Infrastructure	30 - 50
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no item that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only one item that meets the criterion for this category – property taxes receivable.

8. Long-Term Obligations

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

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

9. Net Position/Fund Balances

Net Position

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

**TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2020**

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balances 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 – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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.

Restricted for Escrow – Proceeds from the sale of a building are required to be held in escrow for 5-years

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

II. Stewardship, Compliance, and Accountability

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

1. Excess of Expenditures over Appropriation

For the fiscal year ended June 30, 2020, the Town's and the Water and Sewer Fund expenditures exceeded budget in the amount of \$18,680. The over-expenditure occurred because of unexpected increase cost in utilities. Management and the Board will more closely review the budget reports to ensure compliance in future years.

B. Deficit in Fund Balance Not Appropriated in Subsequent Year's Budget Ordinance

The Water and Sewer Fund has a deficit unrestricted fund balance of \$18,225. The Town has increased water/sewer rates to cover the deficit.

III. Detail Notes On All Funds

A. Assets

1. Deposits

All of 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 are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

**TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2020**

At June 30, 2020, the Town's deposits had a carrying amount of \$165,839 and a bank balance of \$183,523. The bank balances of the Town were covered by federal depository insurance in the amount of \$250,000. The Town has \$35 cash on hand at year end.

2. Receivables – Allowances for Doubtful Accounts

The amounts presented in Exhibit A, Statement of Net Assets, do not reflect any provision for allowances for doubtful accounts, because any doubtful accounts are considered to be immaterial.

3. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 32,801	\$ -	\$ -	\$ 32,801
Capital assets being depreciated:				
Buildings	58,074	\$ -	\$ -	58,074
Equipment	48,989	-	-	48,989
Vehicles and motorized equipment	7,572	-	-	7,572
Infrastructure	63,834	-	-	63,834
Total capital assets being depreciated	\$ 178,469	\$ -	\$ -	\$ 178,469
Less accumulated depreciation for:				
Buildings	\$ 17,079	\$ 1,737	\$ -	\$ 18,816
Equipment	38,725	3,845	-	42,570
Vehicles and motorized equipment	7,574	-	-	7,574
Infrastructure	53,476	880	-	54,356
Total accumulated depreciation	116,854	6,462	-	123,316
Total capital assets being depreciated, net	61,615			55,153
Governmental activity capital assets, net	\$ 94,416			\$ 87,954

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

General government	\$ 1,718
Public safety	253
Transportation	1,410
Public works	84
Recreation	2,997
Total depreciation expense	<u>\$ 6,462</u>

**TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2020**

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 11,712	\$ -	\$ -	\$ 11,712
Construction in progress	-	-	-	-
	<u>\$ 11,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,712</u>
Capital assets being depreciated:				
Plant and distribution systems	\$ 4,421,601	\$ 54,991	\$ -	\$ 4,476,592
Furniture and maintenance equipment	199,604	-	-	199,604
	<u>\$ 4,621,205</u>	<u>\$ 54,991</u>	<u>\$ -</u>	<u>\$ 4,676,196</u>
Less accumulated depreciation for:				
Plant and distribution systems	\$ 1,208,405	\$ 90,736	\$ -	\$ 1,299,141
Furniture and maintenance equipment	126,260	9,328	-	135,588
Total accumulated depreciation	<u>\$ 1,334,665</u>	<u>\$ 100,064</u>	<u>\$ -</u>	<u>\$ 1,434,729</u>
Total capital assets being depreciated, net	<u>3,286,540</u>			<u>3,241,467</u>
Water and Sewer fund capital assets, net	<u>\$ 3,298,252</u>			<u>\$ 3,253,179</u>

B. Liabilities

1. Pension Plan Obligations

The Town employees do not participate in the Local Government Employee's Retirement System. The Town does not have a police force and, therefore, no provision for Law Enforcement Retirement.

2. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Inflows</u>
Taxes Receivable (General Fund)	1,290

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town insures itself against such losses through the use of commercial insurance coverage. The Town has general liability coverage of one million dollars, utility vehicle liability coverage of \$300,000 per accident and \$100,000 per person, and worker's compensation coverage of \$100,000.

The Town carries other commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance.

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

**TOWN OF HALIFAX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS (cont.)
JUNE 30, 2020**

4. Long-Term Obligations

a. Notes Payable

Notes payable at June 30, 2020 are comprised of the following individual agreements:

Governmental Activities:

A direct placement installment purchase of \$41,500 to finance the purchase of the Town Hall (collateralized by the building) from Halifax County on May 31, 2008. The note is payable in twenty annual equal principal payments of \$2,075 with no interest.

The annual debt service requirements to maturity for the Town's note payable are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,075	\$ -	\$ 2,075
2021	2,075	-	2,075
2022	2,075	-	2,075
2023	2,075	-	2,075
2024	2,075	-	2,075
2025-2026	4,150	-	4,150
	<u>\$ 14,525</u>	<u>\$ -</u>	<u>\$ 14,525</u>

b. Changes in Long-Term Debt

During the year ended June 30, 2020, the following changes occurred in liabilities reported in Governmental activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>July 1, 2020</u>	<u>Current</u> <u>Portion</u>
By type of debt					
Direct Placement Installment Purchase	\$ 16,600	\$ -	\$ 2,075	\$ 14,525	\$ 2,075
Compensated Absences	-	-	-	-	-
	<u>\$ 16,600</u>	<u>\$ -</u>	<u>\$ 2,075</u>	<u>\$ 14,525</u>	<u>\$ 2,075</u>

IV. Related Party Transactions

None.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

There have been no events which occurred between June 30, 2020 and the date of this report which have significant effect on the Town.

Individual Fund Statements and Schedules

**TOWN OF HALIFAX, NORTH CAROLINA
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET & ACTUAL
FOR THE YEAR ENDED June 30, 2020
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019)**

	<u>2020</u>		<u>Variance Favorable (Unfavorable)</u>	<u>2019</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES:				
Ad Valorem Taxes:				
Current Year	\$ -	\$ 79,566	\$ -	\$ 76,571
Prior Years	-	581	-	680
Penalties and Interest	-	691	-	19
Total	<u>83,775</u>	<u>80,838</u>	<u>(2,937)</u>	<u>77,270</u>
Other Taxes and Licenses				
Local Option Sales Tax	-	32,158	-	31,667
Zoning	-	120	-	400
Permits & Fees	-	285	-	-
Sales Tax Refund	-	2,545	-	-
Total	<u>31,660</u>	<u>35,108</u>	<u>3,448</u>	<u>32,067</u>
Unrestricted Intergovernmental Revenues:				
Utility Franchise Tax	-	21,856	-	22,481
Beer and Wine Tax	-	968	-	981
Total	<u>24,000</u>	<u>22,824</u>	<u>(1,176)</u>	<u>23,462</u>
Restricted Intergovernmental:				
Powell Bill Allotment	-	8,920	-	9,032
Solid Waste Disposal	-	180	-	159
Total	<u>9,610</u>	<u>9,100</u>	<u>(510)</u>	<u>9,191</u>
Sales and Service:				
Garbage Collection Fees	-	22,466	-	21,693
Yard Trash Fees	-	8,886	-	9,446
Total	<u>31,000</u>	<u>31,352</u>	<u>352</u>	<u>31,139</u>
Investment Earnings	<u>50</u>	<u>38</u>	<u>(12)</u>	<u>43</u>
Other:				
Street Fair	-	250	-	-
Donations	-	1,690	-	1,243
Powell Bill Reimbursement	-	-	-	7,972
Recreation	-	286	-	5,431
Miscellaneous	-	108	-	1,708
Insurance Claims	-	5,649	-	-
Wi-fi Grant	-	-	-	50,000
Total	<u>22,405</u>	<u>7,983</u>	<u>(14,422)</u>	<u>66,354</u>
Total Revenues	<u>\$ 202,500</u>	<u>\$ 187,243</u>	<u>\$ (15,257)</u>	<u>\$ 239,526</u>

TOWN OF HALIFAX, NORTH CAROLINA
GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET & ACTUAL
FOR THE YEAR ENDED June 30, 2020
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
EXPENDITURES:				
General Government:				
Salaries:				
Salaries and Employee Benefits	\$ -	\$ 18,215	\$ -	\$ 22,614
Professional Services	-	14,933	-	10,459
Insurance	-	11,567	-	5,208
Dues and Subscriptions	-	2,092	-	2,570
Telephone and Postage	-	4,345	-	4,590
Utilities	-	4,372	-	3,754
Other Operating Expenses	-	9,597	-	10,949
Total General Government	<u>66,245</u>	<u>65,121</u>	<u>1,124</u>	<u>60,144</u>
Public Safety:				
Fire Department	-	11,000	-	11,000
Total Public Safety	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>
Transportation:				
Street Lights	-	10,323	-	10,968
Street Improvements	-	-	-	9,363
Total Transportation	<u>20,675</u>	<u>10,323</u>	<u>10,352</u>	<u>20,331</u>
Public Works:				
Salaries and Employee Benefits	-	39,401	-	46,653
Maintenance & Repair	-	14,849	-	4,302
Other Operating Expenditures	-	7,657	-	12,949
Landfill, Recycle & Garbage Collection Fee	-	23,383	-	30,995
Total Public Works	<u>95,505</u>	<u>85,290</u>	<u>10,215</u>	<u>94,899</u>
Recreation				
Fire Works	<u>6,000</u>	<u>4,453</u>	<u>1,547</u>	<u>8,675</u>
Economic Development	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Debt Service				
Principle	<u>2,075</u>	<u>2,075</u>	<u>-</u>	<u>2,075</u>
Total Expenditures:	<u>202,500</u>	<u>179,262</u>	<u>23,238</u>	<u>198,124</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>7,981</u>	<u>(7,981)</u>	<u>41,402</u>
Other Financing Sources:				
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF HALIFAX, NORTH CAROLINA
GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET & ACTUAL
FOR THE YEAR ENDED June 30, 2020
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenue & Other Financing Sources Over Expenditures	\$ -	\$ 7,981	\$ 7,981	\$ 41,402
FUND BALANCE:				
Beginning of Year - July 1		188,012		146,570
End of year - June 30		\$ 195,993		\$ 187,972

TOWN OF HALIFAX, NORTH CAROLINA
STATEMENT OF REVENUES & EXPENDITURES
BUDGET & ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS
WATER & SEWER FUND
FOR THE YEAR ENDED June 30, 2020
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019)

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
OPERATING REVENUES:				
Charges for Services:	\$ -	\$ 144,147	\$ -	\$ 146,852
Other operating revenues				
Tap & Connection Fees	-	100	-	-
Penalties	-	1,141	-	1,795
Total operating revenues	<u>158,000</u>	<u>145,388</u>	<u>(12,612)</u>	<u>148,647</u>
NON-OPERATING REVENUES:				
Interest Earned	10	-	(10)	1
Total Revenues	<u>158,010</u>	<u>145,388</u>	<u>(12,622)</u>	<u>148,648</u>
EXPENDITURES:				
Operations:				
Salaries	-	22,887	-	29,395
Payroll Taxes & Benefits	-	1,886	-	2,198
Office Supplies	-	487	-	3,363
Inspection	-	-	-	420
Professional Fees	-	17,376	-	9,735
Repairs & Maintenance	-	3,049	-	8,833
Utilities	-	112,703	-	98,344
Advertising & Election	-	858	-	32
Supplies	-	903	-	2,319
Insurance	-	1,776	-	1,422
Capital Outlay	-	54,991	-	2,245
Laboratory Analysis	-	8,768	-	8,532
Telephone & Postage	-	4,568	-	5,445
Training	-	493	-	114
Dues	-	945	-	265
Total Operating Expenditures	<u>213,010</u>	<u>231,690</u>	<u>18,680</u>	<u>172,662</u>
Revenues Over Expenditures	<u>(55,000)</u>	<u>(86,302)</u>	<u>(31,302)</u>	<u>(24,014)</u>
Other Sources & (Uses):				
Appropriated Fund Balance	55,000	-	-	-
Transfer to General Fund	-	-	-	-
	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (86,302)</u>	<u>\$ (31,302)</u>	<u>\$ (24,014)</u>

TOWN OF HALIFAX, NORTH CAROLINA
 STATEMENT OF REVENUES & EXPENDITURES
 BUDGET & ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS
 WATER & SEWER FUND
 FOR THE YEAR ENDED June 30, 2020
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019)

	<u>2020</u>		Variance Favorable (Unfavorable)	<u>2019</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Reconciliation of Modified Accrual Basis:				
Excess of Revenues Over Expenditures		\$ (86,302)	\$ -	\$ (24,014)
Reconciling Items				
Depreciation		(100,064)	-	-
Capital Outlay		54,991	-	-
Total Reconciling Items		<u>(45,073)</u>	<u>-</u>	<u>-</u>
Net Income		<u>\$ (131,375)</u>	<u>\$ -</u>	<u>\$ (24,014)</u>

Other Schedules

TOWN OF HALIFAX, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2020

	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 80,155	\$ 79,566	\$ 589
2018-2019	328	-	272	56
2017-2018	216	-	160	56
2016-2017	204	-	149	55
2015-2016	55	-	-	55
2014-2015	48	-	-	48
2013-2014	121	-	-	121
2012-2013	99	-	-	99
2011-2012	110	-	-	110
2010-2011	102	-	-	102
2009-2010	70	-	70	-
TOTALS	<u><u>\$ 1,353</u></u>	<u><u>\$ 80,155</u></u>	<u><u>\$ 80,217</u></u>	<u><u>\$ 1,291</u></u>

Reconciliation with Revenues:

Taxes-Ad Valorem-General Fund	\$ 80,838
Ad Valorem Tax Written Off	70
Discounts Allowed & Releases	<u>-</u>
Subtotal	80,908
Less Penalties and Interest Collected	<u>(691)</u>
Tota Collections and Credits	<u><u>\$ 80,217</u></u>

TOWN OF HALIFAX, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 June 30, 2020

	<u>Total Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property Taxes at Current Years Rate	\$ 12,427,727	0.66%	\$ 82,023	\$ 71,879	\$ 10,144
Releases	(283,030)	0.66%	(1,868)	(1,868)	0
Total	<u>\$ 12,144,697</u>	0.66%	<u>80,155</u>	<u>70,011</u>	<u>10,144</u>
Uncollected June 30, 2020			(589)	(589)	-
Current Years Taxes Collected			<u>\$ 79,566</u>	<u>\$ 69,422</u>	<u>\$ 10,144</u>
Current Levy Collection Percentage			<u>99.57%</u>	<u>99.50%</u>	<u>100.00%</u>