

TOWN OF KELFORD
KELFORD, NORTH CAROLINA
JUNE 30, 2020

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

Town Council Members

Bailey Parker, Mayor

Wayne Bland

Kenneth Cain

Tim Eaton

Jim Harrell

Randy Robtoy

Administrative and Financial Staff

Marie Garris, Clerk & Finance Officer

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Independent Auditor's Report

Honorable Mayor and
Members of the Town Council
Town of Kelford, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the Town of Kelford, 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'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 design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness, of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Kelford, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

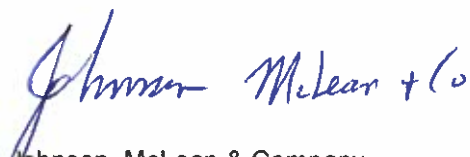
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the 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.

Supplementary and Other Information

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

Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in blue ink that reads "Johnson McLean & Co". The signature is written in a cursive style.

Johnson, McLean & Company
December 15, 2020

Management's Discussion and Analysis

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

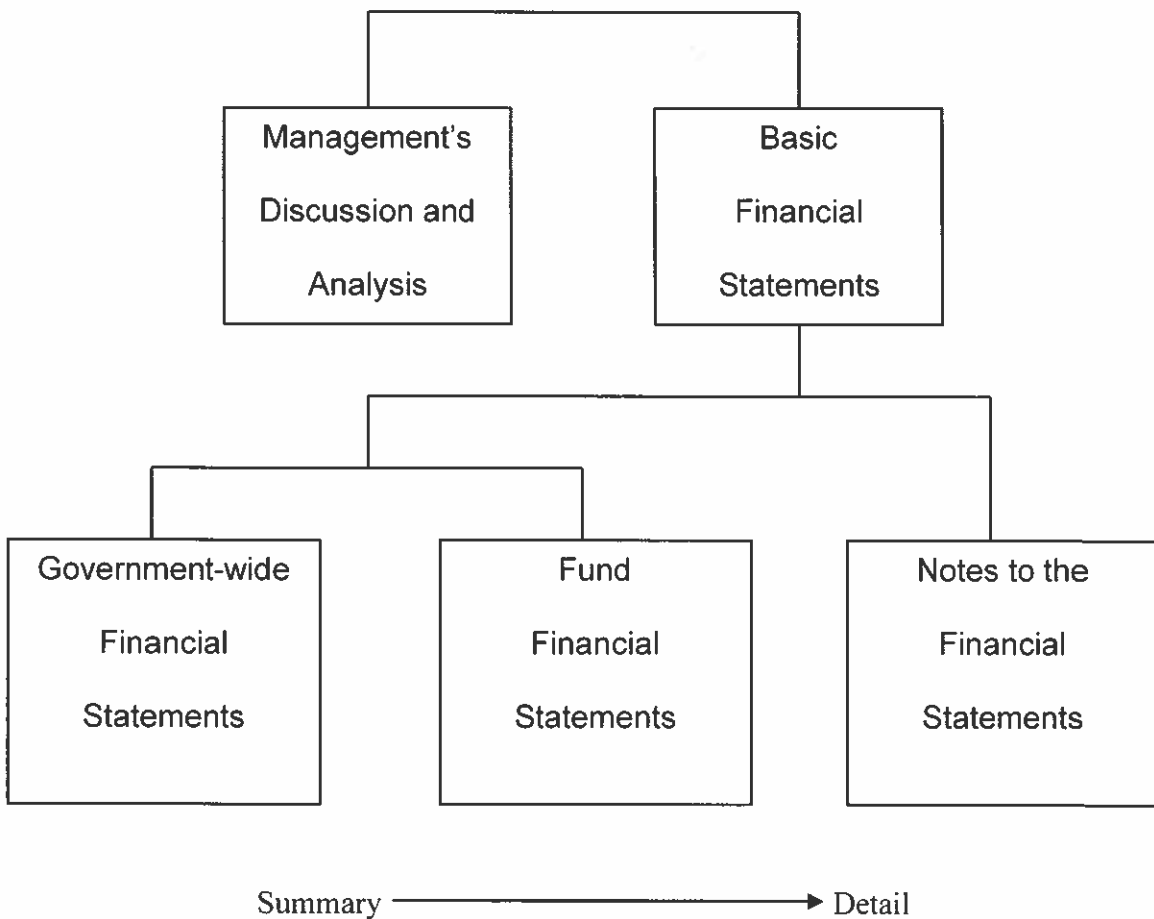
- The assets of the Town of Kelford exceeded its liabilities at the close of the fiscal year by \$322,726 (*net position*).
- The government's total net position increased by \$9,229 due to increases in the governmental type activities net position.
- As of the close of the current fiscal year, the Town of Kelford's governmental funds reported combined ending fund balances of \$247,108 an increase of \$14,482 compared with the prior year. Approximately 54 percent of this total amount, or \$133,374, 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 \$133,374 or 152 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

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.

Management Discussion and Analysis

Town of Kelford

The next statements (Exhibits C through E) 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; and 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 General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. 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, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The Town currently does not have a Business-type Activity.

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 Kelford, 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 the Town of Kelford are governmental funds types.

Management Discussion and Analysis
Town of Kelford

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* 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 Kelford 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.

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.

Management Discussion and Analysis
Town of Kelford

Government-Wide Financial Analysis

The Town of Kelford's Net Position

Figure 2

	Governmental Activities	
	2020	2019
Current and other assets	\$ 265,760	\$ 250,218
Capital assets	71,388	76,881
	<u>337,148</u>	<u>327,099</u>
Long-term liabilities outstanding	-	-
Other liabilities	14,422	13,408
	<u>14,422</u>	<u>13,408</u>
Net positions:		
Invested in capital assets, net of related debt	71,388	76,687
Restricted	48,126	42,547
Unrestricted	203,212	194,263
	<u>\$ 322,726</u>	<u>\$ 313,497</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 Kelford exceeded liabilities by \$322,726 as of June 30, 2020. The Town's net position increased by \$9,229 for the fiscal year ended June 30, 2020. (22.12%) 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 Kelford uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Kelford'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 Kelford's net position (14.91%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the Town of Kelford's net position \$203,212(62.97%) is unrestricted.

Management Discussion and Analysis
Town of Kelford

Town of Kelford Changes in Net position

Figure 3

	Governmental Activities 2020	Governmental Activities 2019
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	8,189	8,239
Capital grants and contributions	-	-
General revenues:		
Property taxes	26,927	26,405
Other taxes	63,998	62,171
Grants and contributions not restricted to specific programs	-	-
Other	3,211	2,809
Total revenues	102,325	99,624
Expenses:		
General government	40,481	37,423
Public safety	6,958	7,000
Transportation	14,362	12,728
Environmental protection	27,365	25,454
Culture and recreation	3,930	5,622
Interest	-	-
Total expenses	93,096	88,227
Increase in net positions before transfers	9,229	11,397
Transfers	-	-
Increase (decrease) in net positions	9,229	11,397
Net position, July 1	313,497	302,100
Net position, June 30	\$ 322,726	\$ 313,497

Governmental activities. Governmental activities increased the Town's net position by \$9,229. Total revenue was \$102,325 compared to the previous year total of \$99,624. Expenses were \$93,096 compared to \$88,227 for 2019.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Kelford'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 Kelford'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.

Management Discussion and Analysis

Town of Kelford

The general fund is the chief operating fund of the Town of Kelford. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$133,374 while total fund balance was \$247,108. 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 152 percent of total General Fund expenditures and total fund balance was 281 percent.

At June 30, 2020, the governmental funds of Town of Kelford reported a combined fund balance of \$247,108, a 6.2 percent increase from last year.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget during the year. 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. The Town did not have any budget amendments during the year.

Revenues were \$19,588 more than budgeted as the Town received more revenue in Ad Valorem taxes and Unrestricted Intergovernmental than expected. Expenditures were held in check and were \$57,772 less than what was budgeted to comply with its budgetary requirements.

Capital Asset and Debt Administration

Capital assets. The Town of Kelford's investment in capital assets for its governmental type activities and total activities as of June 30, 2020, totals \$71,388 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

The Town did not have any additions or disposals for the year.

Management Discussion and Analysis
Town of Kelford

Town of Kelford’s Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities		Governmental Activities
	2020		2019
Land	\$ 17,353	\$	17,353
Buildings and systems	30,009		31,086
Equipment	6,192		8,436
Other Improvements	17,834		19,812
Total	\$ 71,388	\$	76,687

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

Long-term Debt. As of June 30, 2020, the Town of Kelford did not have any Long-term debt.

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 the Town of Kelford is \$593,790. The Town does not have any bonds authorized or un-issued at June 30, 2020.

Management Discussion and Analysis
Town of Kelford

Economic Factors and Next Year's Budgets and Rates

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

- High unemployment.
- Kelford has no industry and no significant jobs have been created.
- Elderly population.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes remained at 36 cents per \$100 valuation.

The beginning 2021 General Fund budget was set at \$148,300.

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 Administrator P.O. Box 97, Kelford, North Carolina, (252) 344-2691.

BASIC FINANCIAL STATEMENT

Town Of Kelford, North Carolina
Statement Of Net Position
June 30, 2020

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 213,404	\$ 213,404
Restricted cash	38,638	38,638
Taxes receivables (net)	3,339	3,339
Accrued interest receivable on taxes	891	891
Accounts receivable (net)	9,488	9,488
Total current assets	<u>265,760</u>	<u>265,760</u>
Capital assets (Note 1):		
Land	17,353	17,353
Other capital assets, net of depreciation	54,035	54,035
Total capital assets	<u>71,388</u>	<u>71,388</u>
Total assets	<u>337,148</u>	<u>337,148</u>
LIABILITIES		
Current liabilities:		
Accounts payable	14,422	14,422
Total liabilities	<u>14,422</u>	<u>14,422</u>
NET POSITION		
Net investment in capital assets	71,388	71,388
Restricted		
Stabilization by state statute	9,488	9,488
Streets	38,638	38,638
Unrestricted	203,212	203,212
Total net position	<u>\$ 322,726</u>	<u>\$ 322,726</u>

Exhibit B

Town of Kelford, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution	Primary Government
	\$	\$	\$	\$	Total
Primary government:					
Governmental Activities:					
General government	\$ 40,481	\$ -	\$ -	\$ -	\$ (40,481)
Public safety	6,958	-	-	-	(6,958)
Transportation	14,362	8,189	-	-	(6,173)
Environmental protection	27,365	-	-	-	(27,365)
Cultural and recreation	3,930	-	-	-	(3,930)
Total governmental activities (See Note 1)	93,096	-	8,189	-	(84,907)
Total primary government	\$ 93,096	\$ -	\$ 8,189	\$ -	\$ (84,907)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					26,927
Other taxes					63,998
Unrestricted investment earnings				209	209
Miscellaneous				1,500	1,500
Extraordinary item: Sale of Asset				1,502	1,502
Total general revenues, special items, and transfers				94,136	94,136
Change in net position				9,229	9,229
Net position-beginning				313,497	313,497
Net position-ending				\$ 322,726	\$ 322,726

**Town Of Kelford, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020**

	Major Funds	Total Governmental Funds
	General	
ASSETS		
Cash and cash equivalents	\$ 213,404	\$ 213,404
Restricted cash	38,638	38,638
Receivables, net:		-
Taxes	3,339	3,339
Accounts	9,488	9,488
Total assets	264,869	264,869
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	14,422	14,422
Total liabilities	14,422	14,422
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	3,339	3,339
Total deferred inflows of resources	3,339	3,339
Fund balances:		
Restricted		
Stabilization by state statute	9,488	9,488
Streets	38,638	38,638
Assigned		
Subsequent year's expenditures	65,608	65,608
Unassigned	133,374	133,374
Total fund balances	247,108	247,108
Total liabilities, deferred inflows of resources and fund balances	\$ 264,869	\$ 264,869

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	71,388
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.	891
Liabilities for earned but deferred inflows in fund statements.	3,339
Net position of governmental activities	\$ 322,726

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

Town Of Kelford, North Carolina
Statement Of Revenues, Expenditures, & Changes In Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	Major Funds	Total Governmental Funds
	General Fund	
REVENUES		
Ad valorem taxes	\$ 26,881	\$ 26,881
Other taxes and licenses	-	-
Unrestricted intergovernmental	63,998	63,998
Restricted intergovernmental	8,189	8,189
Sales & Services	1,500	1,500
Investment earnings	209	209
Sale of asset	1,502	1,502
	102,279	102,279
EXPENDITURES		
Current:		
General government	40,150	40,150
Public safety	6,500	6,500
Transportation	13,197	13,197
Environmental protection	26,870	26,870
Culture and recreation	1,080	1,080
	87,797	87,797
Total expenditures	87,797	87,797
Excess (deficiency) of revenues over expenditures	14,482	14,482
Other financing sources (uses):		
Insurance Recovery	-	-
Net change in fund balance	14,482	14,482
Fund balances-beginning	232,626	232,626
Fund balances-ending	\$ 247,108	\$ 247,108

Town Of Kelford, North Carolina
Statement Of Revenues, Expenditures, & 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	\$	14,482
 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		 (5,299)
Accrued interest on tax receivable		29
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Change in deferred inflows for tax revenues		 <u>17</u>
Total changes in net position of governmental activities	\$	<u><u>9,229</u></u>

**Town Of Kelford, North Carolina
General Fund And Annually Budgeted
Statement Of Revenues, Expenditures, And Changes In Fund Balance - Budget And Actual
For the Year Ended June 30, 2020**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 25,969	\$ 23,354	\$ 26,881	\$ 3,527
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	59,561	48,998	63,998	15,000
Restricted intergovernmental	8,189	8,239	8,189	(50)
Sales & Services	1,800	2,100	1,500	(600)
Investment earnings	-	-	209	209
Sale of asset	-	-	1,502	1,502
Total revenues	95,519	82,691	102,279	19,588
Expenditures:				
Current:				
General government	40,850	41,600	40,150	1,450
Public safety	6,500	6,500	6,500	-
Transportation	59,700	56,169	13,197	42,972
Environmental protection	30,500	30,500	26,870	3,630
Cultural and recreation	10,750	10,800	1,080	9,720
Total expenditures	148,300	145,569	87,797	57,772
Revenues over (under) expenditures	(52,781)	(62,878)	14,482	77,360
Other financing sources (uses):				
Insurance Recovery	-	-	-	-
Fund balance appropriated	52,781	62,878	-	(62,878)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	14,482	\$ 14,482
Fund balances, beginning of year			232,626	
Fund balances, end of year			<u>\$ 247,108</u>	

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

TOWN OF KELFORD, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note I. Summary Of Significant Accounting Policies

The accounting policies of the Town of Kelford 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 Kelford is a municipal corporation which 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 activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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. Statements for the fund category – *governmental* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Town of Kelford doesn't have nonmajor funds.

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.

C. Measurement Focus and Basis of Accounting

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

Government-wide Fund 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. Nonexchange 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.

**TOWN OF KELFORD, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

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

Sales taxes 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 Kelford because the tax is levied by Bertie County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annual 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. The total expenditures of any fund must be approved by the governing board. During the year, there were no budget amendments recorded. The budget ordinance must be adopted by July 1 of the fiscal year of the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities and Fund Equity

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

**TOWN OF KELFORD, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS**

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4

<u>Town of Kelford Restricted Cash</u>	
Governmental Activities	
General Fund	
Streets	\$ 38,638
Total governmental activities	<u>\$ 38,638</u>
Total Restricted Cash	\$ 38,638

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 July 1, the beginning of the fiscal year. The taxes are due on September 1; 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, \$1,000; buildings, improvements, substations, lines, and other plant and distributions systems, \$1,000; infrastructure, \$5,000; furniture and equipment, \$1,000 and vehicles, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2004 consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement 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:

<u>Asset Class</u>	<u>Useful Lives</u>
Buildings	40 years
Improvements	20 years
Furniture and equipment	10 years
Computer equipment	10 years

7. Deferred inflows of resources

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 of Kelford has only one item that meets the criteria for this category – property taxes receivable.

**TOWN OF KELFORD, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS**

8. Compensated Absences

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

9. Net Position/Fund Balances

Net Position

Net assets in government-wide and proprietary fund financial statements are classified as net 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.

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)].

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

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

Designated for subsequent year's expenditures for the 2020-2021 budget ordinance.

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

Note II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

Note III. Detail Notes On All Funds And Account Groups

A. Assets

1. Deposits

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

**TOWN OF KELFORD, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

At June 30, 2020, the Town's deposits had a carrying amount of \$252,022 and a bank balance of \$252,918. 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, 2020, the Town of Kelford had \$20 cash on hand.

2. Receivables – Allowance for Doubtful Accounts

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

<u>Fund</u>	<u>06/30/20</u>
General Fund	
Taxes receivable	<u>\$ 68</u>

3. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2020, 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	\$ 17,353	\$ -	\$ -	\$ 17,353
Capital assets being depreciated:				
Building	43,081	-	-	43,081
Other Improvements	47,283	-	-	47,283
Equipment	58,385	-	4,359	54,026
Total capital assets being depreciated	<u>148,749</u>	<u>-</u>	<u>4,359</u>	<u>144,390</u>
Less accumulated depreciation for:				
Buildings	11,995	1,077	-	13,072
Other Improvements	27,471	1,978	-	29,449
Equipment	49,949	2,244	4,359	47,834
Total accumulated depreciation	<u>89,415</u>	<u>5,299</u>	<u>4,359</u>	<u>90,355</u>
Total capital assets being depreciated, net	<u>59,334</u>			<u>54,035</u>
Governmental activity capital assets, net	<u>\$ 76,687</u>			<u>\$ 71,388</u>

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

General government	\$ 331
Environmental protection	495
Public safety	458
Transportation	1,165
Culture & recreation	2,850
Total depreciation expense	<u>\$ 5,299</u>

**TOWN OF KELFORD, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS**

B. Liabilities

1. Pension Plan Obligations

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

2. Deferred inflows of resources

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

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Property Taxes receivable	\$ 3,339	\$ -
Total	<u>\$ 3,339</u>	<u>\$ -</u>

3. Risk Management

The town is exposed to various risks of loss related torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial coverage for protection against loss of the Town's assets. The town carries no liability coverage except that required for vehicles. The Town carries no flood insurance.

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

Note IV. Joint Ventures

The Town in conjunction with the Town of Roxobel, participates in the operation of the Roxobel-Kelford Cemetery. Each town appoints 50% of the board members and has ongoing financial responsibility for the joint venture. The towns contributed \$2,500 for the fiscal year ended June 30, 2020. The participating governments do not have an equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2020.

Note V. Summary Disclosure Of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from 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 provisions have been made in the accompanying financial statements for the refund of grant moneys.

Note VI. Management Estimates

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

Note VII Significant Effects of Subsequent Events

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

**INDIVIDUAL FUND
FINANCIAL STATEMENT AND SCHEDULES**

Town Of Kelford , North Carolina
General Fund
Statements Of Revenues, Expenditures & Changes In
Fund Balance - Budget & Actual
For The Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ -	\$ 26,469	\$ -
Penalties and Interest	-	412	-
Total	<u>23,354</u>	<u>26,881</u>	<u>3,527</u>
Other Taxes & Licenses:			
Privilege licenses	<u>-</u>	<u>-</u>	<u>-</u>
Unrestricted Intergovernmental Revenues:			
Local option sales taxes	-	37,588	-
Beer and wine tax	-	989	-
Hold harmless tax	-	16,288	-
Solid waste disposal tax	-	175	-
Telecommunications sales tax	-	1,204	-
Utility franchise tax	-	7,754	-
Total	<u>48,998</u>	<u>63,998</u>	<u>15,000</u>
Restricted Intergovernmental Revenues:			
Powell Bill allocation	<u>8,239</u>	<u>8,189</u>	<u>(50)</u>
Sales & Services			
Community Building	<u>2,100</u>	<u>1,500</u>	<u>(600)</u>
Investment Earnings	<u>-</u>	<u>209</u>	<u>209</u>
Sale of asset	<u>-</u>	<u>1,502</u>	<u>1,502</u>
Total revenues	<u>\$ 82,691</u>	<u>\$ 102,279</u>	<u>\$ 19,588</u>

Town Of Kelford , North Carolina
General Fund
Statements Of Revenues, Expenditures & Changes In
Fund Balance - Budget & Actual
For The Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	\$ -	\$ 5,420	\$ -
Professional services	-	7,440	-
Total	<u>14,800</u>	<u>12,860</u>	<u>1,940</u>
Administration:			
Salaries and employee benefits	-	6,459	-
Other operating expenditures	-	20,194	-
Total	<u>26,800</u>	<u>26,653</u>	<u>147</u>
Taxes:			
Collection fees	-	637	-
Total	<u>-</u>	<u>637</u>	<u>(637)</u>
Total general government	<u>41,600</u>	<u>40,150</u>	<u>1,450</u>
Public safety:			
Fire/rescue:			
Contribution to fire, rescue	-	6,500	-
Other operating expenditures	-	-	-
Total public safety	<u>6,500</u>	<u>6,500</u>	<u>-</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	1,292	-
Contracted services	-	3,447	-
Utilities	-	8,395	-
Other operating expenditures	-	63	-
Total transportation	<u>56,164</u>	<u>13,197</u>	<u>42,967</u>
Environmental protection:			
Sanitation:			
Garbage and collection fees	-	15,300	-
Cemetary expense	-	2,500	-
Contracted services	-	9,070	-
Other operating expenditures	-	-	-
Total environmental protection	<u>30,500</u>	<u>26,870</u>	<u>3,630</u>
Culture and recreation:			
Capital Outlay	-	-	-
Utilities	-	1,080	-
Other operating expenditures	-	-	-
Total culture and recreation	<u>10,800</u>	<u>1,080</u>	<u>9,720</u>

Town Of Kelford , North Carolina
General Fund
Schedule Of Revenues, Expenditures & Changes In
Fund Balance - Budget & Actual
For The Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Total expenditures	\$ 145,569	\$ 87,797	\$ 57,767
Revenues over (under) expenditures	(62,878)	14,482	77,360
Other financing sources (uses):			
Insurance Recovery	-	-	-
Fund balance appropriated	62,878	-	(62,878)
Excess of revenue & other sources			
Over (under) expenditures & other uses	\$ -	14,482	\$ 14,482
Fund balance:			
Beginning of year, July 1		232,626	
End of year, June 30		\$ 247,108	

OTHER SCHEDULES

This section contains information required on property taxes

- Schedule of Ad Valorem Taxes Receivable

-Analysis of Current Tax Levy

Town Of Kelford, North Carolina
Schedule Of Ad Valorem Taxes Receivable
June 30, 2020

	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2020-2020	\$ -	\$ 26,616	\$ 25,062	\$ 1,554
2018-2020	1,556	-	1,141	415
2017-2018	527	-	233	294
2016-2017	270	-	22	248
2015-2016	18	-	-	18
2014-2015	116	-	-	116
2013-2014	238	-	-	238
2012-2013	179	-	-	179
2011-2012	265	-	11	254
2010-2011	91	-	-	91
2009-2010	130	-	130	-
	<u>\$ 3,390</u>	<u>\$ 26,616</u>	<u>\$ 26,599</u>	<u>3,407</u>
				Less: allowance for uncollectible accounts: <u>(68)</u>
				Ad valorem taxes receivable, net <u>\$ 3,339</u>
Reconcilement with Revenues				
				Taxes-Ad Valorem-General Fund \$ 26,881
				Amount written off Per Statute of Limitations 130
				Less penalties and interest collected <u>(412)</u>
				Total collections and credits <u>\$ 26,599</u>

Town Of Kelford, North Carolina
Analysis Of Current Tax Levy
June 30, 2020

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current	\$ 7,422,375	0.0036	\$ 26,616	\$ 21,570	\$ 5,046
Penalties	-		-	-	-
Total	<u>7,422,375</u>		<u>26,616</u>	<u>21,570</u>	<u>5,046</u>
Abatements	-		-	-	-
Total property valuation	<u>\$ 7,422,375</u>				
Net levy			26,616	21,570	5,046
Uncollected taxes at June 30, 2020			<u>(1,554)</u>	<u>(1,554)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 25,062</u>	<u>\$ 20,016</u>	<u>\$ 5,046</u>
Percent current year collected			<u>94.16%</u>	<u>92.80%</u>	<u>100.00%</u>

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To the Town Council
Kelford, North Carolina

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Kelford, as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Town of Kelford's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Kelford's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as we discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Town of Kelford's internal control to be significant deficiencies.


Segregation of Duties

Since the Town has only limited employees involved in the record keeping of the Town's finances, there is a lack of segregation of duties. Duties should be separated as much as possible and alternate controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Qualifications

The finance department staff is competent, capable and performs daily and monthly functions very well. Their expertise is limited, however, in the area of financial statement preparation in accordance with generally accepted accounting principles, specifically with full accrual basis statements now required by GASB 34. The Town of Kelford's governing board feels that there are limited financial resources at this time for training the finance department staff in GAAP and that it is not cost beneficial to obtain additional assistance in this area. The Town of Kelford's governing board will review the draft financial statements for material errors and reasonableness in amounts.

This communication is intended solely for the information and use of management, the governing board, federal and State awarding agencies, and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.



Johnson, McLean & Company
December 15, 2020

JOHNSON, McLEAN & COMPANY

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Honorable Mayor and
Members of the Town Council
Town of Kelford, North Carolina


In planning and performing our audit of the financial statements of the Town of Kelford for the year ended June 30, 2020, we considered the Town's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding these matters are listed below.

To improve internal control over receipts and expenditures we suggest these additional procedures be implemented:

- FICA payroll taxes were not withheld from paychecks in accordance with quarterly 941's filed. The Town clerk should reconcile payroll checks to quarterly payroll reports.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss these matters in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing these recommendations.



Johnson, McLean & Company
December 15, 2020