

**TOWN OF POLLOCKSVILLE
North Carolina**

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

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North Carolina**

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

Prepared By
BARROW, PARRIS & DAVENPORT, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
Kinston, North Carolina

TOWN OF POLLOCKSVILLE, NORTH CAROLINA

MAYOR

James V. Bender, Jr.

BOARD OF COMMISSIONERS

Maria Robles

Nancy Barbee

Ellis Banks

Michael Duffy

Sherry Henderson

FINANCE OFFICER

Jenny Miller

TOWN CLERK

Toni Floyd

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Commissioners
Town of Pollocksville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pollocksville, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pollocksville, North Carolina, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Downtown Revitalization Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 38 and 39, respectively, 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 not applied the certain limited procedures to the required supplementary information typically performed 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.

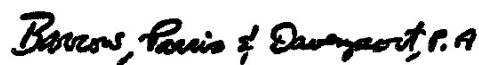
Supplementary and Other Information

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 Pollocksville, North Carolina. The individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2021 on our consideration of Town of Pollocksville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Pollocksville's internal control over financial reporting and compliance.



BARROW, PARRIS & DAVENPORT, P.A.
Kinston, North Carolina

June 22, 2021

Management's Discussion and Analysis

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

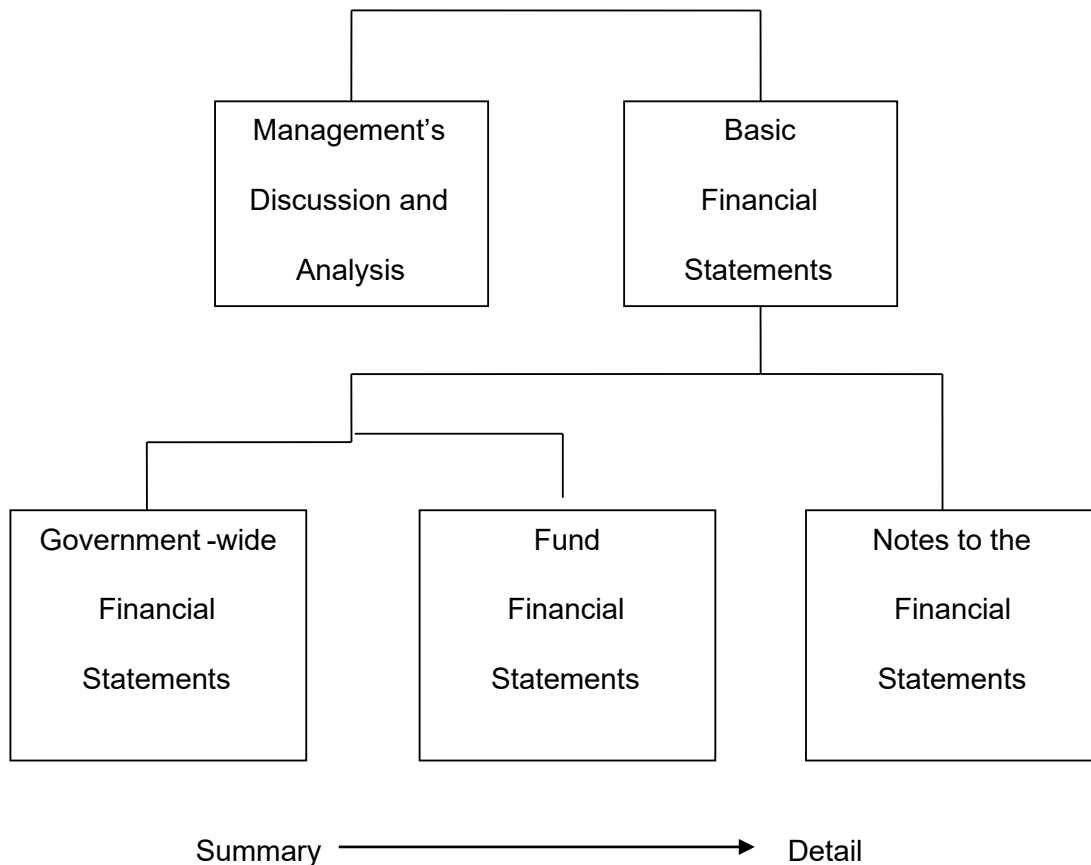
Financial Highlights

- The assets and deferred outflows of the Town of Pollocksville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,643,309 (*net position*).
- The government's total net position decreased by \$60,551, due to a decrease in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Pollocksville's governmental funds reported ending fund balances of \$644,354 with a net change of \$79,903 in fund balance. Approximately 8.75 percent of this total amount, or \$56,393, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$427,632, or 239.23 percent of total general fund expenditures for the fiscal year.
- The Town of Pollocksville's total debt increased by \$132,417 (21.26%) during the current fiscal year. The Town received the first installment (\$166,000) of a loan from the North Carolina Office of Recovery and Resiliency, the total amount of which is \$1,660,000. This loan will be used to cover the Town's expenses that are eligible for reimbursement by the Federal Emergency Management Agency (FEMA) Public Assistance program. The Town is currently making payments on its sewer bonds issued in 1995 as well as an ARRA loan.
- The Town had one capital project related to the relocation and restoration of the train depot (Town hall) during the year. The Town is using the loan from the North Carolina Office of Recovery and Resiliency to fund the project until it receives reimbursement from FEMA. The project was ongoing at year end.
- The Town had one special revenue fund related to the revitalization of its downtown area. The Town received \$100,000 from the North Carolina Department of Commerce, Rural Economic Development Commission. The Town is using the grant proceeds to make improvements to building facades, parks, streetscapes, and other various improvements to its downtown area. This project was ongoing at year end.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how 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 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, public works, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer offered by the Town of Pollocksville.

The government-wide financial statements are on Exhibits 1 and 2 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 Pollocksville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Pollocksville can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Pollocksville 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.

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Pollocksville has one fiduciary fund, which is an agency fund.

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 pages 21-37 of this report.

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

Government-Wide Financial Analysis

**Town of Pollocksville's Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$1,112,261	\$1,034,299	\$285,277	\$316,144	\$1,397,538	\$1,350,443
Capital assets	371,868	276,435	4,130,273	4,298,971	4,502,141	4,575,406
Deferred outflows of resources	720	2,707	7,193	8,823	7,913	11,530
Total assets and deferred outflows of resources	\$1,484,849	\$1,313,441	\$4,422,743	\$4,623,938	\$5,907,592	\$5,937,379
Current liabilities	\$20,663	\$10,411	\$82,407	\$189,122	\$103,070	\$199,533
Long-term liabilities	167,267	3,063	566,904	599,311	734,171	602,374
Deferred inflows of resources	425,875	430,215	1,167	1,397	427,042	431,612
Total liabilities and deferred inflows of resources	\$613,805	\$443,689	\$650,478	\$789,830	\$1,264,283	\$1,233,519
Net position:						
Net investment in capital assets	\$371,868	\$276,435	\$3,540,947	\$3,676,062	\$3,912,815	\$3,952,497
Restricted	56,393	62,467			56,393	62,467
Unrestricted	442,783	530,850	231,318	158,046	674,101	688,896
Total net position	\$871,044	\$869,752	\$3,772,265	\$3,834,108	\$4,643,309	\$4,703,860

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Pollocksville exceeded liabilities and deferred inflows by \$4,643,309 as of June 30, 2020. The Town's net position decreased by \$60,551 for the fiscal year ended June 30, 2020. However, the largest portion (84.27%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Pollocksville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pollocksville's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Pollocksville's net position (1.21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$674,101 is unrestricted.

**Town of Pollocksville Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services			\$211,379	\$244,229	\$211,379	\$244,229
Operating grants and contributions	\$128,040	\$95,898	23,757	248,820	151,797	344,718
Capital grants and contributions		3,913		20,575		24,488
General revenues:						
Property taxes	67,445	77,286			67,445	77,286
Grants and contributions not restricted to specific programs	48,992	49,059			48,992	49,059
Other	18,539	21,773	463	519	19,002	22,292
Total revenues	\$263,016	\$247,929	\$235,599	\$514,143	\$498,615	\$762,072
Expenses:						
General government	\$90,809	\$135,268			\$90,809	\$135,268
Public safety	40,338	33,770			40,338	33,770
Public works	26,546	45,983			26,546	45,983
Economic and Physical Development	23,255				23,255	
Water and sewer			\$378,218	\$663,733	378,218	663,733
Total expenses	\$180,948	\$215,021	\$378,218	\$663,733	\$559,166	\$878,754
Increase (decrease) in net position before transfers and extraordinary item	\$82,068	\$32,908	(\$142,619)	(\$149,590)	(\$60,551)	(\$116,682)
Transfers	(80,776)	(83,469)	80,776	83,469		
Extraordinary item: gain on insurance recovery		135,798				135,798
Increase (decrease) in net position before transfers and extraordinary item	\$1,292	\$85,237	(\$61,843)	(\$66,121)	(\$60,551)	\$19,116
Net position, July 1	869,752	784,515	3,834,108	3,900,229	4,703,860	4,684,744
Net position, June 30	\$871,044	\$869,752	\$3,772,265	\$3,834,108	\$4,643,309	\$4,703,860

Governmental activities. Governmental activities increased the Town's net position by \$1,292. Key elements of this increase are as follows:

- Operating revenues increased by \$15,087, primarily due to an increase in operating grants. Expenses decreased by \$34,073, primarily in the areas of general government and public works.

Business-type activities: Business-type activities decreased the Town of Pollocksville's net position by (\$61,843). Key elements of this decrease are as follows:

- Expenses decreased by \$285,515. In the prior year, the Town made major hurricane-related repairs to the sewer system.
- Operating revenues decreased by \$278,544 or 54.18% compared to the prior year primarily due to a decrease in operating grants. In the prior year, the Town received from Golden Leaf Foundation to assist with repairs to the system.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Pollocksville. At the end of the current fiscal year, Town of Pollocksville's fund balance available in the General Fund was \$454,546, while total fund balance reached \$510,939. The Town currently has an available fund balance of 251.29% of general fund expenditures, and total fund balance represents 285.84% of the same amount. The Town has not adopted a formal fund balance policy.

At June 30, 2020, the governmental funds of the Town of Pollocksville reported a combined fund balance of \$644,354, with a net increase in fund balance of \$79,903. Included in this change in fund balance is an increase in fund balance in the Capital Projects Fund.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds. The Town of Pollocksville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$231,318. The total decrease in net position for the fund was (\$61,843). Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Pollocksville's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Pollocksville's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$4,502,141 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, water and sewer facilities, and vehicles.

Major capital asset transactions during the year include the following additions and disposals:

- The Town purchased land for \$55,342 for relocation and restoration of the train depot.
- The Town had construction in progress of \$32,585 in governmental-type activities for the relocation and restoration of the train depot.
- The Town purchased street signs for \$17,681 and made improvements to the old fire station building of \$7,860.

Town of Pollocksville's Capital Assets
(net of depreciation)
Figure 4

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities		
	2020	2019	2020	2019	2020	2019
Land	\$89,817	\$34,475	\$21,695	\$21,695	\$111,512	\$56,170
Construction in Progress	32,585				32,585	
Buildings and System	8,752	1,363	4,107,137	4,275,134	4,115,889	4,276,497
Machinery and Equipment	22,689	28,397			22,689	28,397
Infrastructure	218,025	212,200			218,025	212,200
Vehicles and Motorized Equipment			1,441	2,142	1,441	2,142
Total	\$371,868	\$276,435	\$4,130,273	\$4,298,971	\$4,502,141	\$4,575,406

Additional information on the Town's capital assets can be found in note III.A.4 beginning on page 28 of this report.

Long-term Debt. As of June 30, 2020, the Town of Pollocksville had total bonded debt outstanding of \$755,326. Of this, \$755,326 is debt backed by the full faith and credit of the Town.

Town of Pollocksville's Outstanding Debt
Figure 5

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities		
	2020	2019	2020	2019	2020	2019
NCORR State Revolving Loan	\$166,000				\$166,000	
Direct Placement Installment Purchase			\$40,826	\$44,909	40,826	\$44,909
General Obligation Bonds			548,500	578,000	548,500	578,000
Net Pension Liability (LGERS)	1,267	\$3,063	12,661	9,985	13,928	13,048
Total	\$167,267	\$3,063	\$601,987	\$632,894	\$769,254	\$635,957

The Town of Pollocksville's total debt increased by \$132,417 (21.26%). The Town received the first installment of a State Revolving Loan from the North Carolina Office of Recovery and Resiliency (NCORR) in the amount of \$166,000. The full amount of the loan will be \$1,660,000, and it expires on April 28, 2023. This is a loan related to the FEMA projects that will be paid back once the grant funds are received.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Pollocksville is \$1,412,565.

Additional information regarding the Town of Pollocksville's long-term debt can be found in note III-B-6 beginning on page 34 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Jones County's unemployment rate is 5.8% for June 2020 compared to 4.2% at June 2019. The Statewide averages were 7.6% at June 2020 and 4.0% at June 2019.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The tax rate will remain at 38 cents per \$100 valuation. Budgeted expenditures in the General Fund are also expected to be consistent with the prior year.

Business – type Activities: The Town expects water and sewer revenues to be consistent with the prior year. General operating expenses are also expected to be consistent with the prior year. The Town will also pay \$35,083 in principal to reduce its sewer debt.

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 Pollocksville, P.O. Box 97, Pollocksville, NC 28573. One can also call (252) 224-9831 or visit our website at www.townofpollocksville.com.

BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$1,034,381	\$241,980	\$1,276,361
Taxes Receivables (Net)	14,525		14,525
Accrued Interest Receivable on Taxes	3,417		3,417
Accounts Receivable (Net)		19,770	19,770
Due From Other Governments	9,050		9,050
Internal Balances	18,767	(18,767)	
Restricted Cash and Cash Equivalents	32,121	42,294	74,415
Total Current Assets	\$1,112,261	\$285,277	\$1,397,538
<i>Capital Assets:</i>			
Land, Non-depreciable Improvements, and Construction in Progress	\$122,402	\$21,695	\$144,097
Other Capital Assets, Net of Depreciation	249,466	4,108,578	4,358,044
Total Capital Assets	\$371,868	\$4,130,273	\$4,502,141
Total Assets	\$1,484,129	\$4,415,550	\$5,899,679
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Deferrals	\$720	\$7,193	\$7,913
Total Deferred Outflows of Resources	\$720	\$7,193	\$7,913
<u>LIABILITIES</u>			
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	\$20,663	\$2,663	\$23,326
Accrued Interest Payable		2,367	2,367
Payable from Restricted Assets		42,294	42,294
Current Portion of Long-term Liabilities		35,083	35,083
Total Current Liabilities	\$20,663	\$82,407	\$103,070
<i>Long-term Liabilities:</i>			
Net Pension Liability	1,267	12,661	13,928
Due In More Than One Year	166,000	554,243	720,243
Total Liabilities	\$187,930	\$649,311	\$837,241
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Deferrals	\$117	\$1,167	\$1,284
Grants Not Earned	425,758		425,758
Total Deferred Inflows of Resources	\$425,875	\$1,167	\$427,042
Net Position:			
Net Investment in Capital Assets	\$371,868	\$3,540,947	\$3,912,815
<i>Restricted For:</i>			
Stabilization by State Statute	24,272		24,272
Streets	32,121		32,121
Unrestricted	442,783	231,318	674,101
Total Net Position	\$871,044	\$3,772,265	\$4,643,309

The accompanying notes are an integral part of the financial statements.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$90,809		\$80,776		(\$10,033)		(\$10,033)
Public Safety	40,338				(40,338)		(40,338)
Public Works	26,546		24,009		(2,537)		(2,537)
Economic and Physical Development	23,255		23,255				
Total Governmental Activities	\$180,948	\$0	\$128,040	\$0	(\$52,908)	\$0	(\$52,908)
Business-type Activities:							
Water and Sewer	\$378,218	\$211,379	\$23,757			(\$143,082)	(\$143,082)
Total Business-type Activities	\$378,218	\$211,379	\$23,757	\$0		(\$143,082)	(\$143,082)
Total Primary Government	\$559,166	\$211,379	\$151,797	\$0	(\$52,908)	(\$143,082)	(\$195,990)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purpose					\$67,445		\$67,445
Grants and Contributions Not Restricted to Specific Programs					48,992		48,992
Investment Earnings, Unrestricted					7,270	\$463	7,733
Miscellaneous, Unrestricted					11,269		11,269
Total General Revenues Not Including Transfers					\$134,976	\$463	\$135,439
Transfers					(80,776)	80,776	
Total General Revenues And Transfers					\$54,200	\$81,239	\$135,439
Change in Net Position					\$1,292	(\$61,843)	(\$60,551)
<i>Net Position, Beginning</i>					869,752	3,834,108	4,703,860
NET POSITION, ENDING					\$871,044	\$3,772,265	\$4,643,309

The accompanying notes are an integral part of the financial statements.

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

	Major Funds			
	General	Downtown Revitalization	Train Depot Relocation & Restoration	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$806,466	\$90,000	\$137,915	\$1,034,381
Restricted Cash and Cash Equivalents	32,121			32,121
Taxes Receivable (Net)	14,525			14,525
Due From Other Funds	18,767			18,767
Due From Other Governments	9,050			9,050
TOTAL ASSETS	\$880,929	\$90,000	\$137,915	\$1,108,844
LIABILITIES:				
<i>Liabilities:</i>				
Accounts Payable and Accrued Liabilities	\$16,163		\$4,500	\$20,663
Total Liabilities	\$16,163	\$0	\$4,500	\$20,663
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes Receivable	\$14,525			\$14,525
Franchise Taxes Receivable	3,544			3,544
Grants Not Earned	335,758	\$90,000		425,758
Total Deferred Inflows of Resources	\$353,827	\$90,000	\$0	\$443,827
FUND BALANCES:				
Restricted:				
Stabilization by State Statute	\$24,272			\$24,272
Streets - Powell Bill	32,121			32,121
Assigned:				
Subsequent Year's Expenditures	26,914			26,914
Train Depot Relocation & Restoration			\$133,415	133,415
Unassigned	427,632			427,632
Total Fund Balances	\$510,939	\$0	\$133,415	\$644,354
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$880,929	\$90,000	\$137,915	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				
Gross capital assets at historical cost			\$599,257	
Accumulated depreciation			(227,389)	
				371,868
Deferred outflows of resources related to pensions are not reported in funds.				
				720
Liabilities for earned revenues considered deferred inflows of resources in fund statements				
				18,069
Deferred inflows of resources related to pensions are not reported in funds.				
				(117)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.				
Net pension liability				(1,267)
Long-term debt included as net position below				(166,000)
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and are deferred in the funds.				
				3,417
Net Position of Governmental Activities				\$871,044

The accompanying notes are an integral part of the financial statements.

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

	Major Funds			Total
	General	Downtown Revitalization	Train Depot Relocation & Restoration	Governmental Funds
REVENUES:				
Ad Valorem Taxes	\$75,374			\$75,374
Unrestricted Intergovernmental	49,405			49,405
Restricted Intergovernmental	118,040	\$10,000		128,040
Permits and Fees	235			235
Investment Earnings	7,270			7,270
Other Revenues	4,746			4,746
TOTAL REVENUES	\$255,070	\$10,000	\$0	\$265,070
EXPENDITURES:				
<i>Current:</i>				
General Government	\$99,764			\$99,764
Public Safety	39,187			39,187
Public Works	26,546			26,546
Economic and Physical Development	13,255	\$10,000	\$87,927	111,182
TOTAL EXPENDITURES	\$178,752	\$10,000	\$87,927	\$276,679
OTHER FINANCING SOURCES (USES):				
Transfers from Other Funds			\$55,342	\$55,342
Transfers to Other Funds	(\$136,118)			(136,118)
Insurance Recovery	6,288			6,288
NCORR State Revolving Loan Proceeds			166,000	166,000
TOTAL OTHER FINANCING SOURCES (USES)	(\$129,830)	\$0	\$221,342	\$91,512
Net Change in Fund Balance	(\$53,512)	\$0	\$133,415	\$79,903
<i>Fund Balance, Beginning</i>	564,451			564,451
FUND BALANCE, ENDING	\$510,939	\$0	\$133,415	\$644,354

The accompanying notes are an integral part of the financial statements.

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

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

Net changes in fund balances - total governmental funds		\$79,903
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:		
Capital outlay expenditures that were capitalized	113,468	
Depreciation expense for governmental assets	<u>(18,035)</u>	
		95,433
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		1,987
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues	(7,928)	
Change in unavailable revenue for other revenues	<u>(413)</u>	
		(8,341)
The issuance of long-term debt provides current financial resources to governmental funds. This transaction has no effect on net position.		
New long-term debt issued		(166,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension expense	<u>(1,690)</u>	
		<u>(1,690)</u>
Total Changes in Net Position of Governmental Activities		<u><u>\$1,292</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	General Fund				Downtown Revitalization Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Positive (Negative)	Original Budget	Final Budget	Actual Amounts	Variance with Final Positive (Negative)
Revenues:								
Ad Valorem Taxes	\$64,670	\$64,670	\$75,374	\$10,704				
Unrestricted Intergovernmental	46,029	46,029	49,405	3,376				
Restricted Intergovernmental	12,400	12,400	118,040	105,640		\$100,000	\$10,000	(\$90,000)
Permits and Fees	250	250	235	(15)				
Investment Earnings			7,270	7,270				
Miscellaneous	75,508	78,358	4,746	(73,612)				
Total Revenues	\$198,857	\$201,707	\$255,070	\$53,363	\$0	\$100,000	\$10,000	(\$90,000)
Expenditures:								
<i>Current:</i>								
General Government	\$147,064	\$147,812	\$99,764	\$48,048				
Public Safety	39,512	39,512	39,187	325				
Public Works	73,150	73,652	26,546	47,106				
Economic and Physical Development	63,500	63,500	13,255	50,245		\$100,000	\$10,000	\$90,000
Total Expenditures	\$323,226	\$324,476	\$178,752	\$145,724	\$0	\$100,000	\$10,000	\$90,000
Revenues Over (Under) Expenditures	(\$124,369)	(\$122,769)	\$76,318	\$199,087	\$0	\$0	\$0	\$0
Other Financing Sources (Uses):								
Transfers to Other Funds		(\$55,342)	(\$136,118)	(\$80,776)				
Insurance Recovery			6,288	6,288				
Total Other Financing Sources (Uses)		(\$55,342)	(\$129,830)	(\$74,488)		\$0	\$0	\$0
Fund Balance Appropriated	\$124,369	\$178,111		(\$178,111)				\$0
Net Change in Fund Balance	\$0	\$0	(\$53,512)	(\$53,512)	\$0	\$0	\$0	\$0
<i>Fund Balances:</i>								
<i>Beginning of Year, July 1</i>			564,451					
End of Year, June 30			\$510,939				\$0	

The accompanying notes are an integral part of the financial statements.

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

	Major Enterprise Fund Water & Sewer Fund
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$241,980
Accounts Receivable (Net)	19,770
Restricted Cash and Cash Equivalents	42,294
Total Current Assets	\$304,044
Noncurrent Assets:	
Capital Assets:	
Land and Other Non-Depreciable Assets	\$21,695
Other Capital Assets, Net of Depreciation	4,108,578
Total Capital Assets (Net)	\$4,130,273
Total Noncurrent Assets	\$4,130,273
Total Assets	\$4,434,317
<u>Deferred Outflows of Resources</u>	
Pension Deferrals	\$7,193
Total Deferred Outflows of Resources	\$7,193
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	\$2,663
Due to Other Funds	18,767
Accrued Interest Payable	2,367
General Obligation Bonds Payable - Current	31,000
Installment Note Payable - Current	4,083
Liabilities Payable from Restricted Assets:	
Customer Deposits	42,294
Total Current Liabilities	\$101,174
Noncurrent Liabilities:	
General Obligation Bonds Payable - Noncurrent	\$517,500
Installment Note Payable - Noncurrent	36,743
Net Pension Liability	12,661
Total Noncurrent Liabilities	\$566,904
Total Liabilities	\$668,078
<u>Deferred Inflows of Resources</u>	
Pension Deferrals	\$1,167
Total Deferred Inflows of Resources	\$1,167
<u>Net Position</u>	
Net Investment in Capital Assets	\$3,540,947
Unrestricted	231,318
Total Net Position	\$3,772,265

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Major Enterprise Fund Water and Sewer Fund
OPERATING REVENUES:	
Charges for Services	\$208,866
Other Operating Revenues	2,513
Total Operating Revenues	\$211,379
OPERATING EXPENSES:	
Administration	\$86,236
Water and Sewer Treatment and Distribution	93,066
Depreciation	168,698
Total Operating Expenses	\$348,000
Operating Income (Loss)	(\$136,621)
NONOPERATING REVENUES (EXPENSES):	
Investment Earnings	\$463
FEMA Revenues	23,757
Interest and Other Charges	(30,218)
Total Nonoperating Revenues (Expenses)	(\$5,998)
Income (Loss) Before Contributions and Transfers	(\$142,619)
Transfers From Other Funds	\$80,776
Change in Net Position	(\$61,843)
Total Net Position, Beginning	3,834,108
Total Net Position, Ending	\$3,772,265

The accompanying notes are an integral part of the financial statements.

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

	Major Enterprise Fund Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	\$349,668
Cash Paid for Goods and Services	(204,713)
Cash Paid to or on Behalf of Employees for Services	(82,160)
Customer Deposits Received	5,095
Customer Deposits Returned	(1,536)
Net Cash Provided (Used) by Operating Activities	\$66,354
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	\$80,776
FEMA Revenues	23,757
Net Cash Provided (Used) by Noncapital Financing Activities	\$104,533
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Bond Maturities	(\$33,583)
Interest Paid on Bond Maturities	(30,345)
Net Cash Provided (Used) by Capital and Related Financing Activities	(\$63,928)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earnings	\$463
Net Increase (Decrease) in Cash and Cash Equivalents	\$107,422
Cash and Cash Equivalents, July 1	176,852
Cash and Cash Equivalents, June 30	\$284,274
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>	
Operating Income (Loss)	(\$136,621)
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</i>	
Depreciation	\$168,698
<i>Changes in Assets, Deferred Inflows and Outflows and Liabilities:</i>	
(Increase) Decrease in Accounts Receivable	138,289
(Increase) Decrease in Deferred Outflows of Resources for Pensions	1,630
Increase in Net Pension Liability	2,676
Increase (Decrease) in Deferred Inflows of Resources for Pensions	(230)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(111,647)
Increase (Decrease) in Customer Deposits	3,559
Total Adjustments	\$202,975
Net Cash Provided by (Used by) Operating Activities	\$66,354

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2020

	Agency Fund
	<u> </u>
<u>Assets</u>	
Cash and Cash Equivalents	<u><u>\$1,210</u></u>
<u>Liabilities and Net Assets</u>	
<i>Liabilities:</i>	
Intergovernmental Payable	<u>\$1,210</u>
Total Liabilities	<u><u>\$1,210</u></u>

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Pollocksville 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 Pollocksville is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and all of its operations.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund is used for accounts for and report all financial resources not accounted for and reported 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.

Downtown Revitalization Special Revenue Fund. This fund is used to account for streetscapes, building facades, and other costs associated with the Town's revitalization of the Town's downtown businesses.

Train Depot Relocation and Restoration Capital Project Fund. This fund is used to account for the relocation and restoration of the Train Depot, which also will serve as the Town Hall.

The Town reports the following major enterprise fund:

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

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

The Town reports the following fund type:

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the Town is required to remit to the Jones County Board of Education.

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

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

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

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 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.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Downtown Revitalization Special Revenue Fund and the Train Depot Relocation and Restoration Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multiyear funds. Amendments are required for any revisions to the budget. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred 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.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

Restricted Cash:

Governmental Activities

General Fund:

Streets	\$32,121
Total Governmental Activities	<u><u>\$32,121</u></u>

Business-type Activities

Water and Sewer Fund:

Customer Deposits	\$42,294
Total Business-type Activities	<u><u>\$42,294</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$1,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$1,000; infrastructure, \$1,000; furniture and equipment, \$1,000; and vehicles, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. General infrastructure assets acquired prior to July 1, 2003 have not been capitalized as the Town has elected not to retroactively implement the capitalization of infrastructure.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	10 - 25
Vehicles	6
Furnishings and Fixtures	5 - 10
Computer Equipment	3
Equipment (Non-Computer)	5 - 10
Software	5 - 7

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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. The Town has one item that meet this criterion at the end of the year, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – property taxes receivable, pension deferrals, and unearned grants.

8. Long-Term Obligations

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

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

9. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, the liability related to compensated absences has been deemed immaterial and has not been recorded.

The Town's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified 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:

Non-Spendable 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.

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Committed Fund Balance – This classification includes the portion of fund balance that can only be used for specific purposes imposed by majority vote of quorum of the Town of Pollocksville's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – This classification includes portion of fund balance that the Town of Pollocksville intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves all appropriations.

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

11. *Defined Benefit Cost-Sharing Plans*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Pollocksville's employer contributions are recognized when due and the Town of Pollocksville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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II. Stewardship, Compliance, and Accountability

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

Noncompliance with North Carolina General Statutes

The Town's capital project is not in accordance with State law (G.S. 159-13.2(b)). State law requires that a capital project ordinance must be adopted before the beginning of the project. The Town did not adopt a capital project budget for the Train Depot Relocation and Restoration Capital Project fund before beginning the project. Management will adopt a capital project budget as soon as possible.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, expenditures in the Train Depot Relocation and Restoration Capital Project Fund exceeded appropriations by \$87,927. This over-expenditure occurred because a capital budget project was not adopted for the fund. In addition, a transfer from the Town's General Fund to the Town's Water and Sewer Fund for \$80,776 was not budgeted. Management will more closely review budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent 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 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 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 \$1,351,911 and a bank balance of \$1,571,324. Of the bank balance, \$271,385 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$75.

2. Accounts Receivable

Receivables at the government-wide level at June 30, 2020, were as follows:

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	Due From Other Governments	Other	Due From Other Funds (Internal Balances)	Total
Governmental Activities:				
General Fund	\$9,050		\$18,767	\$27,817
Business-Type Activities:				
Enterprise Fund		\$19,770	(18,767)	1,003
	\$9,050	\$19,770	\$0	\$28,820

Due from other governments consists of the following:

Governmental Activities:	
Local Option Sales Tax	\$4,737
Utility Franchise and Telecommunications	
Sales Tax	3,546
Motor Vehicle Tax Due From Jones County	767
	\$9,050

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Statement of Net Position and the Statement of Fund Net Position is net of the following allowances for doubtful accounts:

Business-Type Activities:	
Enterprise Fund	\$5,415
	\$5,415

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$34,475	\$55,342		\$89,817
Construction in Progress		32,585		32,585
Total Capital Assets Not Being Depreciated	\$34,475	\$87,927	\$0	\$122,402
Capital Assets Being Depreciated:				
Buildings	\$17,000	\$7,860		\$24,860
Equipment	67,701			67,701
Infrastructure	346,842	17,681		364,523
Vehicles and Motorized Equipment	19,771			19,771
Total Capital Assets Being Depreciated	\$451,314	\$25,541	\$0	\$476,855
Less Accumulated Depreciation for:				
Buildings	\$15,637	\$471		\$16,108
Equipment	39,304	5,708		45,012
Infrastructure	134,642	11,856		146,498
Vehicles and Motorized Equipment	19,771			19,771
Total Accumulated Depreciation	\$209,354	\$18,035	\$0	\$227,389
Total Capital Assets Being Depreciated, Net	\$241,960			\$249,466
Governmental Activity Capital Assets, Net	\$276,435			\$371,868

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Depreciation expense for governmental activities was charged to functions/programs of the Town as follows:

General Government	\$16,884
Public Safety	1,151

Total Depreciation Expense	<u>\$18,035</u>
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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activity:				
<i>Water and Sewer Fund:</i>				
Capital Assets Not Being Depreciated:				
Land	\$21,695			\$21,695
Total Capital Assets Not Being Depreciated	<u>\$21,695</u>	<u>\$0</u>	<u>\$0</u>	<u>\$21,695</u>
Capital Assets Being Depreciated:				
Plant and Distribution Systems	\$7,016,374			\$7,016,374
Furniture and Maintenance Equipment	150			150
Vehicles and Construction Equipment	96,810			96,810
Total Assets Being Depreciated	<u>\$7,113,334</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,113,334</u>
<i>Less Accumulated Depreciation for:</i>				
Plant and Distribution Systems	\$2,741,240	\$167,997		\$2,909,237
Furniture and Maintenance Equipment	150			150
Vehicles and Construction Equipment	94,668	701		95,369
Total Accumulated Depreciation	<u>\$2,836,058</u>	<u>\$168,698</u>	<u>\$0</u>	<u>\$3,004,756</u>
Total Capital Assets Being Depreciated, Net	<u>\$4,277,276</u>			<u>\$4,108,578</u>
Water and Sewer Fund Capital Assets, Net	<u>\$4,298,971</u>			<u>\$4,130,273</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2020 were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Capital Projects</u>	<u>Total</u>
Governmental Activities:				
General Fund	<u>\$17,032</u>	<u>\$3,631</u>	<u>\$0</u>	<u>\$20,663</u>
Business-Type Activities:				
Water and Sewer Fund	<u>\$2,663</u>			<u>\$2,663</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Pollocksville is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North

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Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020 was 8.95% for employees, actuarially determined as an amount that, when combined with employer contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$2,412 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$13,928 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of the future payroll covered by the pension plan of all participating LGERS employees, actuarially determined. At June 30, 2019, the Town's proportion was 0.0005%, which was a decrease of 0.0001% from its proportion measured at June 30, 2018.

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For the year ended June 30, 2020, the Town recognized pension expense of 3,956. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,385	
Changes of assumptions	2,270	
Net difference between projected and actual earnings on pension plan investments	340	
Change in proportion and differences between Town contributions and proportionate share of contributions	506	\$1,284
Town contributions subsequent to the measurement date	2,412	
	\$7,913	\$1,284

\$2,412 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$2,494
2021	339
2022	980
2023	404
2024	-
Thereafter	-
	\$4,217

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
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yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target class allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Asset Class	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00 percent) or 1-percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$31,855	\$13,928	(\$974)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

3. Deferred Outflows and Inflows of Resources:

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

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Differences between expected and actual experience	\$2,385
Changes of assumptions	2,270
Net difference between projected and actual earnings on pension plan investments	340
Change in proportion and differences between Town contributions and proportionate share of contributions	506
Town contributions subsequent to the measurement date	2,412
Total	\$7,913

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable (General Fund), less penalties		\$14,525
Franchise Taxes Receivable (General Fund)		3,544
Grants Not Earned	\$425,758	425,758
Change in proportion and differences between Town contributions and proportionate share of contributions	1,284	
Total	\$427,042	\$443,827

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the N.C. League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town is also eligible to and has purchased commercial flood insurance for another \$207,500 of coverage for the Town Hall.

In September 2018, flooding caused by Hurricane Florence caused extensive damage to the Town Hall and destroyed its contents. The Town has received approximately \$406,000 at the statement date in flood insurance proceeds.

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

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5. Claims and Judgments

At June 30, 2020, the Town was not a defendant to any lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Installment Purchase Obligation

On December 15, 2010, the Town entered into a financing agreement with NC Department of Environment & Natural Resources – Division of Water Quality to complete a construction project designed to provide more updated and improved meters to local area residents and improved meter reading function to Town personnel. The financing contract is part of the American Recovery Reinvestment Act of 2009 (ARRA) and totals \$163,304, with a forgiveness principal amount of \$81,652. The loan requires 20 annual principal payments in the amount of \$4,083 beginning May 2011. The agreement carries an interest rate of 0%. The project assets and the related liability will be recorded in the Water and Sewer Fund. The balance at June 30, 2020 is \$40,826.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30,	Business Activities	
	Principal	Interest
2021	\$4,083	\$0
2022	4,083	0
2023	4,083	0
2024	4,083	0
2025	4,083	0
2026-2030	20,411	0
Total	\$40,826	\$0

b. General Obligation Indebtedness

Those general obligation indebtedness issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation indebtedness is collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

General obligation debt payable at June 30, 2020 is comprised of the following individual issues:

Series A Sewer Bonds held by Rural Economic and Community Development issued on September 7, 1995, due in annual variable installments through June 1, 2034; interest at 5.25%.

\$502,500

Series B Sewer Bonds held by Rural Economic and Community Development issued on September 7, 1995, due in annual variable installments through June 1, 2034; interest at 5.25%.

46,000

\$548,500

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Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30,	Business Activities	
	Principal	Interest
2021	\$31,000	\$28,796
2022	33,000	27,169
2023	34,500	25,436
2024	37,000	23,626
2025	38,500	21,683
2026-2030	206,500	67,987
2031-2034	168,000	30,870
Total	\$548,500	\$225,567

c. NCORR State Revolving Loan

On April 28, 2020, the Town was approved by the North Carolina Office of Recovery and Resiliency ("NCORR") to receive a temporary loan of \$1,660,000 to cover expenses eligible for reimbursement by the Federal Emergency Management Agency (FEMA) Public Assistance program. The Town received the initial draw of \$166,000 in June 2020. The agreement carries a 0% interest rate. Repayment of the loan will occur at the time of reimbursement by FEMA. The agreement shall terminate on April 28, 2023 or upon full repayment of loan proceeds and submission of the Town's final report, whichever comes first. The outstanding loan balance is expected to be repaid during the fiscal year ending June 30, 2022.

d. Changes in Long-Term Liabilities

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental Activities:					
Net Pension Liability (LGRS)	\$3,063		\$1,796	\$1,267	
NCORR State Revolving Loan		\$166,000		166,000	
Governmental Activity Long-Term Liabilities	\$3,063	\$166,000	\$1,796	\$167,267	\$0

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Business-type Activities:					
Net Pension Liability (LGRS)	\$9,985	\$2,676		\$12,661	
Direct Placement Installment Purchase	44,909		\$4,083	40,826	\$4,083
General Obligation Bonds	578,000		29,500	548,500	31,000
Business-type Activity Long-Term Liabilities	\$632,894	\$2,676	\$33,583	\$601,987	\$35,083

7. Operating Lease

The Town has entered into an agreement to maintain and repair their water tank with Utility Service Co., Inc. The lease agreement qualifies as an operating lease for accounting purposes. The agreement was executed on October 5, 2011 and requires 12 annual payments. The lease qualifies as an operating lease because, although the current cost to cancel the contract at June 30, 2020 is \$13,868, the Town has no intention of cancelling the contract before the term of the lease.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

Year Ending June 30	
2021	\$13,868
2022	13,868
2023	13,868
Total Minimum Future Payments Required	<u>\$41,604</u>

C. Interfund Balances and Activity

Balance due to/from other funds at June 30, 2020 consist of the following:

Due to the General Fund for wage expenses not paid by the Water/Sewer Fund	\$18,767
	<u>\$18,767</u>

In the year ended June 30, 2011, the Water and Sewer Fund borrowed \$18,767 from the General Fund in order to pay wage expenses. The amount has not been repaid.

Transfers to/from other funds at June 30, 2020 consist of the following:

From General Fund to Water and Sewer Fund for debt payments and tank maintenance expenses	\$80,776
From General Fund to Train Depot Relocation and Restoration Fund for land purchase	55,342
	<u>\$136,118</u>

The Town received a disaster recovery grant from the North Carolina Office of Recovery and Resiliency during the prior year for \$500,000. These funds are maintained in the General Fund. The transfer of \$80,776 represents a portion of this grant used to pay debt payments and tank maintenance expenses in the Water and Sewer Fund.

IV. *Summary Disclosure of Significant Contingencies*

The Town has received proceeds from federal 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 monies.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

V. Fund Balance

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

<i>Total Fund Balance - General Fund</i>	<i>\$510,939</i>
Less:	
Stabilization by State Statute	24,272
Streets - Powell Bill	32,121
Appropriated Fund Balance in 2020 Budget	26,914
<i>Remaining Fund Balance</i>	<i>\$427,632</i>

VI. Significant Effects of Subsequent Events

The Town currently is in the process of relocating and renovating the Train Depot, which also functioned as the Town Hall, and will do so again upon completion. The estimated cost of the project is currently \$1,222,636, and the project is approximately 50% complete. The completion date for this project is estimated to be near the end of October 2021. The Town is also in the middle of a Wastewater Elevation project, the total estimated cost of which is currently \$965,000. This project was originally to be completed by July 31, 2021, but it has been delayed due to weather and unavailability of materials.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability (Asset)

Schedule of Contributions

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS*

	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.0005%	0.0006%	0.0008%	0.0009%	0.0006%	-0.0009%	0.0016%
Town's portion of the net pension liability (asset) (\$)	\$13,928	\$13,048	\$12,833	\$19,525	\$2,648	(\$5,427)	\$19,286
Town's covered-employee payroll	\$41,423	\$44,665	\$58,313	\$60,136	\$73,356	\$101,054	\$115,540
Town's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	33.62%	29.21%	22.01%	32.47%	3.61%	-5.37%	16.69%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS*

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$2,412	\$3,318	\$3,439	\$4,368	\$4,167	\$5,186	\$7,145
Contributions in relation to the contractually required contribution	2,412	3,318	3,439	4,368	4,167	5,186	5,186
Contribution deficiency (excess)							
Town's covered-employee payroll	\$26,945	\$41,423	\$44,665	\$58,313	\$60,136	\$73,356	\$101,054
Contributions as a percentage of covered-employee payroll	8.95%	8.01%	7.70%	7.49%	6.93%	7.07%	7.07%

Individual Fund Statements and Schedules

GENERAL FUND

The General Fund is used to account for and report all financial resources not accounted for and reported in other funds.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

	2020		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
<i>Ad Valorem Taxes:</i>			
Current Year	\$57,170	\$62,778	\$5,608
Prior Years	7,500	11,983	4,483
Interest		613	613
Total	\$64,670	\$75,374	\$10,704
<i>Unrestricted Intergovernmental:</i>			
Local Option Sales Tax	\$26,700	\$30,003	\$3,303
Utility Sales Tax	12,500	12,726	226
Telecommunications Sales Tax	2,900	2,724	(176)
Video Franchise Tax	2,200	2,079	(121)
Beer and Wine Tax	1,429	1,419	(10)
Piped Natural Gas Sales Tax	300	454	154
Total	\$46,029	\$49,405	\$3,376
<i>Restricted Intergovernmental:</i>			
Powell Bill Allocation	\$12,400	\$12,065	(\$335)
NCORR Disaster Relief Grant		80,776	80,776
FEMA		11,944	11,944
Beautification Grant		13,255	13,255
Total	\$12,400	\$118,040	\$105,640
<i>Permits and Fees:</i>			
Zoning and Other Permits and Fees	\$250	\$235	(\$15)
Total	\$250	\$235	(\$15)
<i>Investment Earnings</i>		\$7,270	\$7,270
<i>Miscellaneous:</i>			
Other	\$78,358	\$4,746	(\$73,612)
Total	\$78,358	\$4,746	(\$73,612)
Total Revenues	\$201,707	\$255,070	\$53,363

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

	2020		Variance Favorable (Unfavorable)
	Budget	Actual	
Expenditures:			
<i>General Government:</i>			
Board of Commissioners	\$1,714	\$1,714	
Salaries and Employee Benefits	46,267	8,184	\$38,083
Professional and Contracted Services	73,738	57,664	16,074
Other Operating Expenses	17,478	23,945	(6,467)
Insurance	8,615	8,257	358
Total General Government	\$147,812	\$99,764	\$48,048
<i>Public Safety:</i>			
Professional Services	\$29,000	\$28,897	\$103
Other Operating Expenses	350	128	222
Assistance to Local Fire Department	7,762	7,762	
Assistance to Local Rescue Unit	2,400	2,400	
Total Public Safety	\$39,512	\$39,187	\$325
<i>Public Works:</i>			
Salaries and Employee Benefits	\$4,711	\$5,033	(\$322)
Street Lighting	8,500	7,943	557
Other Operating Expenses	2,958	1,505	1,453
Other Operating Expenses - Powell Bill	57,483	12,065	45,418
Total Public Works	\$73,652	\$26,546	\$47,106
<i>Economic and Physical Development:</i>			
Economic and Community Development	\$63,500	\$13,255	\$50,245
Total Economic Development	\$63,500	\$13,255	\$50,245
Total Expenditures	\$324,476	\$178,752	\$145,724
Revenues Over (Under) Expenditures	(\$122,769)	\$76,318	\$199,087
Other Financing Sources (Uses):			
Transfers To Other Funds	(\$55,342)	(\$136,118)	(\$80,776)
Insurance Recovery		6,288	6,288
Total Other Financing Sources	(\$55,342)	(\$129,830)	(\$74,488)
Fund Balance Appropriated	\$178,111		(\$178,111)
Revenues and Other Financing Sources Over Expenditures	\$0	(\$53,512)	(\$53,512)
Fund Balances:			
Beginning of Year, July 1		564,451	
End of Year, June 30		\$510,939	

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
SPECIAL REVENUE FUND – DOWNTOWN REVITALIZATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted Intergovernmental:					
Federal and State Grants	\$100,000		\$10,000	\$10,000	(\$90,000)
Total Revenues	\$100,000	\$0	\$10,000	\$10,000	(\$90,000)
Expenditures:					
Economic and Physical Development:					
Park Plan	\$10,000		\$10,000	\$10,000	
Building Facades	40,000				\$40,000
Street Scapes	30,000				30,000
Kayak Launch	20,000				20,000
Total Expenditures	\$100,000	\$0	\$10,000	\$10,000	\$90,000
Revenues Over (Under)					
Expenditures	\$0	\$0	\$0	\$0	\$0
Fund Balances:					
Beginning of year, July 1					
End of year, June 30			\$0		

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
CAPITAL PROJECTS FUND – TRAIN DEPOT RELOCATION AND RESTORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

		Actual			Variance
	Project	Prior	Current	Total to	Favorable
	Authorization	Years	Year	Date	(Unfavorable)
Revenues:					
Restricted Intergovernmental:					
Federal and State Grants					
Total Revenues	\$0	\$0	\$0	\$0	\$0
Expenditures:					
Economical and Physical					
Development:					
Land			\$55,342	\$55,342	(\$55,342)
Architecture			32,585	32,585	(32,585)
Construction					
Contingency					
Total Expenditures	\$0	\$0	\$87,927	\$87,927	(\$87,927)
Revenues Over (Under)					
Expenditures	\$0	\$0	(\$87,927)	(\$87,927)	(\$87,927)
Other Financing Sources (Uses):					
Transfers From Other Funds			\$55,342	\$55,342	\$55,342
NCORR State Revolving Loan			166,000	166,000	166,000
Total Other Financing Sources	\$0	\$0	\$221,342	\$221,342	\$221,342
Revenues and Other Financing Sources					
Over Expenditures	\$0	\$0	\$133,415	\$133,415	\$133,415
Fund Balances:					
Beginning of year, July 1					
End of year, June 30			\$133,415		

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2020

	2020		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Operating Revenues:			
Charges For Service:			
Water Sales	\$87,285	\$78,915	(\$8,370)
Sewer Sales	128,821	114,687	(14,134)
Water Recap Fees	5,500	4,307	(1,193)
Sewer Recap Fees	8,800	7,442	(1,358)
Reconnect and Other Fees	2,550	3,515	965
Total Charges for Service	\$232,956	\$208,866	(\$24,090)
Other Operating Revenues:			
Penalties and Interest	\$5,000	\$2,513	(\$2,487)
Total Other Operating Revenues	\$5,000	\$2,513	(\$2,487)
Total Operating Revenues	\$237,956	\$211,379	(\$26,577)
Nonoperating Revenues:			
Interest on Investments		\$463	\$463
FEMA Revenues		23,757	23,757
Total Nonoperating Revenues	\$0	\$24,220	\$24,220
TOTAL REVENUES	\$237,956	\$235,599	(\$2,357)
EXPENDITURES			
Administration, Treatment and Distribution:			
Personal Services - Board	\$3,216	\$3,506	(\$290)
Water Salaries and Benefits	35,245	32,308	2,937
Sewer Salaries and Benefits	35,245	32,308	2,937
Administrative Expenditures	9,900	14,038	(4,138)
Water Operating Expenditures	24,145	24,406	(261)
Water Repairs and Maintenance	47,337	30,043	17,294
Sewer Operating Expenditures	28,245	26,852	1,393
Sewer Repairs and Maintenance	85,460	11,765	73,695
Total Administration, Treatment and Distribution	\$268,793	\$175,226	\$93,567

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2020

	2020	
	Budget	Actual
		Variance Favorable (Unfavorable)
Debt Service:		
Interest Expense	\$30,345	\$30,345
Principal Retirement	33,583	33,583
Total Debt Service	\$63,928	\$63,928
TOTAL EXPENDITURES	\$332,721	\$239,154
Revenues Over (Under) Expenditures	(\$94,765)	\$91,210
Other Financing Sources (Uses):		
Transfers From Other Funds	\$94,765	\$80,776
Total Other Financing Sources (Uses)	\$94,765	\$80,776
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$0	\$77,221
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:		
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		\$77,221
Reconciling Items:		
Principal Retirement		\$33,583
Depreciation		(168,698)
Decrease in Bond Interest Accrued		127
Decrease in Deferred Outflows of Resources for Pensions		(1,630)
Increase in Net Pension Liability		(2,676)
Decrease in Deferred Inflows of Resources for Pensions		230
Total Reconciling Items		(\$139,064)
Change in Net Position		(\$61,843)

AGENCY FUND

Agency Funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FINES AND FORFEITURES AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Assets:				
Cash and Cash Equivalents	<u><u>\$1,182</u></u>	<u><u>\$28</u></u>	<u><u></u></u>	<u><u>\$1,210</u></u>
Liabilities:				
Intergovernmental Payable	<u><u>\$1,182</u></u>	<u><u>\$28</u></u>	<u><u></u></u>	<u><u>\$1,210</u></u>

OTHER SCHEDULES

**This section contains additional information
required on property taxes.**

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

TOWN OF POLLOCKSVILLE, 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
2019-20		\$67,121	\$62,778	\$4,343
2018-19	\$16,543		11,327	5,216
2017-18	1,492		647	845
2016-17	1,123			1,123
2015-16	774			774
2014-15	48			48
2013-14	520		9	511
2012-13	1,357			1,357
2011-12	251			251
2010-11	237		180	57
2009-10	109		109	
	\$22,454	\$67,121	\$75,050	
Ad Valorem Taxes Receivable - Net				\$14,525

Reconciliation With Revenues:

Ad Valorem Taxes - General Fund	\$75,374
Penalties Collected on Ad Valorem Taxes - Agency Fund	28
Reconciling Items:	
Taxes Written Off	261
Interest Collected	(613)
Total Collections and Credits	\$75,050

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 2020

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Year's Rate	\$17,575,226	0.38	\$66,785	\$58,532	\$8,253
Total	\$17,575,226		\$66,785	\$58,532	\$8,253
Discoveries:					
Current Year Taxes at Current Year's Rate	\$84,777	0.38	\$322	\$322	
Penalties			3	3	
Total	\$84,777		\$325	\$325	\$0
Abatements:					
Current Year Taxes at Current Year's Rate	(\$2,930)	0.38	\$11	\$11	
Total	(\$2,930)		\$11	\$11	\$0
Total Property Valuation	\$17,657,073				
Net Levy			\$67,121	\$58,868	\$8,253
Uncollected Taxes at June 30, 2020			(4,343)	(4,343)	
Current Year's Taxes Collected			\$62,778	\$54,525	\$8,253
Current Levy Collection Percentage			93.53%	92.62%	100.00%

COMPLIANCE SECTION



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Honorable Mayor and Board of Commissioners
Town of Pollocksville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pollocksville, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Pollocksville's basic financial statements and have issued our report thereon dated June 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Pollocksville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Pollocksville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Pollocksville's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as Findings 20-1, 20-2, 20-3, and 20-4 to be material weaknesses.

A *significant deficiency* is a deficiency, or 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 deficiency described in the accompanying Schedule of Findings and Responses as Finding 20-5 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pollocksville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 20-3 and 20-4.

Town of Pollocksville's Response to Findings

The Town of Pollocksville's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town of Pollocksville's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barrow, Parris & Davenport, P.A.

BARROW, PARRIS & DAVENPORT, P.A.
Kinston, North Carolina

June 22, 2021

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2020

FINDING 20-1
MATERIAL WEAKNESS

Criteria: Bank accounts should be reconciled monthly, financial transactions should be entered into the accounting system at regular intervals, and financial reports should be prepared within a reasonable period of time to ensure that management is provided with accurate, timely financial reports.

Condition: For the entirety of the fiscal year, the Town's bank accounts were not reconciled. Timely reconciliation of bank statements is an important part of monthly financial reporting to ensure that financial information prepared for management is accurate and complete.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit 19-1.

Effect: Monthly financial reports prepared for management may be materially misstated or not received in a timely manner.

Cause: Personnel did not appear to have adequate training in reconciling bank accounts and entering financial transactions into the general ledger.

Recommendation: All bank accounts should be reconciled in a timely manner to ensure financial reporting can be prepared accurately and timely. Also, financial transactions should be entered into the accounting system at regular intervals to allow accurate interim financial reporting.

Views of Responsible Officials and Planned Corrective Action: The Town agrees with this finding. In December 2020, the Town contracted with an accounting firm to review and assist with reconciliations of bank accounts, general ledger postings, preparation of budget ordinances and amendments, year-end accounting adjustments, preparation of financial statements, and various other services.

FINDING 20-2
MATERIAL WEAKNESS

Criteria: All transactions should be entered in the general ledger accurately, with properly documented adjustments, and in a timely manner. The product of general ledger transactions should be account balances that are properly adjusted and agree with the underlying records.

Condition: During the year, many transactions and journal entries did not have adequate documentation in the general ledger to provide a proper audit trail. Certain transactions had no indication of vendor names or checks numbers. In addition, certain journal entries did not provide adequate descriptions regarding the adjustments made. Also, many transactions were not coded to the proper accounts and some transactions were not included in the general ledger at all, requiring audit adjustments to correct. Trial balances were incorrect and out of balance.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

Effect: Transactions were miscoded or absent, leading to inaccurate and incomplete account balances. Several accounts required material audit adjustments. Also, the lack of adequate documentation or other relevant information on certain transactions and journal entries can increase the likelihood of misstatements in the general ledger.

Cause: It appears that accounting personnel did not devote sufficient time to posting transactions and journal entries into the general ledger accurately, with proper documentation, and analyzing the general ledger periodically to ensure that transactions were present and recorded properly.

Recommendation: Financial personnel responsible for posting transactions to the general ledger and ensuring the accuracy of the financial reports produced should ensure that all transactions are recorded in their proper fund and accounts, and include vendors, check numbers, and other descriptions as necessary. Financial personnel responsible for the preparation of journal entries should include proper documentation and descriptions for all journal entries.

*Views of Responsible
Officials and Planned
Corrective Action:*

The Town agrees with this finding. In December 2020, the Town contracted with an accounting firm to review and assist with reconciliations of bank accounts, general ledger postings, preparation of budget ordinances and amendments, year-end accounting adjustments, preparation of financial statements, and various other services.

FINDING 20-3

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Criteria: N.C. General Statute 159-13.2(b) states that a capital project ordinance must be adopted before the beginning of the project.

Condition: The Town began the Train Depot Relocation and Restoration Capital Project Fund without adopting a capital project ordinance.

Effect: Capital project expenditures and other financing sources were incurred that had not been budgeted.

Cause: Management of the Town overlooked this requirement.

Recommendation: Adopt a capital project ordinance as soon as possible.

*Views of Responsible
Officials and Planned
Corrective Action:*

The Town agrees with this finding. The Town will adopt a capital project budget as soon as possible.

TOWN OF POLLOCKSVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2020

FINDING 20-4
MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE

Criteria: N.C. General Statute 159-8(a) states that all moneys received and expended by a local government should be included in the budget ordinance.

Condition: Budget over-expenditures exceeded appropriations for transfers by \$80,776 in the General Fund and in the Train Depot Relocation and Restoration Capital Project Fund for expenditures by \$87,927.

Effect: Expenditures and transfers were incurred that had not been budgeted.

Cause: Although some amendments were made, certain departments should have been amended prior to the end of the fiscal year.

Recommendation: The budget should be monitored closely to ensure that appropriations are available before expenditures and transfers are incurred.

*Views of Responsible
Officials and Planned
Corrective Action:*

The Town agrees with this finding. The Town will more closely review budget reports to ensure compliance in future years.

FINDING 20-5
REPORTABLE CONDITION

Criteria: The Town should submit withheld payroll taxes and retirement remittances to the required agencies in a timely manner.

Condition: The Town was late at various times during the year submitting federal taxes to the US Treasury, State taxes to the NC Department of Revenue, and retirement remittances to the Local Governmental Employees Retirement System.

Effect: The Town incurred penalties from the US Treasury, NC Department of Revenue, and the Local Governmental Employees Retirement System for multiple instances of late submission and remittance.

Cause: Town personnel was not current with the processing of accounting transactions during the year, including payroll reporting.

Recommendation: The Town should submit payroll taxes and retirement remittances in a timely manner.

*Views of Responsible
Officials and Planned
Corrective Action:*

The Town agrees with this finding. The Town's current Finance Officer will ensure that required payroll tax deposits and retirement remittances will be submitted in a timely manner.