

**TOWN OF SCOTLAND NECK
FINANCIAL STATEMENTS
SCOTLAND NECK, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2020**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



PETWAY

MILLS &

PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scotland Neck, 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 Scotland Neck's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scotland Neck, North Carolina as of June 30, 2020, and

the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 18, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 49 and 50, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 51 and 52, 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Scotland Neck, North Carolina. The combining individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal* 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020 on our consideration of the Town of Scotland Neck's internal control over financial reporting and on our tests of its compliance with certain provisions

of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Scotland Neck's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

December 28, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Scotland Neck Management's Discussion and Analysis

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

Financial Highlights

- The assets of the Town of Scotland Neck exceeded its liabilities at the close of the fiscal year by \$12,199,394 (*net position*).
- The government's total net position decreased by \$247,470 primarily due to increased costs in the general fund.
- As of the close of the current fiscal year, the Town of Scotland Neck's governmental funds reported combined ending fund balances of \$789,384 with a net change of (\$267,090) in fund balance. Approximately 50 percent of this total amount or \$395,139 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, total fund balance for the General Fund was \$671,629 or 25 percent of total general fund expenditures for the fiscal year.
- The Town of Scotland Neck's total debt increased by \$935 during the current fiscal year. The key factor in this increase was debt related to the Town's pension liability.

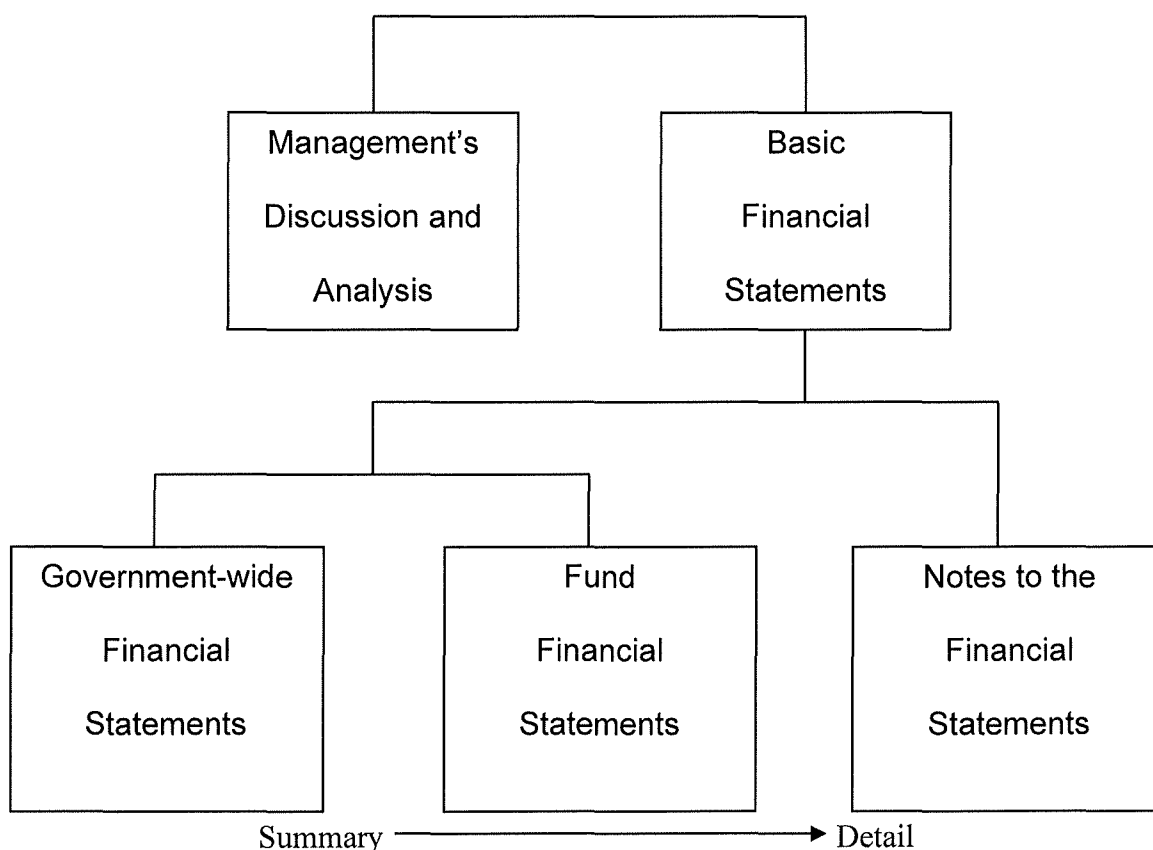
Overview of the Financial Statements

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

**Town of Scotland Neck
Management's Discussion and Analysis**

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 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental**

Town of Scotland Neck Management's Discussion and Analysis

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Scotland Neck, 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 Scotland Neck can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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

Town of Scotland Neck Management's Discussion and Analysis

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 Scotland Neck 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 City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Town of Scotland Neck has two enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Scotland Neck uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Town of Scotland Neck has no fiduciary funds.

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 28 of this report.

**Town of Scotland Neck
Management's Discussion and Analysis**

Government-Wide Financial Analysis

Town of Scotland Neck's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 945,248	\$ 1,234,734	\$ 2,428,113	\$ 1,831,758	\$ 3,373,361	\$ 3,066,492
Capital and non current assets	2,550,317	2,649,463	7,402,126	7,952,380	9,952,443	10,601,843
Total assets	3,495,565	3,884,197	9,830,239	9,784,138	13,325,804	13,668,335
Deferred pension outflows	141,279	146,979	104,984	112,077	246,263	259,056
Long-term liabilities outstanding	262,757	236,030	382,029	406,821	644,786	642,851
Other liabilities	39,178	58,376	609,261	701,325	648,439	759,701
Total liabilities	301,935	294,406	991,290	1,108,146	1,293,225	1,402,552
Pension Deferrals	33,285	24,005	46,163	53,970	79,448	77,975
Net position:						
Net investment in capital assets						
related debt	2,550,317	2,649,463	7,133,126	7,641,380	9,683,443	10,290,843
Restricted	394,245	429,039	-	-	394,245	429,039
Unrestricted	357,062	634,263	1,764,644	1,092,719	2,121,706	1,726,982
Total net position	\$ 3,301,624	\$ 3,712,765	\$ 8,897,770	\$ 8,734,099	\$ 12,199,394	\$ 12,446,864

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of The Town of Scotland Neck exceeded liabilities by \$12,199,394 as of June 30 2020. The Town's net position decreased by \$247,470 for the fiscal year ended June 30, 2020. However, 80% of the net position reflect the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Scotland Neck uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Scotland Neck's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Scotland Neck's net position, \$394,245 represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,121,706 is unrestricted.

Town of Scotland Neck Management's Discussion and Analysis

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.27%. The Town has experienced losses in population over the last several years, consistent with other towns in eastern North Carolina. This migration to more urban areas continues to affect local property values in a significant way.
- Effects of continued depressed economic activity in Eastern North Carolina rural areas.
- The periodic negative effects of weather on the local agricultural economy.
- Depreciation of fixed assets in the water/sewer fund is at a higher amount due to ongoing expenditures in the capital projects fund for sewer improvements.
- Normal periodic retirement of debt issued in prior years.

**Town of Scotland Neck
Management's Discussion and Analysis**

**Town of Scotland Neck
Statement of Activities
Figure 3**

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 229,180	\$ 221,007	\$ 4,646,089	\$ 4,940,938	\$ 4,875,269	\$ 5,161,945
Operating grants and contributions	1,023,114	417,688	-	-	1,023,114	417,688
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	651,685	756,435	-	-	651,685	756,435
Other taxes	439,863	466,536	-	-	439,863	466,536
Grants and contributions not restricted to specific programs	-	-	-	1,098,204	-	1,098,204
Other	31,515	38,981	-	-	31,515	38,981
Total revenues	2,375,357	1,900,647	4,646,089	6,039,142	7,021,446	7,939,789
Expenses:						
General government	992,099	405,505	-	-	992,099	405,505
Public safety	862,876	879,808	-	-	862,876	879,808
Transportation	491,446	455,641	-	-	491,446	455,641
Environmental protection	196,034	12,239	-	-	196,034	12,239
Economic and physical development	3,212	129,719	-	-	3,212	129,719
Cultural and recreation	360,188	356,979	-	-	360,188	356,979
Interest on long-term debt	-	1,478	-	-	-	1,478
Water and sewer	-	-	1,753,463	1,746,730	1,753,463	1,746,730
Electric	-	-	2,609,598	3,262,611	2,609,598	3,262,611
Total expenses	2,905,855	2,241,369	4,363,061	5,009,341	7,268,916	7,250,710
Increase/(decrease) in net position	(530,498)	(340,722)	283,028	1,029,801	(247,470)	689,079
Transfers/pmt in lieu	119,357	27,500	(119,357)	(27,500)	-	-
Gain on sale of asset	-	-	-	-	-	-
Increase (decrease) in net position	(411,141)	(313,222)	163,671	1,002,301	(247,470)	689,079
Net position, July 1	3,712,765	4,025,987	8,734,099	7,731,798	12,446,864	11,757,785
Net position, June 30	\$ 3,301,624	\$ 3,712,765	\$ 8,897,770	\$ 8,734,099	\$ 12,199,394	\$ 12,446,864

Town of Scotland Neck Management's Discussion and Analysis

Governmental activities. Governmental activities decreased the Town's net position by \$411,141. Key elements of this decrease are the increase in general government costs from 2020 to 2019.

Business-type activities: Business-type activities increased the Town of Scotland Neck's net position by \$163,671. Key elements of this increase are decreases in operating expenses.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Scotland Neck. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$395,139 while total fund balance was \$671,629. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 14.5 percent of total General Fund expenditures, while total fund balance represents 24.7 percent of that same amount. At June 30, 2020, the governmental funds of Town of Scotland Neck reported a combined fund balance of 789,384 with a net decrease in fund balance of \$267,090.

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.

Revenues were more than budgeted amounts due to unanticipated amounts received from certain services, grant funds, and intergovernmental revenues.

Proprietary Funds. The Town of Scotland Neck's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$115,622 and those for the

Town of Scotland Neck Management's Discussion and Analysis

Electric Fund amounted to \$1,649,022. The total change in net position for both funds was (\$467,873) and \$631,544, respectively. This change in net position is primarily the result of depreciation on capital assets in the Water and Sewer Fund and a decrease in operating expenses in the Electric Fund.

Capital Asset and Debt Administration

Capital assets. The Town of Scotland Neck's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$9,952,443 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. Major capital asset transactions during the year include the following:

- There were significant improvements to the fixed assets of proprietary funds due to a capital project.
- There were no significant improvements to the fixed assets of the governmental funds.

Additional information on the Town's capital assets can be found beginning on page 35 of the notes to the Basic Financial Statements.

Long-term Debt. As of June 30, 2020, the Town of Scotland Neck had total bonded debt outstanding of \$269,000. These bonds were used to fund major improvements to the Town's water and sewer fund.

Town of Scotland Neck's Outstanding Debt

The Town of Scotland Neck's total debt decreased by \$43,000 during the past fiscal year as the result of normal retirement of the various categories of debt coupled with an increase in accounts payable.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Scotland Neck is \$5,695,311. Additional information regarding the Town of Scotland Neck's long-term debt can be found on page 44 of the notes to the financial statements

Economic Factors affecting the Town of Scotland Neck

The Town is located in Halifax County, NC which is a rural agrarian based economy. Unemployment rates are among the highest in the State. This and the lagging economic recovery are having a negative effect on the Town's economic condition as it moves forward in its normal budgetary process. The potential negative effects of weather patterns also have a severe impact on the local agrarian economy. Management continues to assess cost control measures as they begin the budgetary process.

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 Director of Finance, Town of Scotland Neck, PO Box 537, Scotland Neck NC 27874.

Town of Scotland Neck
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 552,072	\$ 1,286,714	\$ 1,838,786
Restricted cash and cash equivalents	190,216	139,633	329,849
Taxes receivables (net)	116,686	-	116,686
Accounts receivable (net) - trade	67,338	746,896	814,234
Prepaid expenses	-	37,839	37,839
Due from other governments	18,936	7,325	26,261
Inventories	-	209,706	209,706
Total current assets	945,248	2,428,113	3,373,361
Noncurrent assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	348,199	22,043	370,242
Other capital assets, net of depreciation	2,202,118	7,380,083	9,582,201
Total capital assets	2,550,317	7,402,126	9,952,443
Total noncurrent assets	2,550,317	7,402,126	9,952,443
Total assets	3,495,565	9,830,239	13,325,804
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	73,367	44,600	117,967
Pension deferrals	67,912	60,384	128,296
Total deferred outflows of resources	141,279	104,984	246,263
LIABILITIES			
Current liabilities:			
Accounts payable and accruals - trade	39,178	426,628	465,806
Customer deposits	-	139,633	139,633
Current portion of long-term liabilities	-	43,000	43,000
Total current liabilities	39,178	609,261	648,439
Long-term liabilities:			
Net pension liability	163,524	138,516	302,040
Total LEO pension liability	66,092	-	66,092
Compensated absences	33,141	17,513	50,654
Due in more than one year	-	226,000	226,000
Total long-term liabilities	262,757	382,029	644,786
Total liabilities	301,935	991,290	1,293,225
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	33,285	6,163	39,448
Unavailable revenue	-	40,000	40,000
Total deferred inflows of resources	33,285	46,163	79,448
NET POSITION			
Net invested in capital assets	2,550,317	7,133,126	9,683,443
Restricted for:			
Stabilization by State Statute	86,274	-	86,274
Streets	167,157	-	167,157
Economic Development	117,755	-	117,755
Public Safety	23,059	-	23,059
Unrestricted	357,062	1,764,644	2,121,706
Total net position	\$ 3,301,624	\$ 8,897,770	\$ 12,199,394

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

Town of Scotland Neck
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 992,099	\$ -	\$ 635,800	\$ -	\$ (356,299)	\$ -	\$ (356,299)
Public safety	862,876	5,618	133,870	-	(723,388)	-	(723,388)
Transportation	491,446	-	75,389	-	(416,057)	-	(416,057)
Economic and physical development	3,212	-	-	-	(3,212)	-	(3,212)
Environmental protection	196,034	220,624	-	-	24,590	-	24,590
Culture and recreation	360,188	2,938	178,055	-	(179,195)	-	(179,195)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	2,905,855	229,180	1,023,114	-	(1,653,561)	-	(1,653,561)
Business-type activities:							
Electric	2,609,598	3,340,499	-	-	-	730,901	730,901
Water and sewer	1,753,463	1,305,590	-	-	-	(447,873)	(447,873)
Total business-type activities	4,363,061	4,646,089	-	-	-	283,028	283,028
Total primary government	\$ 7,268,916	\$ 4,875,269	\$ 1,023,114	\$ -	(1,653,561)	283,028	(1,370,533)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					651,685	-	651,685
Other taxes					439,863	-	439,863
Unrestricted investment earnings					3,267	-	3,267
Miscellaneous					28,248	-	28,248
Transfers					119,357	(119,357)	-
Total general revenues and transfers					1,242,420	(119,357)	1,123,063
Change in net position					(411,141)	163,671	(247,470)
Net position, beginning,					3,712,765	8,734,099	12,446,864
Net position, ending					\$ 3,301,624	\$ 8,897,770	\$ 12,199,394

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

Town of Scotland Neck
Balance Sheets
Governmental Funds
June 30, 2020

	Major Fund General Fund	Non-major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 445,724	\$ 106,348	\$ 552,072
Restricted cash and cash equivalents	190,216	-	190,216
Taxes receivable (net)	116,686	-	116,686
Accounts receivable (net) - trade	67,338	-	67,338
Due from other funds	-	11,407	11,407
Due from other governments	18,936	-	18,936
Total assets	<u>\$ 838,900</u>	<u>\$ 117,755</u>	<u>\$ 956,655</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities - trade	\$ 39,178	\$ -	\$ 39,178
Due to other funds	11,407	-	11,407
Total liabilities	<u>50,585</u>	<u>-</u>	<u>50,585</u>
Deferred Inflows of Resources:			
Property taxes receivable	116,686	-	116,686
Fund balances:			
Restricted:			
Stabilization by State Statute	86,274	-	86,274
Streets	167,157	-	167,157
Economic Development	-	117,755	117,755
Public Safety	23,059	-	23,059
Unassigned	395,139	-	395,139
Total fund balances	<u>671,629</u>	<u>117,755</u>	<u>789,384</u>
Total liabilities and fund balances	<u>\$ 838,900</u>	<u>\$ 117,755</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,550,317
Net pension liability	(229,616)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	73,367
Pension related deferrals	34,627
Earned revenues considered deferred inflows of resources in fund statements	116,686
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(33,141)
Net position of governmental activities	<u>\$ 3,301,624</u>

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

Town of Scotland Neck
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Fund General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 654,879	\$ -	\$ 654,879
Unrestricted intergovernmental	439,863	-	439,863
Restricted intergovernmental	364,042	-	364,042
Permits, fees, sales, services, and other	869,964	937	870,901
Investment earnings	3,039	229	3,268
Total revenues	<u>2,331,787</u>	<u>1,166</u>	<u>2,332,953</u>
EXPENDITURES			
Current:			
General government	866,846	-	866,846
Public safety	808,539	-	808,539
Transportation	467,547	-	467,547
Environmental protection	196,034	-	196,034
Economic and Community Development	-	3,212	3,212
Culture and recreation	338,127	-	338,127
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	39,095	-	39,095
Total expenditures	<u>2,716,188</u>	<u>3,212</u>	<u>2,719,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(384,401)</u>	<u>(2,046)</u>	<u>(386,447)</u>
OTHER FINANCING SOURCES (USES)			
Transfer (to) from other funds	119,357	-	119,357
Total other financing sources (uses)	<u>119,357</u>	<u>-</u>	<u>119,357</u>
Net change in fund balance	<u>(265,044)</u>	<u>(2,046)</u>	<u>(267,090)</u>
Fund balances, beginning	936,673	119,801	1,056,474
Fund balances, ending	<u>\$ 671,629</u>	<u>\$ 117,755</u>	<u>\$ 789,384</u>

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

**Town of Scotland Neck
Reconciliation of the
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020**

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

Net changes in fund balances - total governmental funds	\$ (267,090)
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.	(99,147)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	73,367
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in deferred revenue for tax revenues	(3,194)
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.	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Pension expense	(97,214)
Compensated absences	(17,863)
Total changes in net position of governmental activities	<u>\$ (411,141)</u>

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

**Town of Scotland Neck
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020**

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 648,300	\$ 648,300	\$ 654,879	\$ 6,579
Unrestricted intergovernmental	387,800	387,800	439,863	52,063
Restricted intergovernmental	322,262	322,262	364,042	41,780
Permits, fees, sales, services and other	869,030	869,030	869,964	934
Investment earnings	600	600	3,039	2,439
Total revenues	2,227,992	2,227,992	2,331,787	103,795
Expenditures:				
Current:				
General government	119,428	712,615	866,846	(154,231)
Public safety	714,661	839,730	808,539	31,191
Transportation	470,750	507,629	467,547	40,082
Environmental protection	84,594	154,594	196,034	(41,440)
Culture and recreation	288,347	317,819	338,127	(20,308)
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	58,912	19,252	39,095	(19,843)
Total expenditures	1,736,692	2,551,639	2,716,188	(164,549)
Revenues over (under) expenditures	491,300	(323,647)	(384,401)	(60,754)
Other financing sources (uses):				
Appropriated fund balance	(610,800)	204,147	-	(204,147)
Transfers	119,500	119,500	119,357	(143)
Total other financing sources (uses)	(491,300)	323,647	119,357	(204,290)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	(265,044)	\$ (265,044)
Fund balances, beginning			936,673	
Fund balances, ending			\$ 671,629	

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

Town of Scotland Neck
Statement of Net Position
Proprietary Funds
June 30, 2020

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,286,714	\$ -	\$ 1,286,714
Restricted cash and cash equivalents	104,710	34,923	139,633
Accounts receivable (net) - trade	474,449	272,447	746,896
Prepaid expenses	-	37,839	37,839
Due from other governments	-	7,325	7,325
Due from other funds	134,483	-	134,483
Inventories	185,952	23,754	209,706
Total current assets	2,186,308	376,288	2,562,596
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	11,543	10,500	22,043
Other capital assets, net of depreciation	216,394	7,163,689	7,380,083
Capital assets (net)	227,937	7,174,189	7,402,126
Total noncurrent assets	227,937	7,174,189	7,402,126
Total assets	2,414,245	7,550,477	9,964,722
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	35,914	8,686	44,600
Pension deferrals	49,633	10,751	60,384
Total deferred outflows of resources	85,547	19,437	104,984
LIABILITIES			
Current liabilities:			
Due to other funds	-	134,483	134,483
Accounts payable and accrued liabilities - trade	385,183	41,445	426,628
Customer deposits	104,710	34,923	139,633
General obligation bonds payable - current	-	43,000	43,000
Total current liabilities	489,893	253,851	743,744
Noncurrent liabilities:			
General obligation bonds payable - noncurrent (net)	-	226,000	226,000
Net pension liability	111,442	27,074	138,516
Compensated absences	16,556	957	17,513
Total noncurrent liabilities	127,998	254,031	382,029
Total liabilities	617,891	507,882	1,125,773
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	4,942	1,221	6,163
Unavailable revenue	-	40,000	40,000
Total deferred inflows of resources	4,942	41,221	46,163
NET POSITION			
Net investment in capital assets	227,937	6,905,189	7,133,126
Unrestricted	1,649,022	115,622	1,764,644
Total net position	\$ 1,876,959	\$ 7,020,811	\$ 8,897,770

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

Town of Scotland Neck
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Electricity sales	\$ 3,324,612	\$ -	\$ 3,324,612
Water and sewer charges	-	1,272,050	1,272,050
Other operating revenues	15,887	33,540	49,427
Total operating revenues	3,340,499	1,305,590	4,646,089
OPERATING EXPENSES			
Electric operations	2,578,233	-	2,578,233
Water treatment distribution	-	1,220,753	1,220,753
Depreciation	31,365	528,937	560,302
Total operating expenses	2,609,598	1,749,690	4,359,288
Operating income (loss)	730,901	(444,100)	286,801
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	-	-	-
Interest and other charges	-	(13,773)	(13,773)
Miscellaneous	-	10,000	10,000
Total nonoperating revenue (expenses)	-	(3,773)	(3,773)
Income (loss) before contributions and transfers	730,901	(447,873)	283,028
Transfers to other funds	(99,357)	(20,000)	(119,357)
Total income (loss) after contributions and transfers	631,544	(467,873)	163,671
Change in net position	631,544	(467,873)	163,671
Total net position, beginning	1,245,415	7,488,684	8,734,099
Total net position, ending	\$ 1,876,959	\$ 7,020,811	\$ 8,897,770

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

**Town of Scotland Neck
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020**

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,369,382	\$ 1,239,354	\$ 4,608,736
Cash paid for goods and services	(2,208,083)	(1,151,531)	(3,359,614)
Cash paid to or on behalf of employees for services	(480,961)	(135,866)	(616,827)
Net cash provided (used) by operating activities	680,338	(48,043)	632,295
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund activity	(134,483)	146,440	11,957
Transfer (to) / from other funds	(99,357)	(20,000)	(119,357)
Total cash flows provided (used) by noncapital financing activities	(233,840)	126,440	(107,400)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(10,048)	(10,048)
Principal and interest paid on bonds and notes	-	(56,773)	(56,773)
Grants	-	-	-
Net cash provided (used) by capital and related financing activities	-	(66,821)	(66,821)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	-	-
Net cash provided (used) by investing activities	-	-	-
Net increase in cash and cash equivalents	446,498	11,576	458,074
Balances, beginning	944,926	23,347	968,273
Balances, ending	<u>\$ 1,391,424</u>	<u>\$ 34,923</u>	<u>\$ 1,426,347</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 730,901	\$ (444,100)	\$ 286,801
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	31,365	528,937	560,302
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(13,806)	(69,401)	(83,207)
(Increase) decrease in inventory	(46,684)	(8,301)	(54,985)
(Increase) decrease in prepaid expenses	-	(89)	(89)
(Increase) decrease in deferred outflows of resources - pensions	5,674	1,419	7,093
Increase in net pension liability	3,506	876	4,382
Increase (decrease) in deferred inflows of resources - pensions	1,754	439	2,193
Increase (decrease) in accounts payable and accrued liabilities	(70,905)	(59,399)	(130,304)
Increase (decrease) in customer deposits	26,664	11,576	38,240
Increase (decrease) in unearned revenue	-	(10,000)	(10,000)
Increase (decrease) in compensated absences	11,869	-	11,869
Total adjustments	(50,563)	396,057	345,494
Net cash provided (used) by operating activities	<u>\$ 680,338</u>	<u>\$ (48,043)</u>	<u>\$ 632,295</u>

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

**Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

I. Summary of Significant Accounting Policies

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

A. Reporting entity

The Town of Scotland Neck is a municipal corporation which is governed by an elected mayor and a five-member Board of Commissioners.

B. Basis of Presentation-Fund Accounting

Government-wide Statements:

The statement of net position and the statement of activities display information about the government. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the Town. Government activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund financial statements:

The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

Special Revenue Funds – Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Town maintains two Special Revenue Funds: The OCH Grant Reimbursement Fund and the Marketing Fund.

Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

The Town reports the following major enterprise funds:

Electric Fund – This fund is used to account for the Town's electric fund operations.

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

The Town reports no non-major enterprise funds.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements:

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

Governmental fund financial statements:

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when 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 utilities franchise 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 because the tax is levied by Halifax County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended grant funds of the Capital Projects funds and various grant funds are classified as restricted assets for the Enterprise and General Fund because their use is completely restricted to the purpose for which the funds were originally issued. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit is collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. In addition, public safety funds are also restricted. The funds are only to be expended for public safety related expenditures.

Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These payments are expensed as items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets consisting of road networks prior to July 1, 2003 have not been recorded as permitted by GASB Statement 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Computer Equipment	3
Furniture and office equipment	10

8. 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 two items meeting this criterion, contributions made to the

Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

pension plan in the 2020 fiscal year and pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – property taxes receivable, unavailable revenues, and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety.

Restricted for Economic Development – portion of fund balance restricted by grantors to economic development.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority).

Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – portion of fund balance that the Town of Scotland Neck intends to use for specific purposes.

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

The Town of Scotland Neck 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.

F. Revenues, Expenditures, and Expenses

1. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Operating transfers-out" in the General Fund and "Operating transfers-in" in the receiving fund.

2. 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 and proprietary funds, an expense and 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

3. Pensions

For purposes of measuring the net pension asset, 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 the Law Enforcement Officer's Separation Allowance (LEO) and additions to/deductions from LGERS' and LEOs' fiduciary net position have been determined on the same basis as they are reported by LGERS and LEO. For this purpose, plan member contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS and LEO. Investments are reported as fair value.

**Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

Finding 2020-002 addresses bank reconciliations not prepared and agreed to the general ledger monthly.

Finding 2020-003 addresses utility records not reconciled to the general ledger.

2. Contractual Violations

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

Finding 2020-001 addresses expenditures in excess of approved budgets.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$2,167,835 and a bank balance of \$2,185,375. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder of \$1,685,375 was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$800.

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the allowance for doubtful accounts. As of June 30, 2020, the General Fund's allowance for doubtful accounts was \$7,500, the Electric Fund's allowance for doubtful accounts was \$39,600, and the Water Sewer Fund's allowance for doubtful accounts was \$22,200.

Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

3. Capital Assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land and construction in progress	\$ 309,799	\$ 38,400	\$ -	\$ 348,199
Capital assets being depreciated				
Buildings	3,508,308	7,200	-	3,515,508
Equipment	492,356	20,095	-	512,451
Infrastructure	34,000	-	-	34,000
Vehicles	2,324,057	19,000	-	2,343,057
Total capital assets being depreciated	6,358,721	46,295	-	6,405,016
Less accumulated depreciation for				
Buildings	1,729,615	88,818	-	1,818,433
Equipment	452,371	5,987	-	458,358
Infrastructure	10,200	680	-	10,880
Vehicles	1,826,870	88,357	-	1,915,227
Total accumulated depreciation	4,019,056	\$ 183,842	\$ -	4,202,898
Total capital assets, depreciated, net	2,339,665			2,202,118
Governmental activity capital assets, net	<u>\$ 2,649,464</u>			<u>\$ 2,550,317</u>

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

General Government	\$ 80,891
Public Safety	56,991
Transportation	23,899
Culture and Recreation	22,061
	<u>\$ 183,842</u>

Town of Scotland Neck, North Carolina
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For the Fiscal Year Ended June 30, 2020

Business-type activity:	Beginning Balance	Increases	Decreases	Ending Balance
Electric Fund				
Capital assets not being depreciated				
Land and construction in progress	\$ 11,543	\$ -	\$ -	\$ 11,543
Capital assets being depreciated				
Plant and distribution systems	619,828	-	-	619,828
Maintenance equipment	750,238	-	-	750,238
Vehicles	487,173	-	-	487,173
Total capital assets being depreciated	1,857,239	-	-	1,857,239
Less accumulated depreciation for				
Plant and distribution systems	485,247	4,467	-	489,714
Maintenance equipment	666,676	10,195	-	676,871
Vehicles	457,557	16,703	-	474,260
Total accumulated depreciation	1,609,480	\$ 31,365	\$ -	1,640,845
Total capital assets, depreciated, net	247,759			216,394
Electric Fund capital assets, net	<u>\$ 259,302</u>			<u>\$ 227,937</u>
Water and Sewer Fund				
Capital assets not being depreciated				
Land and construction in progress	\$ 10,500	\$ -	\$ -	\$ 10,500
Capital assets being depreciated				
Plant and distribution systems	16,472,210	-	-	16,472,210
Maintenance equipment	413,467	10,048	-	423,515
Vehicles	52,155	-	-	52,155
Total capital assets being depreciated	16,937,832	10,048	-	16,947,880
Less accumulated depreciation for				
Plant and distribution systems	8,816,772	524,114	-	9,340,886
Maintenance equipment	386,327	4,823	-	391,150
Vehicles	52,155	-	-	52,155
Total accumulated depreciation	9,255,254	\$ 528,937	\$ -	9,784,191
Total capital assets, depreciated, net	7,682,578			7,163,689
Water and Sewer Fund capital assets, net	<u>\$ 7,693,078</u>			<u>\$ 7,174,189</u>
Business-type activities capital assets, net	<u>\$ 7,952,380</u>			<u>\$ 7,402,126</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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.

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 monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, 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 were \$101,256, 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.

Pensions 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 \$302,040 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 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, 2020, the Town's proportion was 0.01106%, which was a decrease of .00121% from its proportion measured as of June 30, 2019.

Town of Scotland Neck, North Carolina
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For the Fiscal Year Ended June 30, 2020

For the year ended June 30, 2020, the Town recognized pension expense of \$135,423. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,717	\$ -
Changes of assumptions	49,228	-
Net difference between projected and actual earnings on pension plan investments	7,367	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,758	14,172
Employer contributions subsequent to the measurement date	101,256	-
Total	<u>\$ 222,326</u>	<u>\$ 14,172</u>

\$101,256 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Future amortization:

Year Ended June 30:

2021	\$ 56,592
2022	18,892
2023	25,312
2024	6,100
	<u>\$ 106,896</u>

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

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

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect 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 ad historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return 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

Town of Scotland Neck, North Carolina
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For the Fiscal Year Ended June 30, 2020

and 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, 2020 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%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

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

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset 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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 690,821	\$ 302,040	\$ (21,116)

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.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Scotland Neck administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service.

Town of Scotland Neck, North Carolina
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For the Fiscal Year Ended June 30, 2020

The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full time law enforcement officers of the Town. At December 31, 2018, the Separation Allowance's membership consisted of:

Inactive Members Currently Receiving Benefits	-
Active Plan Members	<u>7</u>
Total	<u><u>7</u></u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factors
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

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 total pension liability of \$66,092. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$5,998.

Town of Scotland Neck, North Carolina
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For the Fiscal Year Ended June 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 21,204
Changes of assumptions	7,226	4,072
Benefit payments and administrative expenses subsequent to the measurement date	16,711	-
	<u>\$ 23,937</u>	<u>\$ 25,276</u>

\$16,711 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ 3,506
2022	3,506
2023	3,356
2024	3,326
2025	2,701
Thereafter	1,655
	<u>\$ 18,050</u>

Sensitivity of the Town's total pension liability to changes in the discount rate.

The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease 2.26%	Discount Rate 3.26%	1% Increase 4.26%
Total pension liability	\$ 76,941	\$ 66,092	\$ 56,614

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2020
Beginning balance	\$ 63,799
Service cost	7,182
Interest on the total pension liability	2,322
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	(10,967)
Changes of assumptions or other inputs	3,756
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 66,092</u>

The plan currently uses mortality tables that vary by age and health status (i.e. disables 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.

Town of Scotland Neck, North Carolina
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For the Fiscal Year Ended June 30, 2020

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.

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

The following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 135,423	\$ 5,998	\$ 141,421
Pension Liability	302,040	66,092	368,132
Proportionate share of the net pension liability	0.01106%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	51,717	-	51,717
Changes of assumptions	49,228	7,226	56,454
Net difference between projected and actual earnings on plan investments	7,367	-	7,367
Changes in proportion and differences between contributions and proportionate share of contributions	12,758	-	12,758
Benefit payments and administrative costs paid subsequent to the measurement date	101,256	16,711	117,967
Deferred Inflows of Resources			
Differences between expected and actual experience	-	21,204	21,204
Changes of assumptions	-	4,072	4,072
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	14,172	-	14,172

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$40,791 which consisted of \$25,510 from the Town and \$15,281 from the law enforcement officers.

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to \$10,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the

Town of Scotland Neck, North Carolina
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For the Fiscal Year Ended June 30, 2020

post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town has two deferred outflows of resources comprised of the following elements:

Contributions to pension plan in current fiscal year	<u>\$ 117,967</u>
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Pension deferrals	<u>\$ 128,296</u>
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Deferred inflows of resources are comprised of the following elements:

General Fund	
Ad valorem taxes – unavailable	<u>\$ 116,686</u>

Water and Sewer Fund	
Unavailable Revenue	<u>\$ 40,000</u>

Pension deferrals	<u>\$ 39,448</u>
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4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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 does not hold any flood insurance as of June 30, 2020. The Town does not own any buildings that are located in a flood plain and does not believe that flood insurance is a necessity.

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 is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

5. Claims, Judgments and Contingent Liabilities

The Town had no claims, judgments or contingent liabilities as of June 30, 2020.

6. Long-Term Obligations

a. Notes Payable

Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Business Type Activities

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

Bonds payable at June 30, 2020 are comprised of the following individual issues:

NC Division of Water Quality-Sewer Improvements Note Payable Annual payments of \$20,000 plus interest at 2.66%	\$ 113,000
\$663,000 1988 sewer bond due in annual variable installments through June 1, 2027 with interest at 5%	<u>156,000</u>
Totals at June 30, 2020	<u>\$ 269,000</u>

Future maturities of installment debt are as follows:

Year Ending June 30	Total	Principal	Interest
2021	\$ 53,782	\$ 43,000	\$ 10,782
2022	52,077	43,000	9,077
2023	50,372	43,000	7,372
2024	48,666	43,000	5,666
2025	46,961	43,000	3,961
2026-2027	56,805	54,000	2,805
	<u>\$ 308,663</u>	<u>\$ 269,000</u>	<u>\$ 39,663</u>

At June 30, 2020, the Town of Scotland Neck had a legal debt margin of \$5,695,311.

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Compensated Absences	\$ 15,279	\$ 17,862	\$ -	\$ 33,141	\$ -
Net pension liability (LGERS)	156,952	6,572	-	163,524	-
Total pension liability (LEO)	63,799	2,293	-	66,092	-
Governmental Activities	<u>\$ 236,030</u>	<u>\$ 26,727</u>	<u>\$ -</u>	<u>\$ 262,757</u>	<u>\$ -</u>
Business-Type Activities:					
Compensated Absences	\$ 4,687	\$ 12,826	\$ -	\$ 17,513	\$ -
Net pension liability (LGERS)	134,134	4,382	-	138,516	-
Note Payable	312,000	-	43,000	269,000	43,000
Business-Type Activities	<u>\$ 450,821</u>	<u>\$ 17,208</u>	<u>\$ 43,000</u>	<u>\$ 425,029</u>	<u>\$ 43,000</u>

7. Interfund Balances and Activity

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

Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Due to OCH Fund from General Fund	\$ 11,407
Due to Electric Fund from Water and Sewer Fund	134,483
Total	<u>\$ 145,890</u>

These funds were used to pay operating costs of the General Fund and the Water and Sewer Fund.

8. Unavailable Revenue

Unavailable revenue refers to funds received by the Town of Hobgood for capacity in the Town of Scotland Neck's waste water treatment plant. The Town of Hobgood ran a sewer line to the Town of Scotland Neck's plant so that the Town of Scotland Neck could treat the sewer for Hobgood. Hobgood paid \$200,000 in 2004, and \$10,000 of revenue is recognized each year for 20 years.

C. Fund Balance

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

Total fund balance - General Fund	\$ 671,629
Less:	
Restricted:	
Stabilization by State Statute	86,274
Streets	167,157
Public Safety	23,059
Remaining Fund Balance	<u>\$ 395,139</u>

The Town of Scotland Neck 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.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several 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.

COVID-19 Contingencies

During the year ended June 30, 2020, the COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2020, and additional impact on operational and financial performance may occur.

Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

V. Estimates

The management of the Town analyzed its General Government Administration costs for the year and developed several formulas for allocating these costs to the Enterprise funds. The allocations are intended to have all funds participate in the governing body costs based on their usage of administration services.

VI. Jointly Governed Organizations

The Town is a member of the North Carolina Eastern Municipal Power Agency (the Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities through the Agency. The Town receives power from the Agency, and is contractually allocated a .576% interest in the Agency, with the balance being shared by thirty-one other local governments. Each participating government appoints one commissioner to the Agency's governing board. The Town is obligated to purchase all of its power supply requirements from the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2020 were \$1,942,994.

The Town, in conjunction with five counties and thirty other municipalities established the Region L Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board.

VII. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Fireman's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salary and fringe benefits made to members of the Town's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at Post Office Box 188, Farmville, North Carolina 27828.

VIII. Subsequent Events and Special Items

The Town evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued, which is the date of the independent auditors' report. Subsequent events after that date have not been evaluated. No subsequent events occurred during this period that require disclosure.

IX. Transfers

During the year, the Town transferred \$119,357 from the Electric and Water Funds to the General Fund. All transfers were made to provide financing for operating expenses.

X. Expense Reimbursements

Allocated costs are used to reduce the related in expenses in the Electric Fund and the Water and Sewer fund. Generally, salaries, the related fringes and other operating costs are reimbursed by reducing the related expense accounts.

Town of Scotland Neck, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

XI. Powell Bill Funds and Restricted Funds for Streets

Powell Bill funds and other funds were used for streets as follows:

	Powell Bill	Other Funds	Total
Net Position 7/1/2019	\$ 111,723	\$ -	\$ 111,723
Revenues	60,639	-	60,639
Interest income	5	-	5
Expenses	(5,210)	-	(5,210)
Reclassifications	-	-	-
Net position 6/30/2020	<u>\$ 167,157</u>	<u>\$ -</u>	<u>\$ 167,157</u>

**REQUIRED SUPPLEMENTARY STATEMENTS
AND SCHEDULES**

This section contains additional information required by the
Local Government Commission in North Carolina.

**Town of Scotland Neck
Town of Scotland Neck's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years ***

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Scotland Neck's proportion of the net pension liability (asset) (%)	0.01106%	0.01227%	0.01267%	0.00841%	0.00848%	0.00938%	0.00940%
Scotland Neck's proportion of the net pension liability (asset) (\$)	\$ 302,040	\$ 291,086	\$ 193,565	\$ 178,490	\$ 38,059	\$ (55,317)	\$ 113,306
Scotland Neck's covered-employee payroll	\$ 752,737	\$ 711,501	\$ 711,113	\$ 553,023	\$ 562,446	\$ 568,885	\$ 550,715
Scotland Neck's proportionate share of the net pension liability (asset)	40.13%	40.91%	27.22%	32.28%	6.77%	(9.72%)	20.57%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

**Town of Scotland Neck
Town of Scotland Neck's Contributions
Required Supplementary Information
Last Seven Fiscal Years ***

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 101,256	\$ 58,535	\$ 56,169	\$ 53,389	\$ 38,260	\$ 40,382	\$ 40,515
Contributions in relation to the contractually required contribution	101,256	58,535	56,169	53,389	38,260	40,382	40,515
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Scotland Neck's covered-employee payroll	\$ 1,087,836	\$ 752,737	\$ 711,501	\$ 711,113	\$ 553,023	\$ 562,446	\$ 568,885
Contributions as a percentage of covered-employee payroll	9.31%	7.78%	7.89%	7.51%	6.92%	7.18%	7.12%

Town of Scotland Neck
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020	2019	2018	2017
Beginning Balance	\$ 63,799	\$ 62,305	\$ 56,594	\$ 51,911
Service cost	7,182	10,797	9,133	3,940
Interest on the total pension liability	2,322	1,969	2,185	1,853
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(10,967)	(6,198)	(12,449)	-
Changes of assumptions or other inputs	3,756	(5,074)	6,842	(1,110)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending Balance of the Total Pension Liability	<u>\$ 66,092</u>	<u>\$ 63,799</u>	<u>\$ 62,305</u>	<u>\$ 56,594</u>

Town of Scotland Neck
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020	2019	2018	2017
Total Pension Liability	\$ 66,092	\$ 63,799	\$ 62,305	\$ 56,594
Covered Payroll	341,427	277,306	352,090	149,168
Total Pension Liability as a Percentage of Covered Payroll	19.36%	23.01%	17.70%	37.94%

Notes to the schedules:

The Town of Scotland Neck has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**Town of Scotland Neck
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year		\$ 549,967	
Prior years		97,570	
Penalties and interest		7,342	
Total	\$ 648,300	654,879	\$ 6,579
Unrestricted intergovernmental:			
Utility sales tax		156,652	
Beer and wine tax		2,078	
US Cellular water tank		18,150	
Local option sales tax		262,983	
Total	387,800	439,863	52,063
Restricted intergovernmental:			
Powell Bill allocation		60,639	
Administration on Aging - Senior Center		135,542	
Grant police funds		1,280	
FEMA reimbursement		16,294	
PartF Grant		26,219	
County supplement		14,750	
Fire district taxes and supplement		109,318	
Total	322,262	364,042	41,780
Permits, fees, sales, services, and other			
Miscellaneous/refunds/rentals/other		641,023	
Solid waste fees		220,624	
Other Fees		8,317	
Total	869,030	869,964	934
Investment earnings	600	3,039	2,439
Total revenues	2,227,992	2,331,787	103,795
Expenditures:			
General government and administration:			
Salaries and employee benefits		151,590	
Operating expenses		715,256	
Total	712,615	866,846	(154,231)

**Town of Scotland Neck
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police:			
Salaries and employee benefits		571,387	
Operating expenses		159,654	
Fire and rescue:			
Contract and operating expenses		77,498	
Debt services		-	
Capital outlay		19,000	
Total	<u>858,982</u>	<u>827,539</u>	<u>31,443</u>
Transportation:			
Salaries and employee benefits		132,838	
Operating expenses		329,498	
Powell Bill		5,211	
Debt service		-	
Capital outlay		20,095	
Total	<u>507,629</u>	<u>487,642</u>	<u>19,987</u>
Environmental protection:			
Salaries and employee benefits		71,314	
Solid waste fees		73,702	
Operating expenses		51,018	
Total	<u>154,594</u>	<u>196,034</u>	<u>(41,440)</u>
Culture and recreation:			
Salaries and employee benefits		152,136	
Other operating expenditures		185,991	
Capital outlay		-	
Total	<u>317,819</u>	<u>338,127</u>	<u>(20,308)</u>
Total expenditures	<u>2,551,639</u>	<u>2,716,188</u>	<u>(164,549)</u>
Revenues over (under) expenditures	<u>(323,647)</u>	<u>(384,401)</u>	<u>(60,754)</u>

**Town of Scotland Neck
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfers	119,500	119,357	(143)
Forgiveness of interfund debt	-	-	-
Fund balance appropriated	<u>204,147</u>	<u>-</u>	<u>(204,147)</u>
Total	<u>323,647</u>	<u>119,357</u>	<u>(204,290)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>(265,044)</u>	<u>\$ (265,044)</u>
Fund balances, beginning,		<u>936,673</u>	
Fund balances, ending		<u>\$ 671,629</u>	

**Town of Scotland Neck
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2020**

	OCH Fund	Marketing Fund	Total Non-major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 106,289	\$ 59	\$ 106,348
Grants receivable	-	-	-
Due from other funds	<u>11,407</u>	<u>-</u>	<u>11,407</u>
Total assets	<u><u>\$ 117,696</u></u>	<u><u>\$ 59</u></u>	<u><u>\$ 117,755</u></u>
 Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances			
Restricted for			
Economic Development	<u>117,696</u>	<u>59</u>	<u>117,755</u>
Total fund balances	<u>117,696</u>	<u>59</u>	<u>117,755</u>
Total liabilities and fund balances	<u><u>\$ 117,696</u></u>	<u><u>\$ 59</u></u>	<u><u>\$ 117,755</u></u>

Town of Scotland Neck
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-major Governmental Funds
June 30, 2020

	OCH Fund	Marketing Fund	Total Non-major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Program income	\$ -	\$ 937	\$ 937
Restricted intergovernmental	-	-	-
Interest and economic incentives	229	-	229
	<u>229</u>	<u>-</u>	<u>229</u>
Total revenues	<u>229</u>	<u>937</u>	<u>1,166</u>
Expenditures			
Economic and physical development	-	3,212	3,212
Cultural and recreational	-	-	-
Community Development	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>3,212</u>	<u>3,212</u>
Revenues over (under) expenses	229	(2,275)	(2,046)
Other Financing Sources (Uses)			
Operating transfer in/out	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	229	(2,275)	(2,046)
Fund balance, beginning	<u>117,467</u>	<u>2,334</u>	<u>119,801</u>
Fund balance, ending	<u><u>\$ 117,696</u></u>	<u><u>\$ 59</u></u>	<u><u>\$ 117,755</u></u>

**Town of Scotland Neck
Special Revenue Fund - OCH Grant Project Fund
Balance Sheet
June 30, 2020**

Assets

Cash and cash equivalents	\$ 106,289
Note receivable - local business	-
Due from other funds	<u>11,407</u>
Total assets	<u><u>\$ 117,696</u></u>

Liabilities and Fund Balances

Liabilities

Due to other funds	\$ -
Unavailable revenues	<u>-</u>
Total liabilities	<u>-</u>

Fund balances

Restricted for	
Economic Development	<u>117,696</u>
Total fund balances	<u>117,696</u>

Total liabilities and fund balances	<u><u>\$ 117,696</u></u>
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Town of Scotland Neck
Special Revenue Fund - OCH Grant Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2020

	<u>Prior Years</u>	<u>June 30, 2020</u>	<u>Total to Date</u>
Revenues			
Payments from local businesses	\$ 749,476	\$ -	\$ 749,476
Interest and economic incentives	<u>233,505</u>	<u>229</u>	<u>233,734</u>
Total revenues	<u>982,981</u>	<u>229</u>	<u>983,210</u>
Expenditures			
Economic and physical development			
Hospital Heliport	5,000	-	5,000
Public safety - police grant	8,417	-	8,417
Medical Access Plan	7,499	-	7,499
Recreation department	58,903	-	58,903
Business development	445,363	-	445,363
Library expansion	50,000	-	50,000
Community development	388,186	-	388,186
Administration	<u>2,479</u>	<u>-</u>	<u>2,479</u>
Total expenditures	<u>965,847</u>	<u>-</u>	<u>965,847</u>
Revenues over (under) expenses	17,134	229	17,363
Other Financing Sources (Uses)			
Operating transfer in/out	<u>27,000</u>	<u>-</u>	<u>27,000</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 44,134</u>	229	<u>\$ 44,363</u>
Fund balance - beginning of year		<u>117,467</u>	
Fund balance, ending		<u>\$ 117,696</u>	

Town of Scotland Neck
Special Revenue Fund - OCH Grant Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020 and From Inception

	Actual				Variance
	Project Authorization	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Revenues:					
Payments from local businesses	\$ 692,184	\$ 749,476	\$ -	\$ 749,476	\$ 57,292
Community Development Block Grant	308,524	-	-	-	(308,524)
Interest and other	162,337	233,593	229	233,822	71,485
Total revenues	1,163,045	983,069	229	983,298	(179,747)
Expenditures:					
Economic and physical development					
Hospital Heliport	5,000	5,000	-	5,000	-
Public safety - police grant	8,417	8,417	-	8,417	-
Medical Access Plan	7,499	7,499	-	7,499	-
Recreation department	58,903	58,903	-	58,903	-
Community development	527,476	388,186	-	388,186	139,290
Library expansion	50,000	50,000	-	50,000	-
Business development	523,271	445,363	-	445,363	77,908
Administration	2,479	2,479	-	2,479	-
Total expenditures	1,183,045	965,847	-	965,847	217,198
Excess (Deficit) of revenues over (under) expenditures	(20,000)	17,222	229	17,451	37,451
Other financing sources (uses):					
Transfers	20,000	40,000	-	40,000	20,000
Total other financing sources (uses)	20,000	40,000	-	40,000	20,000
Excess (Deficit) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -	\$ 57,222	229	\$ 57,451	\$ 57,451
Fund balance - beginning of year			117,467		
Fund balance - end of year			\$ 117,696		

**Town of Scotland Neck
Special Revenue Fund - Marketing Fund
Balance Sheet
June 30, 2020**

Assets

Cash and cash equivalents	
Note receivable - local business	\$ 59
Due from other funds	-
	<hr/>
Total assets	<u><u>\$ 59</u></u>

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities	\$ -
Unavailable revenues	-
	<hr/>
Total liabilities	<hr/> -

Fund balances

Restricted for	
Economic Development	59
	<hr/>
Total fund balances	<hr/> 59

Total liabilities and fund balances	<u><u>\$ 59</u></u>
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Town of Scotland Neck
Special Revenue Fund - Marketing Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2020

	<u>Prior Years</u>	<u>June 30, 2020</u>	<u>Total to Date</u>
Revenues			
Grant revenues and town contributions	\$ 540,102	\$ 937	\$ 541,039
Interest and economic incentives	<u>78,088</u>	<u>-</u>	<u>78,088</u>
Total revenues	<u>618,190</u>	<u>937</u>	<u>619,127</u>
Expenditures			
Economic and physical development			
Marketing/economic incentives	474,494	3,212	477,706
Salary/benefits	131,050	-	131,050
Administration	<u>22,494</u>	<u>-</u>	<u>22,494</u>
Total expenditures	<u>628,038</u>	<u>3,212</u>	<u>631,250</u>
Revenues over (under) expenses	(9,848)	(2,275)	(12,123)
Other Financing Sources (Uses)			
Operating transfer in/out	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (9,848)</u>	(2,275)	<u>\$ (12,123)</u>
Fund balance, beginning		<u>2,334</u>	
Fund balance, ending		<u>\$ 59</u>	

Town of Scotland Neck
Special Revenue Fund - Marketing Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020 and From Inception

	Actual				Variance
	Project	Prior	Current	Total Project	Favorable
	Authorization	Years	Year	To Date	(Unfavorable)
Revenues:					
Grant revenues and town contributions	\$ 598,312	\$ 540,102	\$ 937	\$ 541,039	\$ (57,273)
Interest and other revenue	17,487	61,354	-	61,354	43,867
Total revenues	615,799	601,456	937	602,393	(13,406)
Expenditures:					
Economic and physical development					
Marketing/Economic incentives	462,255	474,494	3,212	477,706	(15,451)
Salary/benefits	131,050	131,050	-	131,050	-
Administration	22,494	22,494	-	22,494	-
Total expenditures	615,799	628,038	3,212	631,250	(15,451)
Excess (Deficit) of revenues over (under) expenditures	-	(26,582)	(2,275)	(28,857)	(28,857)
Other financing sources (uses):					
Transfers	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (Deficit) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -	\$ (26,582)	(2,275)	\$ (28,857)	\$ (28,857)
Fund balance - beginning of the year			2,334		
Fund balance - end of the year			\$ 59		

**Town of Scotland Neck
Electric Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Electricity sales		\$ 3,324,612	
Other operating revenues		15,887	
Total operating revenues	<u>\$ 3,794,819</u>	<u>3,340,499</u>	<u>\$ (454,320)</u>
Non-operating revenues:			
Miscellaneous and investment		-	-
Total revenues	<u>3,794,819</u>	<u>3,340,499</u>	<u>(454,320)</u>
Expenditures:			
Electrical operations:			
Salaries and employee benefits		492,830	
Utility purchases/costs		1,942,994	
Supplies		41,496	
Other operating expenditures		78,110	
Total electrical operations	<u>3,687,003</u>	<u>2,555,430</u>	<u>1,131,573</u>
Capital outlay:			
Equipment purchases		-	
Total capital outlay	<u>8,459</u>	<u>-</u>	<u>8,459</u>
Total expenditures	<u>3,695,462</u>	<u>2,555,430</u>	<u>1,140,032</u>
Revenues over (under) expenditures before other financing sources (uses)	99,357	785,069	685,712
Other financing sources (uses):			
Transfers	<u>(99,357)</u>	<u>(99,357)</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 685,712</u>	<u>\$ 685,712</u>

Reconciliation of Modified Accrual Basis to Full Accrual Basis

Revenues over (under) expenditures	\$ 685,712
Reconciling items:	
Depreciation	(31,365)
Increase in compensated absences	(11,869)
Increase in net pension liability	(3,505)
Decrease in deferred outflows of resources - pensions	(5,674)
Increase in deferred inflows of resources - pensions	<u>(1,755)</u>
Net Income (Loss)	<u>\$ 631,544</u>

**Town of Scotland Neck
Water and Sewer Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water and sewer charges		\$ 1,272,050	
Other operating revenues		33,540	
Total operating revenues	\$ 1,433,604	1,305,590	\$ (128,014)
Non-operating revenues:			
Interest on investments		-	
Miscellaneous		10,000	
Total non-operating revenues	-	10,000	10,000
Total revenues	1,433,604	1,315,590	(118,014)
Expenditures:			
Water and sewer distribution:			
Salaries and employee benefits		136,742	
Purchase of water/operating supplies		333,013	
Maintenance and repairs		439,950	
Other operating expenditures		307,358	
Total water/sewer operations	1,366,733	1,217,063	149,670
Debt service:			
Principal retirement		43,000	
Interest		13,773	
Total debt service	56,823	56,773	50
Capital outlay:			
Water distribution system		10,048	
Total capital outlay	10,048	10,048	-
Total expenditures	1,433,604	1,283,884	149,720
Revenues over (under) expenditures before other financing sources (uses)	-	31,706	31,706
Other financing sources (uses):			
Forgiveness of interfund debt	-	-	-
Operating transfers to (from) other funds	-	(20,000)	(20,000)
Revenues over (under) expenditures	\$ -	\$ 11,706	\$ 11,706

Reconciliation of Modified Accrual Basis to Full Accrual Basis

Revenues over (under) expenditures	\$ 11,706
Reconciling items:	
Capital outlay	10,048
Depreciation	(528,937)
Increase in compensated absences	(957)
Increase in net pension liability	(876)
Decrease in deferred outflows of resources - pensions	(1,418)
Increase in deferred inflows of resources - pensions	(439)
Principal repayments	43,000
Net Income (Loss)	\$ (467,873)

OTHER SCHEDULES

This section contains additional information required
on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Town of Scotland Neck
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Abatements and Adjustments</u>	<u>Uncollected Balance June 30, 2020</u>
2019	\$	\$ 585,248	\$ (557,583)	\$ -	\$ 27,665
2018	25,734	-	(11,100)	-	14,634
2017	13,806	-	(2,254)	-	11,552
2016	11,699	-	(1,147)	-	10,552
2015	12,157	-	(1,565)	-	10,592
2014	14,224	-	(1,862)	-	12,362
2013	10,039	-	(1,554)	-	8,485
2012	10,726	-	(1,887)	-	8,839
2011	6,506	-	(555)	-	5,951
2010	6,353	-	(299)	-	6,054
	<u>\$ 111,244</u>	<u>\$ 585,248</u>	<u>\$ (579,806)</u>	<u>\$ -</u>	<u>\$ 116,686</u>

Ad valorem taxes receivable	<u>\$ 116,686</u>
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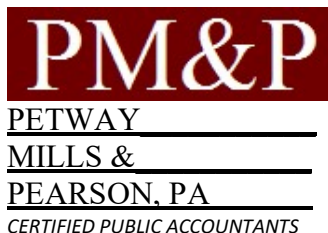
Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 654,879
Reconciling items:	
Interest collected	(7,342)
Adjustments	<u>(67,731)</u>
Subtotal	<u>(75,073)</u>
Total collections and credits	<u>\$ 579,806</u>

Town of Scotland Neck
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2020

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 74,553,892	0.7850	\$ 585,248	\$ 507,756	\$ 77,492
Abatements and adjustments			-	-	-
Net levy			585,248	507,756	77,492
Uncollected taxes at June 30, 2020			(27,665)	(27,665)	-
Current year's taxes collected			<u>\$ 557,583</u>	<u>\$ 480,091</u>	<u>\$ 77,492</u>
Current levy collection percentage			<u>95.27%</u>	<u>94.55%</u>	<u>100.00%</u>

COMPLIANCE SECTION



C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

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Independent Auditors' 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

To the Honorable Mayor and Members of the Board of Commissioners
Town of Scotland Neck
Scotland Neck, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scotland Neck, 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 Scotland Neck's basic financial statements, and have issued our report thereon dated December 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Scotland Neck's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Scotland Neck's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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. A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist there were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs, Findings 2020-001, 2020-002 and 2020-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Scotland Neck's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2020-001, 2020-002, and 2020-003.

Town of Scotland Neck's Responses to findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

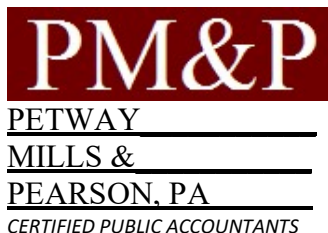
Purpose of this Report

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.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

December 28, 2020



C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
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Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with Uniform Guidance and the State Single Audit Implementation Act

To the Honorable Mayor
And Members of the Town Council
Town of Scotland Neck, North Carolina

Report on Compliance for Each Major State Program

We have audited Town of Scotland Neck'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 Town of Scotland Neck's major State program as of and for the year ended June 30, 2020. Town of Scotland Neck's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Town of Scotland Neck's major State program based on our audit of the types of compliance requirements referred to above. 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 and applicable sections of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Town of Scotland Neck's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State program. However, our audit does not provide a legal determination of Town of Scotland Neck's compliance.

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of Town of Scotland Neck is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Scotland Neck's internal control over compliance with the types of requirements

that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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 State 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 State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State 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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

December 28, 2020

**Town of Scotland Neck
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: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified?	<u> x </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> x </u> none reported

Noncompliance material to financial statements noted	<u> x </u> yes	<u> </u> no
---	------------------	------------------

State Awards

Internal control over major State Programs:

Material weakness identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> x </u> none reported

Noncompliance material to State awards?	<u> </u> yes	<u> x </u> no
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Type of auditor's report issued on compliance for major State programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act?	<u> </u> yes	<u> x </u> no
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Identification of major State Programs	Rural Building Reuse Program
--	------------------------------

**Town of Scotland Neck
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section II - Financial Statement Findings

Material Weakness

2020-001

Criteria:

Expenditures in Excess of Appropriations

North Carolina General Statutes require all moneys expended by a local government to be included in the budget.

Condition:

The Town's General Fund expenditures exceeded authorized appropriations made by the governing board for, General government by \$154,231, Environmental Protection by \$41,440, and Culture and Recreation by \$20,308.

Effect:

The Town did not comply with North Carolina General Statutes.

Cause:

The Town did not properly budget for expenses. This is mainly due to the Town not budgeting for the grant funding received during the

Recommendation:

We recommend that the Town review budget to actual reports regularly and implement procedures to comply with the pre-authorization requirements of North Carolina General Statutes to ensure expenditures are not incurred prior to authorization.

Views of responsible officials and planned corrective actions:

The Town of Scotland Neck's Board of Commissioners will review budget to actual statements monthly and when an expenditure is within 5% of the authorized budget, the Board will require budget amendments to be approved before any additional expenditures may be made. Additional meetings of the Town Board of Commissioners will be held to sure the preauthorization process occurs. The Town Board will also perform a second review of budget to actual statements at their regular meetings and will verify actual amounts do not exceeded budgeted amounts.

Material Weakness

2020-002

Criteria:

Bank Reconciliations

Financial records are required to be complete and accurate.

Condition:

The Town's bank reconciliations were not prepared monthly and were not agreed to the general ledger monthly. The Town's staff attempted to prepare the reconciliations and could not adequately complete the process.

Effect:

The Town's financial position was not properly determined.

Cause:

An embezzlement occurred that prohibited accurate determinations of cash.

Recommendation:

We recommend the Town prepare monthly bank reconciliations.

Views of responsible officials and planned corrective actions:

The Town agrees with this finding. The Town has implemented reconciliation procedures that include posting adjustments to the books to ensure reconciliations and the books are in agreement monthly.

Material Weakness

2020-003

Criteria:

Utility Accounting Records and Reconciliations

Financial records are required to be complete and accurate.

Condition:

The Town's subsidiary utility records are not reconciled to the Town's general ledger.

Effect:

Utility revenues are not properly recorded.

Cause:

Lack of training in the application of utility accounting software's capabilities.

Recommendation:

We recommend the Town reconcile the utility billing summary report, the open items billing summary grand total report, the utility accounts receivable aging reports and the utility revenue analysis by rate report to the general ledger monthly. Adjustments should be posted to correct the general ledger monthly. A supervisor should review and approve the reconciliations monthly. Further, the accounting staff should obtain additional training in the use of the utility billing software.

Views of responsible officials and planned corrective actions:

The Town agrees with this finding. The Town will implement reconciliation procedures for utility billing data.

Section III - State Award Findings and Questioned Costs

None reported.



TOWN OF SCOTLAND NECK

P.O. Box 537
1310 MAIN STREET
SCOTLAND NECK, NC 27874

Town of Scotland Neck
Corrective Action Plan
For the Year Ended June 30, 2020

Section II - Financial Statement Findings

Material Weakness

2020-001

Contact Person: Nancy Dempsey, Town Administrator

Corrective Action: The Town of Scotland Neck's Board of Commissioners will review budget to actual statements monthly and when an expenditure is within 5% of the authorized budget, the Board will require budget amendments to be approved before any additional expenditures may be made. Additional meetings of the Town Board of Commissioners will be held to sure the preauthorization process occurs. The Town Board will also perform a second review of budget to actual statements at their regular meetings and will verify actual amounts do not exceed budgeted amounts.

Completion Date: June 30, 2021

Material Weakness

2020-002

Contact Person: Nancy Dempsey, Town Administrator

Corrective Action: The Town agrees with this finding. The Town has implemented reconciliation procedures that include posting adjustments to the books to ensure reconciliations and the books are in agreement

Completion Date: Immediately.

Material Weakness

2020-003

Contact Person: Nancy Dempsey, Town Administrator

Corrective Action: The Town will implement reconciliation procedures for utility billing data.

Completion Date: June 30, 2021

Section III - State Award Findings and Questioned Costs

None required.

**Town of Scotland Neck
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2020**

Finding 2019-001 stated the Town's expenditures exceeded budgeted appropriations. In 2020, this was a repeat finding.

Finding 2019-002 stated the Town did not submit the data collection form to the Federal Audit Clearinghouse in a timely manner. In 2020, this finding was resolved.

**Town of Scotland Neck
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020**

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Total
FEDERAL AWARDS					
U.S. Department of Health & Human Services					
Passed-through Upper Coastal Plain Council of Governments					
In-Home Services					
90% State Funds		N/A	\$ -	\$ 18,365	\$ 18,365
Title II-B	93.044		3,781	222	4,003
SSBG	93.667		2,113	60	2,173
Total In-Home Services			<u>5,894</u>	<u>18,647</u>	<u>24,541</u>
Access					
90% State Funds		N/A	-	9,608	9,608
Title II-B	93.044		21,966	1,292	23,258
Total Access			<u>21,966</u>	<u>10,900</u>	<u>32,866</u>
Home-Delivered Meals					
90% State Funds		N/A	-	4,302	4,302
Title III-C2	93.045		13,806	812	14,618
Total Home-Delivered Meals			<u>13,806</u>	<u>5,114</u>	<u>18,920</u>
Congregate Nutrition					
Title III-C1	93.045		17,316	1,019	18,335
Total Congregate Nutrition			<u>17,316</u>	<u>1,019</u>	<u>18,335</u>
Families First Congregate Meals	93.045		993	-	993
Families First Home Delivered Meals	93.045		623	-	623
Senior Center Development		N/A	-	10,574	10,574
Total U.S. Department of Health & Human Services			<u>60,598</u>	<u>46,254</u>	<u>106,852</u>
U.S. Department of Agriculture					
Passed-through Upper Coastal Plain Council of Governments					
NSIP Supplement	93.053		5,874	-	5,874
Total U.S. Department of Agriculture			<u>5,874</u>	<u>-</u>	<u>5,874</u>
U.S. Department of Interior					
Passed-through NC Governor's Crime Commission					
Byrne Justice Assistance Grant		16.738	24,552	-	24,552
Total U.S. Department of Interior			<u>24,552</u>	<u>-</u>	<u>24,552</u>
TOTAL FEDERAL AWARDS			<u>91,024</u>	<u>46,254</u>	<u>137,278</u>
STATE AWARDS					
NC Department of Transportation					
Powell Bill		DOT-4	-	5,210	5,210
NC Department of Commerce					
Rural Building Reuse Program		2019-098-3201-2587	-	590,200	590,200
NC Department of Commerce					
Disaster Recovery Funds		N/A	-	16,294	16,294
NC Department of Natural and Cultural Resources					
Parks and Recreation Trust Fund		N/A	-	26,219	26,219
TOTAL STATE AWARDS			<u>-</u>	<u>637,923</u>	<u>637,923</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 91,024</u>	<u>\$ 684,177</u>	<u>\$ 775,201</u>

Town of Scotland Neck
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Notes to the Schedule of Expenditures of Federal and State Financial Awards

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the Town under the programs of the Federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFA 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 the Federal Awards* and the Single Audit Implementation Act. Because the Schedule of Expenditures of Federal and State Awards presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the Schedule of Expenditures of Federal and State Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for the Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3: Indirect Costs

The Town of Scotland Neck has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.