

TOWN OF PRINCEVILLE, NORTH CAROLINA



**FINANCIAL STATEMENTS AS OF JUNE 30, 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

Financial Statements

for the Town of Princeville
in North Carolina

Town Council Members

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
FINANCIAL STATEMENTS AS OF JUNE 30, 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Town of Princeville Council
Princeville, North Carolina

Report on the Audit of the Financial Statements

Disclaimer of Opinion

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

Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Financial Statements section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Town of Princeville, North Carolina. Accordingly, we do not express an opinion on these financial statements.

Basis for Disclaimer of Opinion

Due to the lack of available vendor invoices, we were unable to obtain sufficient appropriate audit evidence to support the Town's reported liability balances and net position as of June 30, 2019. Therefore, we are unable to confirm fiscal year June 30, 2020 starting liability and net position balances. As a result, there could be potential misstatements in the June 30, 2020 financial statements.

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Princeville, North Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Princeville, North Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Princeville, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Princeville, North Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Schedules of the Board's Proportionate Share of the Net Pension Liability and Schedules of Board Contributions on pages 41 and 42, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Princeville, North Carolina's basic financial statements. The accompanying individual fund budgetary schedule and other schedules, as well as the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matters described in the Basis for Disclaimer of Opinion on the financial statements paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide an audit opinion on the supplementary information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2023, on our consideration of the Town of Princeville, North Carolina'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 that report is solely 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 the effectiveness of the Town of Princeville, North Carolina's 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 Princeville, North Carolina's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

Elon, North Carolina
March 16, 2023

Management's Discussion and Analysis

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Financial Highlights

- The assets and deferred outflows of resources of the Town of Princeville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,696,338 (*net position*).
- The government's total net position increased by \$1,270,494, primarily due to the increase in capital assets acquired from grant funds.
- As of the close of the current fiscal year, the Town of Princeville's governmental funds reported an ending fund balance of \$2,471,853, a net increase of \$715,459. Approximately 68% of this total amount, or \$1,679,560, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$792,293, or 43% of total general fund expenditures and transfers out for the fiscal year.

Overview of the Financial Statements

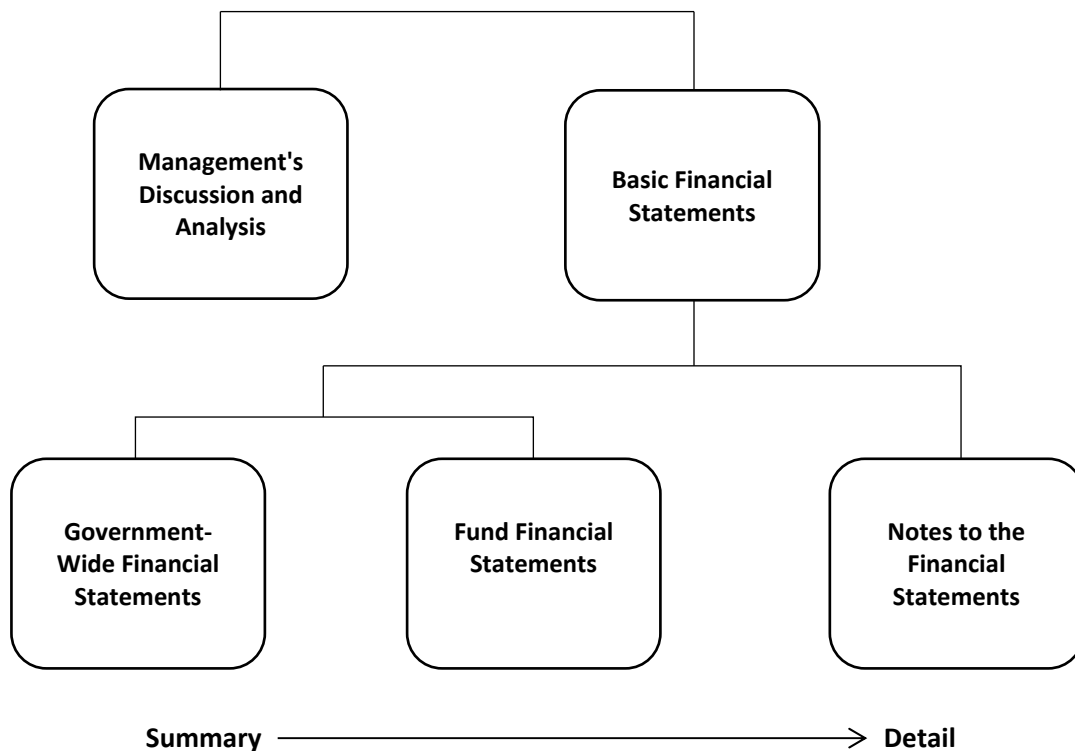
This discussion and analysis are intended to serve as an introduction to Town of Princeville's basic financial statements. The Town's basic financial statements consist of four (4) components: 1) Independent Auditor's Report; 2) Management discussion and analysis; 3) Basic financial statements; and 4) Required supplemental section. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Princeville.

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements;

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

Government-Wide Financial Statements

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

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

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

The government-wide financial statements are Figures 2 and 3 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Princeville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Princeville are considered governmental funds.

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

The Town of Princeville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities.

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Princeville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Princeville's Net Position

Figure 2

	Governmental Activities	
	2020	2019
Current and other assets	\$ 2,902,701	\$ 2,020,244
Capital assets	2,628,875	1,668,658
Deferred outflows of resources	63,930	46,650
<i>Total assets and deferred outflows of resources</i>	<u>5,595,506</u>	<u>3,735,552</u>
Long-term liabilities outstanding	522,939	41,753
Other liabilities	368,189	255,279
Deferred inflows of resources	8,040	12,676
<i>Total liabilities and deferred inflows of resources</i>	<u>899,168</u>	<u>309,708</u>
Net position:		
Net investment in capital assets	2,628,875	1,668,658
Restricted	1,317,219	1,017,444
Unrestricted	750,244	739,742
<i>Total net position</i>	<u><u>\$ 4,696,338</u></u>	<u><u>\$ 3,425,844</u></u>

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

Long term liabilities increased by approximately \$481,000 related to a revolving loan the Town entered into in the current year.

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Princeville exceeded liabilities and deferred inflows by \$4,696,338 as of June 30, 2020. The Town's net position increased by \$1,270,494 for the fiscal year ended June 30, 2020. However, the largest portion reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) of \$2,628,875. The Town of Princeville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Princeville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Princeville's net position, \$1,254,560, represents resources that are subject to external restrictions on how they may be used.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 84.46%. The statewide average in fiscal year 2020 was 98.78%.

TOWN OF PRINCEVILLE, NORTH CAROLINA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)**

Government -Wide

Town of Princeville's Changes in Net Position

Figure 3

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 124,667	\$ 114,617
Operating grants and contributions	766,934	128,972
Capital grants and contributions	414,441	-
General revenues:		
Property taxes	217,638	209,343
Other taxes	666,073	600,135
Other	<u>6,388</u>	<u>3,894</u>
<i>Total revenues</i>	<u>2,196,141</u>	<u>1,056,961</u>
Expenses:		
General government	433,666	294,642
Public safety	59,825	43,305
Transportation	27,888	18,782
Environmental protection	218,456	272,202
Economic and physical development	151,200	41,773
Cultural and recreation	26,300	3,806
Human Services	<u>11,777</u>	<u>10,153</u>
<i>Total expenses</i>	<u>929,112</u>	<u>684,663</u>
Increase in net position before extraordinary items	1,267,029	372,298
Extraordinary item: gain on insurance recovery	<u>3,465</u>	<u>3,857</u>
Increase in net position	1,270,494	376,155
Net position, beginning	<u>3,425,844</u>	<u>3,049,689</u>
Net position, June 30	<u>\$ 4,696,338</u>	<u>\$ 3,425,844</u>

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

Governmental activities. Governmental activities increased the Town's net position by \$1,270,494. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Though the Town is still in a recovery state from Hurricane Matthew, tax revenues remained steady. Town management acknowledges that 2020 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Princeville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Princeville's financing requirements.

The general fund is the chief operating fund of the Town of Princeville. At the end of the current fiscal year, Town of Princeville's fund balance available in the General Fund was \$2,471,853 of which \$1,679,560 is restricted funds.

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

There were several reasons the Town revised its budget throughout the year. The Town received restricted intergovernmental funds that became available for distribution in 2020. The town amended the budget in the General Fund in Administration and Public Works areas to account for expenditures.

Capital Asset and Debt Administration

Capital assets. The Town of Princeville's investment in capital assets for its governmental type activities as of June 30, 2020, totals \$2,628,875 (net of accumulated depreciation). These assets include roads and bridges, land, furniture and equipment, park facilities, and vehicles.

TOWN OF PRINCEVILLE, NORTH CAROLINA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)**

Major capital asset transactions during the year include the following:

- Land donated by Edgecombe County in the amount of \$3,000.

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

Figure 4

	Governmental Activities	
	2020	2019
Land	\$ 1,455,334	\$ 912,218
Improvements other than buildings	315,947	231,353
Equipment and furniture	82,418	55,376
Vehicles and motorized equipment	29,385	44,716
Construction in progress	745,791	424,995
Total	<u>\$ 2,628,875</u>	<u>\$ 1,668,658</u>

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

Long-term Debt. As of June 30, 2020, the Town of Princeville had total debt outstanding of \$522,939, consisting of the Net Pension Liability for LGERS of \$86,297, compensated absences of \$11,642 and Revolving Loan to NCCOR in the amount of \$425,000. The Town has no outstanding bonded debt.

TOWN OF PRINCEVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

Outstanding Debt

Figure 5

	Governmental Activities	
	2020	2019
Total pension liability (LGERS)	\$ 86,297	\$ 41,753
Long term debt	425,000	-
Compensated absences	11,642	7,529
Total	<u>\$ 522,939</u>	<u>\$ 49,282</u>

Economic Factors and Next Year's Budgets and Rates

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

Budgeted expenditures in the General Fund are expected to rise approximately to \$7,156,191 based on the OSBM Disaster Recovery Grant of \$6.3 million and the remaining State Appropriations Grant received by the Town of \$385,000 of which \$218,750 is appropriated. These grants would provide salaries for additional employees on special project, capital outlay, public works equipment and supplies, and professional services.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Manager, Town of Princeville, 201 S. Main Street, Princeville, NC 27886. One can also call (252) 823-1057, visit our website www.TownofPrinceville.com or send an email to gknight@townofprinceville.com for more information.

TOWN OF PRINCEVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2020

Primary Government	
	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 510,502
Restricted cash and cash equivalents	1,728,267
Taxes receivables (net)	197,524
Accrued interest receivable on taxes	13,963
Accounts receivable (net)	94,132
Due from other governments	358,313
<i>Total current assets</i>	<u>2,902,701</u>
Non-current assets:	
Capital assets (Note 4):	
Land, non-depreciable improvements, and construction in progress	2,201,125
Other capital assets, net of depreciation	427,750
<i>Total capital assets</i>	<u>2,628,875</u>
<i>Total assets</i>	<u>5,531,576</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	<u>63,930</u>
LIABILITIES	
Current liabilities:	
Accounts payable	170,665
Compensated Absences	1,251
Unavailable Revenue	197,524
<i>Total current liabilities</i>	<u>369,440</u>
Long-term liabilities:	
Total pension liability	86,297
Revolving Loan	425,000
Compensated Absences	10,390
Due in more than one year	521,687
<i>Total liabilities</i>	<u>891,127</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>8,040</u>
NET POSITION	
Net investment in capital assets	2,628,875
Restricted for:	
Stabilization by State Statute	403,748
Streets	299,640
State Appropriations Grant	30,898
Insurance Proceeds- Capital Outlay	497,484
NCCF Grant	16,700
United Way Grant	500
FEMA	62,659
Park Grant	5,590
Unrestricted	750,244
<i>Total net position</i>	<u>\$ 4,696,338</u>

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
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	Total
Primary government:						
Governmental Activities:						
General government	\$ 433,666	\$ 1,179	\$ 3,078	\$ 112,660	\$ (316,749)	\$ (316,749)
Public safety	59,825	-	-	-	(59,825)	(59,825)
Transportation	27,888	-	58,652	-	30,764	30,764
Economic and physical development	151,200	-	552,787	89,603	491,190	491,190
Environmental protection	218,456	123,023	135,217	-	39,784	39,784
Cultural and recreation	26,300	465	-	122,837	97,002	97,002
Human Services	11,777	-	17,200	89,341	94,764	94,764
Total governmental activities (See Note 1)	929,112	124,667	766,934	414,441	376,930	376,930
Total primary government	<u>\$ 929,112</u>	<u>\$ 124,667</u>	<u>\$ 766,934</u>	<u>\$ 414,441</u>	<u>\$ 376,930</u>	<u>\$ 376,930</u>
General revenues:						
Taxes:						
Property taxes, levied for general purpose					\$ 217,638	\$ 217,638
Other taxes					666,073	666,073
Unrestricted investment earnings					4,473	4,473
Miscellaneous					1,915	1,915
Extraordinary Item: Gain on insurance recovery					3,465	3,465
Total general revenues					893,564	893,564
Change in net position					1,270,494	1,270,494
Net position, beginning					3,425,844	3,425,844
Net position, ending					\$ 4,696,338	\$ 4,696,338

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	Major Fund
	General
ASSETS	
Cash and cash equivalents	\$ 510,502
Restricted cash and cash equivalents	1,728,267
Receivables, net:	
Property taxes	197,525
Other taxes	108,094
Due from other governments	295,654
<i>Total assets</i>	<u>2,840,042</u>
LIABILITIES	
Accounts payable and accrued liabilities	170,664
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	<u>197,525</u>
FUND BALANCES	
Restricted For:	
Stabilization by State Statute	403,748
Streets	299,640
State Appropriations Grant	30,898
Insurance Proceed-Capital Outlay	497,484
Park	5,590
Human Service Grant NCCF	16,700
Human Services Grant United Way	500
Revolving Loan	425,000
Unassigned	792,293
<i>Total fund balances</i>	<u>2,471,853</u>
<i>Total liabilities, deferred inflows of resources and fund balances</i>	<u><u>\$ 2,840,042</u></u>

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

Exhibit 3 (continued)

	<u>Major Fund</u> <u>General</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Total Fund Balance, Governmental Funds	\$ 2,471,853
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,628,875
Receivables that do not meet the current financial resources measurement focus	62,659
Deferred outflows of resources related to pensions are not reported in the funds	63,930
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(11,642)
Total pension liability	(86,297)
Some liabilities are not due and payable in the current period and therefore not reported in the fund statements.	(425,000)
Deferred inflows of resources related to pensions are not reported in the funds	(8,040)
Net position of governmental activities	<u><u>\$ 4,696,338</u></u>

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

TOWN OF PRINCEVILLE, NORTH CAROLINA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>Major Fund</u> <u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 264,678
Other taxes and licenses	5,010
Unrestricted intergovernmental	612,344
Restricted intergovernmental	1,117,955
Permits and fees	1,180
Sales and services	123,023
Investment earnings	4,787
Miscellaneous	4,504
<i>Total revenues</i>	<u>2,133,481</u>
EXPENDITURES	
Current:	
General government	515,174
Public safety	51,412
Transportation	27,887
Economic and physical development	557,181
Environmental protection	408,739
Culture and recreation	184,975
Human Service	101,119
<i>Total expenditures</i>	<u>1,846,487</u>
Excess (deficiency) of revenues over expenditures	<u>286,994</u>
OTHER FINANCING SOURCES (USES)	
Revolving loan	425,000
Insurance recovery	3,465
Total other financing sources	<u>428,465</u>
Net change in fund balance	715,459
Fund balances, beginning	<u>1,756,394</u>
Fund balances, ending	<u>\$ 2,471,853</u>

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

TOWN OF TOWN OF PRINCEVILLE, NORTH CAROLINA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>Major Fund</u> <u>General Fund</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ 715,459
Change in fund balance due to change in reserve for inventory	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	960,217
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	18,354
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
FEMA revenue that does not meet current measurement focus	62,659
Change in unavailable revenue for tax revenues	(16,095)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(425,000)
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.	
Compensated absences	(4,113)
Pension expense	(40,987)
Total changes in net position of governmental activities	<u>\$ 1,270,494</u>

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 242,500	\$ 242,500	\$ 264,267	\$ 21,767
Other taxes and licenses	-	-	5,421	5,421
Unrestricted intergovernmental	487,300	487,300	612,344	125,044
Restricted intergovernmental	368,680	368,680	1,120,393	751,713
Permits and fees	-	-	1,180	1,180
Sales and services	88,000	88,000	123,023	35,023
Investment earnings	-	-	4,787	4,787
Miscellaneous	8,000	8,000	1,717	(6,283)
Total revenues	<u>1,194,480</u>	<u>1,194,480</u>	<u>2,133,132</u>	<u>938,652</u>
Expenditures:				
Current:				
General government	381,806	390,534	515,174	(124,640)
Public safety	98,510	98,510	51,413	47,097
Transportation	178,828	178,828	27,887	150,941
Economic and Physical development	156,523	156,523	557,181	(400,658)
Environmental protection	329,892	321,164	408,739	(87,575)
Cultural and recreation	5,312	5,312	184,975	(179,663)
Human Services	17,109	17,109	101,119	(84,010)
Contingency	26,500	26,500	-	26,500
Total expenditures	<u>1,194,480</u>	<u>1,194,480</u>	<u>1,846,488</u>	<u>(652,008)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>286,644</u>	<u>286,644</u>

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

Town of Princeville, North Carolina
General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund			Variance
	Original	Final	Actual	with Final
			Amounts	Budget -
				Positive
				(Negative)
Other financing sources (uses):				
Sales of capital assets	-	-	350	350
Revolving loan	-	-	425,000	425,000
Insurance recovery	-	-	3,465	3,465
Total other financing sources (uses)	-	-	428,815	428,815
Net change in fund balance	\$ -	\$ -	715,459	\$ 715,459
Fund balances, beginning			1,756,394	
Fund balances, ending			<u>\$ 2,471,853</u>	

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note I. Summary of Significant Accounting Policies

The accounting policies of the Town of Princeville and no component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

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

Basis of Presentation

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

The two government-wide statements report the Town's net assets and how they have changed. The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government and net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. They include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The Town has no Business-type activities since the assets and liabilities of the Sewer and Water Fund were transferred in August 2015 to Edgecombe County.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including the fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2020** *(Continued)*

The Town reports the following major governmental funds:

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

Measurement Focus and Basis of Accounting

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

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

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2020** ***(Continued)***

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

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

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

Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town's Council Board must approve any revisions that alter total expenditures of any department. The budget ordinance must be adopted by July 1, of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

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

The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

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

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

Governmental Activities

General Fund

Streets	\$ 425,164
State Appropriations	44,527
Insurance Proceeds- Capital Outlay	497,484
Park Grant	5,590
United Way COVID-19 Grant	500
NCCF Grant	16,700
NCCOR	401,066
Economic Development	<u>337,236</u>

Total Restricted Cash	<u><u>\$ 1,728,267</u></u>
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TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

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

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

Capital Assets - Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life more than two years. Minimum capitalization costs is \$1,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one (1) item that meet this criterion, pension deferrals for the 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 one (1) item that meets this criterion and pension deferrals.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2020** *(Continued)*

Long-Term Obligations

In the government-wide financial statements, in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

Compensated Absences

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

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

Net Position/Fund Balances

Net Position

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

Fund Balances

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute" is \$403,748.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds. As of June 30, 2020, the amount was \$299,640.

Restricted for State Appropriations Grant – portion of fund balance that is restricted for State Appropriations Grant is \$30,898.

Restricted for Capital Outlay-Insurance – portion of fund balance portion of fund balance that is restricted for Capital Outlay-Insurance is \$497,484.

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

Restricted for Human Services NCCF -portion of fund balance that is restricted for Human Services Grant from NCCF is \$16,700.

Restricted for Human Services United Way- portion of fund balance that is restricted for Human Services Grant is from United Way is \$500.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds is \$792,293.

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

Defined Benefit Cost-Sharing Plans

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

Note II. Stewardship, Compliance, and Accountability

For the fiscal year ended June 30, 2020, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board in various categories by a total of \$652,008. These over-expenditures occurred primarily due to capital project expenditures not being budgeted for. Management and the Board will more closely review the budget reports to ensure compliance in future years.

Note III. Detail Notes on All Funds

Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$2,214,549 and a bank balance of \$2,242,910. Of the bank balance, \$333,624 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 did not operate a petty cash fund.

Investments

At June 30, 2020, the Town's investment balances were as follows:

Cash and Cash Equivalent	Valuation Measurement Method	Book Value at 6/30/2020	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair ValueLevel 1	\$ 24,221	N/A	AAAm

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

At June 30, 2020, the Town of Princeville had \$24,221 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits at least half of the Town's investment portfolio to maturities of less than 12 months. Also, the Town's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit risk. The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2020.

Due from Other Governments

At June 30, 2020 funds due from other governments consists of the following:

	Governmental Activities
State of NC - Senate Bill 363	\$ 24,996
FEMA	<u>270,658</u>
Total	<u>\$ 295,654</u>

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$10,000

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

Capital Assets

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

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 912,218	\$ 543,116	\$ -	\$ 1,455,334
Construction in progress	424,995	418,970	(98,174)	745,791
Total capital assets not being depreciated	<u>1,337,213</u>	<u>962,086</u>	<u>(98,174)</u>	<u>2,201,125</u>
Capital assets being depreciated:				
Park Improvements	250,889	98,174	-	349,063
Equipment and furniture	101,093	47,717	-	148,810
Vehicles and motorized equipment	76,656	-	-	76,656
Total capital assets being depreciated	<u>428,638</u>	<u>145,891</u>	<u>-</u>	<u>574,529</u>
Less accumulated depreciation for:				
Park Improvements	19,536	13,580	-	33,116
Equipment and furniture	45,717	20,675	-	66,392
Vehicles and motorized equipment	31,940	15,331	-	47,271
Total accumulated depreciation	<u>97,193</u>	<u>49,586</u>	<u>-</u>	<u>146,779</u>
Total capital assets being depreciated, net	<u>331,445</u>			<u>427,750</u>
Governmental activity capital assets, net	<u><u>\$ 1,668,658</u></u>			<u><u>\$ 2,628,875</u></u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 5,583
Public safety	8,412
Environmental protection	30,423
Cultural and recreational	<u>5,168</u>
Total depreciation expense	<u><u>\$ 49,586</u></u>

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2020** *(Continued)*

Construction commitments

The government has active construction projects as of June 30, 2020. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Left to be Spent</u>	<u>Total Project</u>
Town Hall	\$ 127,449	\$ 677,157	\$ 804,606
Senior Center	336,227	903,163	1,239,390
Museum	240,419	517,581	758,000
Storm Water Mitigation	<u>41,695</u>	<u>502,094</u>	<u>543,789</u>
	<u>\$ 745,790</u>	<u>\$ 2,599,995</u>	<u>\$ 3,345,785</u>

Liabilities

Pension Plan and Postemployment Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Princeville is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2020** *(Continued)*

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Princeville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Princeville's contractually required contribution rate for the year ended June 30, 2020, was 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Princeville were \$18,354 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$86,297 for its proportionate share of the net pension liability. The net pension liability was measured as of 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 future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.00316%, which was an increase of 0.00176% from its proportion measured as of June 30, 2018.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

For the year ended June 30, 2020, the Town recognized pension expense of \$40,988. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,776	\$ -
Changes of assumptions	14,065	-
Net difference between projected and actual earnings on pension plan investments	2,105	-
Changes in proportion and differences between City contributions and proportionate share of contributions	14,630	8,040
City contributions subsequent to the measurement date	<u>18,354</u>	<u>-</u>
Total	<u>\$ 63,930</u>	<u>\$ 8,040</u>

\$18,354 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2021	\$ 19,385
2022	6,857
2023	7,294
2024	4,000
2025	<u>-</u>
	<u>\$ 37,536</u>

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

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
	3.50 to 8.10 percent, including inflation and productivity
Salary increases	factor
	7.00 percent, net of pension plan investment expense,
Investment rate of return	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 returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.6%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

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 3.05%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Discount</u> <u>Rate (7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 197,377	\$ 86,297	\$ (6,033)

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

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

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

	<u>LGERS</u>
Pension Expense	\$ 40,981
Pension Liability	86,297
Proportionate share of the net pension liability	0.00316%
Deferred of Outflows of Resources	
Differences between expected and actual experience	14,776
Changes of assumptions	14,065
Net difference between projected and actual earnings on plan investments	2,105
Changes in proportion and differences between contributions and proportionate share of contributions	14,630
Benefit payments and administrative costs paid subsequent to the measurement date	18,354
Deferred of Inflows of Resources	
Changes in proportion and differences between contributions and proportionate share of contributions	8,040

Healthcare Benefits

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

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

Group Life Insurance

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

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

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

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

Risk Management

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

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town has \$5,000,000 in coverage. The Town also is eligible to and has purchased commercial flood insurance for another \$500,000 deductible per building and \$500,000 per contents.

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (Continued)

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

Revolving Loan

In February 2020, the Town entered into a revolving loan agreement with the North Carolina Department of Public Safety, Office of Recovery and Resiliency to aid in cash flow for capital projects approved by FEMA. The total amount to be disbursed under the loan is \$2,000,000. As of June 30, 2020, \$425,000 had been disbursed. The loan does not carry any interest charges or administrative fees, and is payable within 5 business days of receipt of federal FEMA reimbursement.

Long-Term Obligations

<u>Governmental Activities:</u>	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Current Maturities</u>
Revolving Loan	\$ -	\$ 425,000	\$ -	\$ 425,000	\$ -
Net pension liability (LGRS)	41,753	44,544	-	86,297	-
Compensated Absences	<u>7,529</u>	<u>6,615</u>	<u>2,502</u>	<u>11,642</u>	<u>1,251</u>
Total governmental activities	<u>\$ 49,282</u>	<u>\$ 476,159</u>	<u>\$ 2,502</u>	<u>\$ 522,939</u>	<u>\$ 1,251</u>

Extraordinary Event

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2020** *(Continued)*

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>	\$ 2,471,853
Less:	
Restricted: Stabilization by State Statute	403,748
Streets-Powell Bill	299,640
State Appropriations Grant	30,898
Insurance Proceeds - capital outlay	497,484
Park Grant	5,590
United Way Covid-19 Grant Human Services	500
Revolving Loan	425,000
NCCF Grant - Human Services	16,700
Remaining Fund Balance	\$ 792,293

Jointly Governed Organization

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

Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$3090 to the League during fiscal year ended June 30, 2020.

Note IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FISCAL YEAR ENDED JUNE 30, 2020** *(Continued)*

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

Significant Effects of Subsequent Events

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

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

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

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

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

On July 23, 2021 the Town received \$306,906 in American Rescue Plan grant funds.

Supplemental Schedules

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

Local Government Employees' Retirement System					
	2020	2019	2018	2017	2016
Princeville's proportion of the net pension liability	0.00316%	0.00176%	0.00340%	0.00160%	0.02918%
Princeville's proportion of the net pension liability	\$ 86,297	\$ 41,753	\$ 51,943	\$ 33,957	\$ 2,468
Princeville's covered payroll	\$ 161,738	\$ 131,807	\$ 225,398	\$ 150,241	\$ 50,439
Princeville's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.36%	31.68%	23.05%	22.60%	4.89%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	91.63%	94.18%	91.47%	98.09%

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

TOWN OF PRINCEVILLE, NORTH CAROLINA

**Town of Princeville's Contributions
Required Supplementary Information
Last Five Fiscal Years**

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 18,354	\$ 12,541	\$ 9,886	\$ 16,341	\$ 10,021
Contributions in relation to the contractually required contribution	18,354	12,541	9,886	16,341	10,021
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Princeville's covered payroll	\$ 205,073	\$ 161,738	\$ 131,807	\$ 225,398	\$ 150,241
Contributions as a percentage of covered payroll	8.95%	7.75%	7.50%	7.25%	6.67%

**TOWN OF PRINCEVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPEDITURES AND
CHANGES IN FUND BLANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 202,000	\$ 264,267	\$ 62,267
Interest	1,000	411	(589)
Total	<u>203,000</u>	<u>264,678</u>	<u>61,678</u>
Other taxes and licenses:			
Motor Vehicle Taxes	<u>39,500</u>	<u>5,010</u>	<u>(34,490)</u>
Unrestricted intergovernmental:			
Local option sales taxes	425,000	556,505	131,505
Telecommunications sales tax	-	11,506	11,506
Utilities sales tax	48,900	25,218	(23,682)
Video franchise fee	-	7,119	7,119
Beer and wine tax	9,400	9,497	97
ABC profit distribution	2,500	2,500	-
Total	<u>485,800</u>	<u>612,345</u>	<u>126,545</u>
Restricted intergovernmental:			
Powell Bill allocation	59,000	58,652	(348)
State Appropriation Grant	-	87,500	87,500
Senate Bill 363	-	601,144	601,144
FEMA	-	351,781	351,781
Region L- Senior Center	-	2,438	2,438
United Way Grant	-	500	500
NCCF Grant	-	16,700	16,700
Solid waste disposal tax	1,500	1,678	178
Total	<u>60,500</u>	<u>1,120,393</u>	<u>1,059,893</u>
Permits and fees:			
Building permits	-	1,155	1,155
Business registration fee	-	25	25
Total	<u>-</u>	<u>1,180</u>	<u>1,180</u>
Sales and services:			
Garbage Disposal Fees	<u>88,000</u>	<u>123,023</u>	<u>35,023</u>
Investment earnings	<u>-</u>	<u>4,473</u>	<u>4,473</u>
Miscellaneous:			
Special Revenue	-	465	465
OSBM	309,680	-	-
Miscellaneous Revenues	<u>8,000</u>	<u>1,565</u>	<u>(6,435)</u>
Total	<u>317,680</u>	<u>2,030</u>	<u>(315,650)</u>
Total revenues	<u>1,194,480</u>	<u>2,133,132</u>	<u>938,652</u>
Expenditures:			
General government:			
Administration			
Salaries and employee benefits	194,525	246,711	(52,186)
Other operating expenditures	165,820	119,919	45,901
FEMA - capital outlay	-	119,560	(119,560)
OSBM - disaster recovery	640	640	-
Capital outlay	5,000	14,126	(9,126)

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Governing Board			
Salaries and employee benefits	18,369	9,002	9,367
Membership dues	3,000	285	2,715
Other operating expenditures	<u>3,180</u>	<u>4,931</u>	<u>(1,751)</u>
Total general government	<u>390,534</u>	<u>515,174</u>	<u>(124,640)</u>
Public safety:			
Police:			
Other operating expenditures	<u>63,000</u>	<u>21,413</u>	<u>41,587</u>
Fire:			
Other operating expenditures	<u>35,510</u>	<u>30,000</u>	<u>5,510</u>
Total public safety	<u>98,510</u>	<u>51,413</u>	<u>47,097</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	37,351	27,411	9,940
Contracted services	130,977	-	130,977
Other operating expenditures	<u>10,500</u>	<u>476</u>	<u>10,024</u>
Total transportation	<u>178,828</u>	<u>27,887</u>	<u>150,941</u>
Environmental protection:			
Salaries and employee benefits	86,661	54,824	31,837
Vehicle maintenance	5,000	2,807	2,193
FEMA - draniage capital outlay	-	41,695	(41,695)
OSBM - state appropriations	-	82,343	(82,343)
OSBM - disaster recovery	47,717	47,717	-
Edgecombe County operating	-	1,471	(1,471)
Other operating expenditures	<u>181,786</u>	<u>177,882</u>	<u>3,904</u>
Total environmental protection	<u>321,164</u>	<u>408,739</u>	<u>(87,575)</u>
Culture and recreation:			
FEMA - capital outlay museum	-	65,659	(65,659)
FEMA - capital outlay pavilion	-	2,500	(2,500)
FEMA - capital outlay HC building	-	10	(10)
FEMA - capital outlay parks	-	95,674	(95,674)
Insurance - capital outlay parks	-	10,577	(10,577)
Other operating expenditures	<u>5,312</u>	<u>10,555</u>	<u>(5,243)</u>
Total culture and recreation	<u>5,312</u>	<u>184,975</u>	<u>(179,663)</u>
Economic and Physical Development			
OSBM - disaster recovery	154,323	557,181	402,858
Other operating expenditures	<u>2,200</u>	<u>-</u>	<u>2,200</u>
Total Economic and Physical Development	<u>156,523</u>	<u>557,181</u>	<u>400,658</u>
Human Services:			
Contracted Services	8,028	8,215	(187)
FEMA - capital outlay human services	-	89,341	(89,341)
Other operating expenditures	<u>9,081</u>	<u>3,563</u>	<u>5,518</u>
Total Human Services	<u>17,109</u>	<u>101,119</u>	<u>(84,010)</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Contingency	<u>26,500</u>	<u>-</u>	<u>26,500</u>
Total expenditures	<u>1,194,480</u>	<u>1,846,488</u>	<u>(652,008)</u>
Revenues over (under) expenditures	<u>-</u>	<u>286,644</u>	<u>286,644</u>
Other financing sources (uses):			
Sale of capital assets	-	350	(350)
Revolving Loan	-	425,000	(425,000)
Insurance Recovery	<u>-</u>	<u>3,465</u>	<u>(3,465)</u>
Total	<u>\$ -</u>	<u>428,815</u>	<u>\$ (428,815)</u>
Net change in fund balance		715,459	
Fund balances, beginning		<u>1,756,394</u>	
Fund balances, ending		<u>\$ 2,471,853</u>	

TOWN OF PRINCEVILLE, NORTH CAROLINA

Ad Valorem Taxes Receivable

June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 270,674	\$ 228,624	\$ 42,050
2018-2019	39,147		12,308	26,839
2017-2018	23,651	-	4,576	19,075
2016-2017	30,502	-	6,089	24,413
2015-2016	21,494	-	3,091	18,403
2014-2015	21,341	-	3,716	17,625
2013-2014	20,032	-	2,338	17,694
2012-2013	18,357	-	1,832	16,525
2011-2012	14,817	-	1,614	13,203
2010-2011	13,848	-	2,150	11,698
2009-2010	10,946	-	10,946	-
	<u>\$ 214,135</u>	<u>\$ 270,674</u>	<u>\$ 277,284</u>	<u>\$ 207,525</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>10,000</u>
Ad valorem taxes receivable - net				<u>\$ 197,525</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 264,267
Reconciling items:				
Discounts allowed				3,182
Taxes written off				<u>9,835</u>
Subtotal				<u>13,017</u>
Total collections and credits				<u>\$ 277,284</u>

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

				Total Levy	
	Town - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current rate	\$ 44,348,197	0.61	\$ 270,524	\$ 223,895	\$ 46,629
Discoveries - current and prior years	83,607		510	510	-
Releases	(59,016)		(360)	(360)	-
Total property valuation	<u>\$ 44,372,788</u>				
Net levy			270,674	224,045	46,629
Unpaid (by taxpayer) taxes at June 30, 2020			42,050	42,050	-
Current year's taxes collected			<u>\$ 228,624</u>	<u>\$ 181,995</u>	<u>\$ 46,629</u>
Current levy collection percentage			<u>84.46%</u>	<u>81.23%</u>	<u>100.00%</u>



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

**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***

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, and each major fund of the Town of Princeville, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Princeville, North Carolina's basic financial statements and have issued our report thereon dated March 16, 2023. Our report disclaims an opinion on such financial statements due to the lack of available vendor invoices, we were unable to obtain sufficient appropriate audit evidence to support the Town's reported liability balances and net position as of June 30, 2019, therefore not having adequate fiscal year June 30, 2020 beginning balances.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the Town of Princeville, North Carolina, we considered the Town of Princeville, North Carolina's internal control over financial reporting (internal control) as a basis for designing 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 Princeville's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Princeville'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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses: 20-01, 20-02, 20-03, 20-04, 20-05, 20-06.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 20-07.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of Town of Princeville, North Carolina, 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 financial statements. 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 items: 20-01 and 20-02. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Town of Princeville's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Princeville's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. Town of Princeville's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The 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.

Anderson Smith & Wike PLLC

March 16, 2023
Elon, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Report On Compliance for Each Major State Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit
Implementation Act

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Princeville, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Town of Princeville, North Carolina's major state programs for the year ended June 30, 2020. The Town of Princeville, North Carolina's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Princeville, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2020.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Town of Princeville, North Carolina and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Town of Princeville, North Carolina's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Princeville, North Carolina's State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Princeville, North Carolina's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Princeville, North Carolina's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Princeville, North Carolina's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Princeville, North Carolina's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Town of Princeville, North Carolina's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 20-01 and 20-02. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Princeville's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town of Princeville's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did

identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 20-01 and 20-02 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Princeville's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town of Princeville's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

March 16, 2023
Elon, North Carolina

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses: reported

X yes ___no

X yes ___none

Noncompliance material to financial statements noted

X yes ___no

Federal Awards

None

State Awards

Internal control over major State programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses: reported

X yes ___no

___yes X none

Type of auditors' report issued on compliance for major State programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act

X yes ___no

Dollar threshold used to distinguish between Type A and Type B Programs

\$750,000

Auditee qualified as a low-risk auditee?

No

Identification of major State programs:

Program Name

2019 Disaster Recovery Act Grant (SL 2019-224)

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section II. Financial Statement Findings

Finding 20-01

See State award findings in section IV

Finding 20-02

See State award findings in section IV

Finding 20-03

MATERIAL WEAKNESS

Internal Control – Document Retention

Criteria: Management is responsible for designing and maintaining internal controls that provide assurance that transactions are processed according to established procedures and in accordance with accounting principles generally accepted in the United States of America.

Condition: The Town failed to adequately store and maintain financial records.

Effect: 38% of the invoices in our search for unrecorded liabilities as of June 30, 2019, were unable to be located by the Town. The inability to examine all invoices selected for testing limited our ability to fully substantiate liability account balances as of June 30, 2019, and therefore expense balances during the June 30, 2020 fiscal year.

Cause: Insufficient organization

Recommendation: We recommend the Town implement and follow organizational processes and document retention policies.

Management Response: The Council agrees with this finding and recommendation.

Finding 20-04

MATERIAL WEAKNESS

Budget

Criteria: North Carolina State Law requires that expenditures do not exceed amounts appropriated.

Condition: The Town needs to strengthen the internal control structure to ensure expenditures are appropriately monitored compared to the Town's approved budget.

Effect: The Town's actual expenditures exceeded the budget approved by the Council, which is in violation of North Carolina General Statutes.

Cause: Budget oversight by management was not sufficient.

Recommendation: We recommend that management closely monitor expenditures as compared to the budget, especially ensuring that all capital expenditures are included in the budget.

Management Response: The Council agrees with this finding and recommendation.

Finding 20-05

MATERIAL WEAKNESS

Fixed Assets

Criteria: The Town is required to maintain accurate records of the balances of its accounts

Condition: A fixed asset schedule was not being maintained.

Effect: Fixed asset schedule needed significant updates across multiple years, which needed done by the CPA firm hired to re-construct the general ledger.

Cause: Oversight.

Recommendation: Fixed asset schedule has already been updated.

Management Response: The Council agrees with this finding and recommendation.

Finding 20-06

MATERIAL WEAKNESS

Internal Controls over Retirement Reporting

Criteria: The Town is required to accurately report employee data to the Local Government Employee Retirement System.

Condition: The Town did not correctly report detailed employee wages, or pay withholdings and Town retirement contribution data to the Local Government Employee Retirement System.

Effect: Employee retirement accounts have not been properly credited for service.

Cause: Oversight.

Recommendation: The town immediately take necessary steps to ensure employee retirement accounts are properly credited for service.

Management Response: The Council agrees with this finding and recommendation.

Finding 20-07

SIGNIFICANT DEFICIENCY

Pre-Audit

Criteria: North Carolina State Law requires all contractual agreements and expenditures be pre-audited by the finance officer to ensure that funds are available prior to the contracts becoming binding.

Condition: The Town's contracts and expenditures were not consistently pre-audited by the finance officer as required, which is in violation of North Carolina General Statutes.

Effect: The Town's actual expenditures exceeded the budget approved by the Council.

Cause: Oversight.

Recommendation: We recommend that management ensure all contracts and expenditures have appropriate pre-audit certifications.

Management Response: The Board agrees with this finding and recommendation.

Section III. Federal Award Findings and Questioned Costs

Finding: None reported

Section IV. State Award Findings and Questioned Costs

Program Name: 2019 Disaster Recovery Act Grant (SL 2019-224)

Finding: 20-01

NON-COMPLIANCE AND MATERIAL WEAKNESS

Modified Accrual Basis of Accounting

Criteria: The Town is required to maintain its accounting records on a modified accrual basis of accounting, with grant funds accounted for in a separate fund and accounting structure.

Condition: The Town did not maintain adequate accounting records. The Town's records were in a condition such that the Town contracted with a CPA firm in 2021 to re-construct their general ledger in order for an audit to be completed.

Effect: Town management and Council did not have adequate information in order to make decisions on a timely basis. Additional expenditures were incurred by the Town due to the need to re-construct the general ledger.

Cause: Insufficient monitoring and oversight of the financial activities.

Questioned Cost: None due to the nature of the finding.

Recommendation: The Town have a qualified finance director oversee accounting processes and records.

Management Response: The Council agrees with this finding and has hired a CPA firm to assist in training and overseeing the general ledger.

Finding: 20-02

NON COMPLIANCE AND MATERIAL WEAKNESS

Timeliness of Audit

Criteria: NC General Statute 159-34 requires each unit of local government to have its accounts audited each fiscal year and to submit a copy of the audit report to the Secretary of the Local Government Commission as soon as possible after the close of the fiscal year, typically by October 31st.

Condition: The Town did not complete their June 30, 2020 audit on a timely basis.

Effect: Town management and Council did not have audited financial statements in order to make decisions on a timely basis and was in violation of General Statute 159-34.

Cause: Insufficient monitoring and oversight of the financial activities.

Questioned Cost: None due to the nature of the finding.

Recommendation: The Town complete audits on a timely basis.

Management Response: The Council agrees with this finding and recommendation.



CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2020

Section V. Financial Statement Findings

Finding: 20-01

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: The Council should ensure financial records are accurately maintained on the accrual basis of accounting.

Anticipated Completion Date: Management has already implemented.

Finding: 20-02

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: The Council should ensure audits are completed on a timely basis.

Anticipated Completion Date: The Council has already engaged a CPA firm to complete the June 30, 2021 audit, and will subsequently work towards completion of the June 30, 2022 audit.

Finding: 20-03

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: The Council should ensure documents are maintained and accessible according to the document retention policies.

Anticipated Completion Date: The Council has moved back into their permanent Town Hall where they are able to file records onsite, and document availability has already improved.

Finding: 20-04

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will review a budget-to-actual report prepared by finance at each board meeting, and budget amendments will be made as necessary.

Anticipated Completion Date: Management will implement the above procedures immediately.

Finding: 20-05

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will update and maintain a detailed fixed asset schedule.

Anticipated Completion Date: Management has already implemented.

Finding: 20-06

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will reconcile, update, and pay any variances in wages and retirement earned to LGERS, and ensure that monthly reporting to LGERS reconciles to payroll records.

Anticipated Completion Date: Management will implement the above procedures immediately.

Finding: 20-07

Name of Contact Person: Dr. Glenda Knight, Town Manager

Corrective Action Plan: Management will ensure that all invoices and contracts are pre-audited by the Finance Officer.

Anticipated Completion Date: Management will implement the above procedure immediately.

Section VI. State Award Findings and Questioned Costs

Finding: None Reported

**TOWN OF PRINCEVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

No findings reported in the prior year due to June 30, 2020 being the first year requiring a single audit.

TOWN OF PRINCEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Grantor/Program Title	Federal AL Number	State/Pass-through Grantor's Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS:				
U.S. Department of Homeland Security Passed through N.C. Department of Public Safety Disaster Grants - Public Assistantance	97.036	FEMA-4285-DR-NC	\$ 310,831	\$ 103,610
Total assistance federal programs			<u>310,831</u>	<u>-</u>
STATE AWARDS:				
<u>N.C. Department of Transportation</u> Powell Bill			<u>-</u>	<u>26,761</u>
<u>Direct awards:</u> State Appropriations Grant		57603-B	-	82,343
Senate Bill 363		SL2019-244-L	<u>-</u>	<u>601,144</u>
Total assistance state programs			<u>-</u>	<u>813,858</u>
Total assistance			<u><u>\$ 310,831</u></u>	<u><u>\$ 813,858</u></u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Princeville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Town of Princeville, it is not intended to and does not present the financial position, changes in net assets or cash flows of Town of Princeville.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Town of Princeville has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.