

**TOWN OF KITTRELL, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

Town Council Members

Jerry Joyner, Mayor

Susan Pulley

Mary Jo Floyd

Robert Tunstall

Administrative and Financial Staff

Vicki Collins, Town Clerk/Finance Officer

**TOWN OF KITTRELL, NORTH CAROLINA**  
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**June 30, 2020**

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**William L. Stark and Company**  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Kittrell, North Carolina, as of and for the year then 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 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 misstatements, 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 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Kittrell, North Carolina as of June 30, 2020, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity 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, on pages 3 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

The individual fund 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 auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the individual fund statements, budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*William L. Stark and Company*

Certified Public Accountants  
Henderson, North Carolina

November 23, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Town of Kittrell, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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

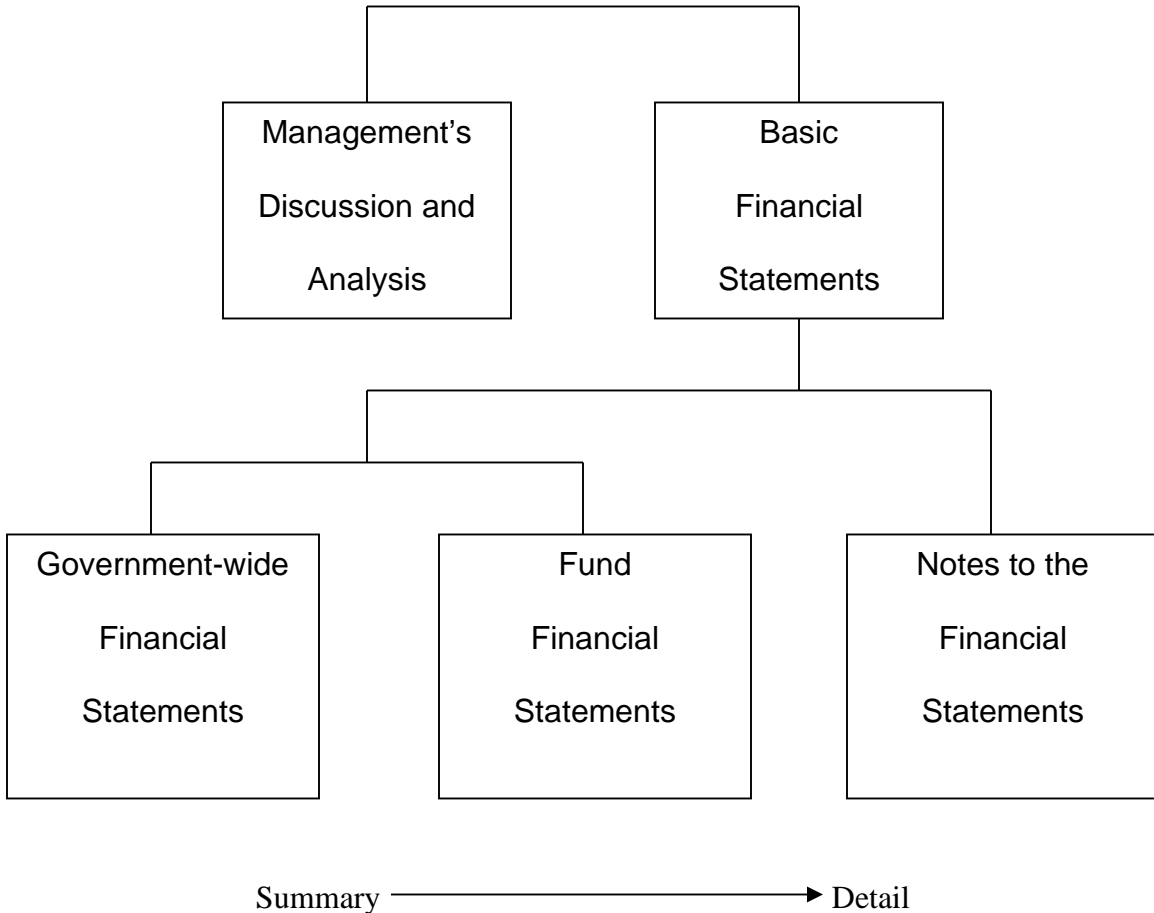
- The assets and deferred outflows of resources of the Town of Kittrell exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$272,176 (*net position*).
- The government's total net position decreased by \$1,600.
- As of the close of the current fiscal year, the Town of Kittrell's General Fund reported ending fund balance of \$269,519, a decrease of \$3,086 in comparison with the prior year. Approximately 39 percent of this total amount, or \$105,405, is non-spendable or restricted. The General Fund represents the Town's single governmental fund.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$154,114, or approximately 473 percent of total general fund expenditures for the fiscal year.
- The Town of Kittrell issued no debt during the year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Town of Kittrell'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 Kittrell.

**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 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; 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

## Management Discussion and Analysis Town of Kittrell

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notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

### Government-Wide Financial Statements

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

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

The government-wide statements have only one category: governmental activities. There are no component units. The governmental activities include the Town's basic services such as public safety and general administration. Property taxes, local option sales taxes, and grant funds finance most of these activities.

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

### Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Kittrell, 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. The Town of Kittrell has one governmental fund.

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



**Management Discussion and Analysis**  
**Town of Kittrell**

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on page 21 of this report.

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

**Government-Wide Financial Analysis**

**The Town of Kittrell’s Net Position**  
**Figure 2**

	Governmental Activities	
	2020	2019
Current and other assets	\$ 271,365	\$ 274,111
Capital assets	1,173	-
Deferred outflows of resources	-	-
Total assets and deferred outflows of resources	272,538	274,111
Other liabilities	362	335
Deferred inflows of resources	-	-
Total liabilities and deferred inflows of resources	362	335
Net position:		
Net investment in capital assets	1,173	-
Restricted	105,405	105,252
Unrestricted	165,598	168,524
Total net position	\$ 272,176	\$ 273,776

**Management Discussion and Analysis**  
**Town of Kittrell**

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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 Kittrell exceeded liabilities by \$272,176 as of June 30, 2020. The Town’s net position decreased by \$1,600 for the fiscal year ended June 30, 2020. However, a portion of the Town's net position, \$105,405, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$165,598 is unrestricted.

The following aspect of the Town’s financial operations positively influenced the total unrestricted governmental net position:

- Property tax collection percentage of 94.33%.

**Town of Kittrell’s Changes in Net Position**  
**Figure 3**

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	6,606	6,337
Capital grants and contributions	-	-
General Revenues:		
Property taxes	8,593	8,614
Grants and contributions not restricted to specific programs	13,290	13,746
Other	1,351	870
Total Revenues	<u>29,840</u>	<u>29,567</u>
Expenses:		
General government	22,515	20,160
Public safety	2,700	550
Highways/streets	6,225	4,725
Total Expenses	<u>31,440</u>	<u>25,435</u>
Increase (Decrease) in net position	(1,600)	4,132
Net position, July 1	<u>273,776</u>	<u>269,644</u>
Net position, June 30	<u>\$ 272,176</u>	<u>\$ 273,776</u>

**Governmental activities.** Governmental activities decreased the Town’s net position by \$1,600.

**Financial Analysis of the Town’s Funds**

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

## Management Discussion and Analysis Town of Kittrell

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**Governmental Funds.** The focus of the Town of Kittrell’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 Kittrell’s financing requirements.

The general fund is the chief operating fund of the Town of Kittrell. At the end of the current fiscal year, Town of Kittrell's fund balance available in the General Fund was \$266,874 while total fund balance reached \$269,519. Fund balance available represents 818 percent of total General Fund expenditures, while total fund balance represents 826 percent of that same amount. Total fund balance decreased by 1.1 percent from the previous year.

**General Fund Budgetary Highlights.** There were no amendments to the General Fund budget during the fiscal year ended June 30, 2020.

### Capital Asset and Debt Administration

**Capital assets.** The Town of Kittrell’s investment in capital assets for its governmental activities as of June 30, 2020, totals \$1,173 (net of accumulated depreciation). These assets include roads, machinery, and equipment.

During the fiscal year ended June 30, 2020, the Town purchased a laptop and related accessories totaling \$1,173.

### Town of Kittrell’s Capital Assets

Figure 4

	Governmental Activities	
	2020	2019
Infrastructure	\$ 8,280	\$ 8,280
Equipment	1,958	785
Less: Accumulated depreciation	(9,065)	(9,065)
Total	\$ 1,173	\$ -

Additional information on the Town’s capital assets can be found in Note II.A.2 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2020 the Town of Kittrell had no long-term debt.

**Management Discussion and Analysis**  
**Town of Kittrell**

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**Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities.** The Town's 2020-2021 budget anticipates revenues similar to the current year results and an increase in expenditures of \$7,364. The 2020-2021 budget additionally includes appropriated fund balance of \$10,000, which is reflected in the current year as fund balance assigned for expenditures in the subsequent 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, Town of Kittrell, P.O. Box 525, Kittrell NC 27544.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2020**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 164,476
Restricted cash and cash equivalents	102,760
Ad valorem tax receivable	1,263
Accrued interest receivable on taxes	221
Due from other governments	2,645
Total current assets	271,365
Non-Current Assets:	
Capital assets (net of \$9,065 accumulated depreciation)	1,173
<b>Total Assets</b>	<b>\$ 272,538</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accrued payroll liabilities	\$ 362
<b>Total Liabilities</b>	<b>362</b>
<b>NET POSITION</b>	
Net investment in capital assets	1,173
Restricted for:	
Stabilization by State Statute	2,645
Streets – Powell Bill	102,760
Unrestricted	165,598
<b>Total Net Position</b>	<b>\$ 272,176</b>

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

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
General government	\$ 22,515	\$ -	\$ -	\$ -	\$ (22,515)
Public safety	2,700	-	-	-	(2,700)
Transportation	6,225	-	6,606	-	381
Total governmental activities	<u>\$ 31,440</u>	<u>\$ -</u>	<u>\$ 6,606</u>	<u>\$ -</u>	<u>\$ (24,834)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					8,593
Grants and contributions not restricted to specific programs					13,290
Unrestricted investment earnings					1,351
Total general revenues					<u>23,234</u>
Change in net position					(1,600)
Net position—beginning					273,776
Net position—ending					<u>\$ 272,176</u>

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



## **FUND FINANCIAL STATEMENTS**

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Balance Sheet—Governmental Funds**  
**Governmental Funds**  
**June 30, 2020**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 164,476
Restricted cash and cash equivalents	102,760
Property taxes receivable	1,263
Due from other governments:	
Utility tax distributions	1,687
Local sales taxes	761
Property taxes	197
<b>Total Assets</b>	<b>\$ 271,144</b>
<b>LIABILITIES</b>	
Accrued payroll liabilities	\$ 362
<b>Total Liabilities</b>	362
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property taxes receivable	1,263
<b>Total Deferred Inflows of Resources</b>	1,263
<b>FUND BALANCES</b>	
Restricted	
Stabilization by State Statute	2,645
Streets – Powell Bill	102,760
Assigned	
Subsequent year's expenditures	10,000
Unassigned	154,114
<b>Total Fund Balances</b>	269,519
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 271,144</b>

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

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Reconciliation of Balance Sheet—Governmental Funds**  
**to Statement of Net Position**  
**June 30, 2020**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Total fund balance, Governmental Funds	\$	269,519
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,173
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		
Accrued interest on taxes receivable		221
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		1,263
Net position of governmental activities	\$	272,176

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

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	<b>General Fund</b>
<b>REVENUES</b>	
Ad valorem taxes	\$ 8,280
Unrestricted intergovernmental	13,290
Restricted intergovernmental	5,785
Investment earnings	2,172
<b>Total Revenues</b>	<b>29,527</b>
<b>EXPENDITURES</b>	
General government	23,688
Public safety	2,700
Transportation	6,225
<b>Total Expenditures</b>	<b>32,613</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,086)</b>
<b>FUND BALANCE:</b>	
Beginning of year — July 1	272,605
End of year — June 30	<b>\$ 269,519</b>

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

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Reconciliation of the Statements of Revenues, Expenditures, and Changes in**  
**Fund Balances—Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2020**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net changes in fund balances—total government funds	\$	(3,086)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		253
Change in accrued interest on taxes receivable		60
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized		1,173
Depreciation expense		-
		-
Total changes in net position of governmental activities	\$	(1,600)

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

**TOWN OF KITTRELL, NORTH CAROLINA**  
**General Fund**  
**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)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Ad valorem taxes	\$ 8,500	\$ 8,500	\$ 8,280	\$ (220)
Unrestricted intergovernmental	14,550	14,550	13,290	(1,260)
Restricted intergovernmental	5,800	5,800	5,785	(15)
Investment earnings	15	15	2,172	2,157
<b>Total Revenues</b>	<u>28,865</u>	<u>28,865</u>	<u>29,527</u>	<u>662</u>
<b>EXPENDITURES</b>				
General government	33,315	28,865	23,688	5,177
Public safety	550	2,700	2,700	-
Transportation	5,000	7,300	6,225	1,075
<b>Total Expenditures</b>	<u>38,865</u>	<u>38,865</u>	<u>32,613</u>	<u>6,252</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(3,086)</u>	<u>6,914</u>
Appropriated fund balance	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,086)</u>	<u>\$ (3,086)</u>
<b>FUND BALANCE:</b>				
Beginning of year — July 1			<u>272,605</u>	
End of year — June 30			<u>\$ 269,519</u>	

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

**NOTES TO THE FINANCIAL STATEMENTS**

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Kittrell 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 Kittrell is a municipal corporation which is governed by an elected mayor and a three-member council. The accompanying statements present the Town's primary government. The Town has no component units over which it is financially accountable.

**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. 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. The Town does not have any business-type activities.

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. The Town has only one fund—the General Fund—which is a governmental fund.

The Town reports the following major governmental fund:

**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 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.



**TOWN OF KITTRELL, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. 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 and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Kittrell because the tax is levied by Vance County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those designated for specific purposes, are reported as general revenues rather than program revenues.

Under the terms of grant agreements, the Town at times may fund 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 position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. The budget is 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. 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.

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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

1. Deposits and Investments

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

2. Cash and Cash Equivalents

The Town pools money from two 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 it can be expended only for purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

<u>Town of Kittrell Restricted Cash</u>	
Governmental Activities	
General Fund	
Streets	\$ 102,760

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 major vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. The Town has recognized no doubtful accounts as of June 30, 2020

6. Capital Assets

The Town's general fixed assets are recorded at original cost at the time of acquisition. Donated assets are listed at the market value at the time of donation. Certain items are recorded at an estimated original cost. The total of such estimates is not considered large enough that the errors would be material when fixed assets are considered as a whole. Assets are capitalized which have costs over \$250. The Town, as a phase 3 government, has elected not to report major general infrastructure retroactively.

Assets of the Town are depreciated on a class life basis at the following rates:

Furniture and office equipment	20%
Infrastructure	10%

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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7. Deferred Outflows/Inflows of Resources

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

8. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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Restricted for Streets - Powell Bill – Portion of fund balance that is restricted by the North Carolina Department of Transportation for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

**Committed Fund Balance** – Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town Council of the Town of Kittrell. Any changes or removal of specific purpose requires majority action by the governing body.

**Assigned Fund Balance** – Portion of fund balance that the Town of Kittrell intends to use for a specific purpose.

Subsequent year's expenditures – Portion of the fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The Town Council of the Town of Kittrell approves the appropriation.

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

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

**II. Stewardship, Compliance, and Accountability**

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

In accordance with G.S. 159-12, prior to adoption of the annual budget ordinance, the Town is required to publish, in a newspaper with general circulation, a legal notice stating that the budget has been submitted to the board of commissioners and that a copy is available for public inspection. The notice should also give the time, the date, and the place of the budget hearing. During the process of adopting the Town's 2020-2021 budget ordinance, the Town Clerk attempted to place an advertisement with the sole newspaper focused primarily on Vance County (and the sole newspaper with which the Town has historically advertised its budget ordinances). As a result of communication difficulties introduced by the COVID-19 pandemic, the Town was unable to complete this order in advance of the budget hearing, scheduled for June 11, 2020. The Board of Commissioners approved the budget at the June 11, 2020 meeting. If similar communications issues arise in future periods, the Town will consider alternative advertising platforms, such as newspapers focused on a broader region of the State.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. 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. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The Town relies on the State Treasurer to monitor those financial institutions. The Town analyzes the financial soundness of any other financial institution used by the Town. 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 \$267,236 and a bank balance of \$269,688. All of the bank balance was covered by federal depository insurance.

2. Capital Assets

Capital asset activity for the Town of Kittrell for the year ended June 30, 2020, was as follows:

<b><u>Governmental Activities</u></b>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital assets being depreciated:</b>				
Improvements	\$ 8,280	\$ -	\$ -	\$ 8,280
Equipment and vehicles	<u>785</u>	<u>1,173</u>	<u>-</u>	<u>1,958</u>
Total capital assets being depreciated	9,065	-	-	10,238
<b>Less accumulated depreciation for:</b>				
Improvements	8,280	-	-	8,280
Equipment and vehicles	<u>785</u>	<u>-</u>	<u>-</u>	<u>785</u>
Total accumulated depreciation	<u>9,065</u>	<u>-</u>	<u>-</u>	<u>9,065</u>
Total capital assets being depreciated, net	<u>-</u>			<u>1,958</u>
<b>Governmental activity capital assets, net</b>	<u>\$ -</u>			<u>\$ 1,958</u>

The Town had no depreciation expense for the year ended June 30, 2020.

B. Liabilities

1. Deferred Outflows and Inflows of Resources

The Town has no deferred outflows of resources as of June 30, 2020.

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

General Fund:	
Property taxes receivable	\$ 1,263

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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2. 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 considers the risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions to be immaterial. The Town participates in one self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town obtains workers' compensation coverage up to statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town does not participate in any flood insurance plan. However, the Town has plans to participate in a flood insurance plan with Vance County.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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 Town Clerk, serving in a dual role as finance officer, is bonded for \$50,000. No other employee of the Town has access to funds.

3. Claims, Judgments, and Contingent Liabilities

At June 30, 2020, the Town was not a defendant to any lawsuits.

C. Fund Balance

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

<u>Total fund balance – General Fund</u>	\$ 269,519
Less:	
Stabilization by State Statute	2,645
Streets – Powell Bill	102,760
Appropriated fund balance in 2020-2021 budget	10,000
Remaining fund balance	154,114

IV. Jointly Governed Organization

The Town, in conjunction with five counties and fifteen municipalities, established the Kerr-Tar Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints at least one member to the Council's governing board. The Town paid membership fees totaling \$650 to the Council during the fiscal year ended June 30, 2020.

V. Summary Disclosure of Significant Contingencies

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 provision has been made in the accompanying financial statements for the refund of grant moneys.

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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**VI. Significant Effects of Subsequent Events**

The Town has evaluated events and transactions that occurred between June 30, 2020 and November 23, 2020 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**INDIVIDUAL FUND STATEMENTS**



**TOWN OF KITTRELL, NORTH CAROLINA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances—Budget and Actual**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Ad valorem taxes:			
Taxes	\$	\$ 8,214	\$
Penalties and interest		66	
Total	<u>8,500</u>	<u>8,280</u>	<u>(220)</u>
Unrestricted intergovernmental:			
Local option sales taxes	4,300	4,412	112
Beer and wine tax	750	749	(1)
Utility tax distributions	<u>9,500</u>	<u>8,129</u>	<u>(1,371)</u>
Total	<u>14,550</u>	<u>13,290</u>	<u>(1,260)</u>
Restricted intergovernmental:			
Powell Bill allocation	<u>5,800</u>	<u>5,785</u>	<u>(15)</u>
Total	<u>5,800</u>	<u>5,785</u>	<u>(15)</u>
Investment earnings	<u>15</u>	<u>2,172</u>	<u>2,157</u>
<b>Total Revenues</b>	<u>28,865</u>	<u>29,527</u>	<u>662</u>

**TOWN OF KITTRELL, NORTH CAROLINA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances—Budget and Actual**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES</b>			
General Government:			
Administration:			
Clerk fee	\$	\$ 3,600	\$
Professional services		6,170	
Mayor and commissioner fees		2,940	
Workers' compensation insurance		600	
Bonding insurance		175	
Dues and assessments		995	
Utilities		4,423	
Election expenses		1,895	
Bank charges		123	
Payroll taxes		500	
Rent		600	
Office supplies		1,497	
Miscellaneous		170	
<b>Total General Government</b>	<u>28,865</u>	<u>23,688</u>	<u>5,177</u>
Public Safety:			
Contribution to fire department	550	550	-
Contribution for accessible door	2,150	2,150	-
<b>Total Public Safety</b>	<u>2,700</u>	<u>2,700</u>	<u>-</u>
Transportation:			
Street repair and construction	7,300	6,225	1,075
<b>Total Expenditures</b>	<u>38,865</u>	<u>32,613</u>	<u>6,252</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(10,000)	(3,086)	6,914
Appropriated Fund Balance	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(3,086)</u>	<u>\$ (3,086)</u>
<b>FUND BALANCE:</b>			
Beginning of year — July 1		<u>272,605</u>	
End of year — June 30		<u>\$ 269,519</u>	

## **OTHER SCHEDULES**

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2018-2019	\$ -	\$ 8,534	\$ 8,050	\$ 484
2017-2018	538	-	113	425
2016-2017	204	-	74	130
2015-2016	83	-	9	74
2014-2015	104	-	13	91
2013-2014	19	-	5	14
2012-2013	22	-	5	17
2011-2012	24	-	5	19
2010-2011	5	-	-	5
2009-2010	4	-	-	4
2008-2009	7	-	7	-
	<u>\$ 1,010</u>	<u>\$ 8,534</u>	<u>\$ 8,281</u>	<u>\$ 1,263</u>

Reconcilement with revenues:

Ad valorem taxes—General Fund	\$ 8,280
Reconciling items:	
Interest and fees collected	(66)
Collectors charges	59
Releases	1
Taxes written off	7
	<u>7</u>
Total Collection and Credits	<u>\$ 8,281</u>

**TOWN OF KITTRELL, NORTH CAROLINA**  
**Analysis of Current Tax Levy**  
**Town-Wide Levy**  
**For the Fiscal Year Ended June 30, 2020**

	Town-Wide		Total Levy		
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 8,482,953	0.10	\$ 8,483	\$ 7,330	\$ 1,153
Penalty			24	24	-
Total	8,482,953		8,507	7,354	1,153
Discoveries:					
Current year taxes	7,294	0.10	7	7	-
Prior year taxes	21,212	0.10	21	21	-
Total	28,506		28	28	-
Abatements:					
Current year taxes	-	0.10	-	-	-
Prior year taxes	(1,316)	0.10	(1)	(1)	-
Total	(1,316)		(1)	(1)	-
Total Property Valuation	<u>\$ 8,510,143</u>				
Net Levy			8,534	7,381	1,153
Uncollected taxes at June 30, 2020			484	484	-
Current year's taxes collected			<u>\$ 8,050</u>	<u>\$ 6,897</u>	<u>\$ 1,153</u>
Current levy collection percentage			<u>94.33%</u>	<u>93.44%</u>	<u>100.00%</u>