

**TOWN OF SNOW HILL
SNOW HILL, NORTH CAROLINA**

**FINANCIAL STATEMENTS
YEAR END JUNE 30, 2020**

Town of Snow Hill
Financial Statements
Snow Hill, North Carolina
For the Fiscal Year Ended June 30, 2020

Board of Commissioners

Dennis K. Liles, Mayor
Bobby Taylor, Pro-Tempore
Dianne Jones Andrews, Commissioner
Geraldine Shackelford, Commissioner
Lorraine Washington, Commissioner
Rosa Wilkes, Commissioner

Administrative Officers

Tood Whaley, Town Manager
Oma Lockamy, Deputy Finance Officer
Gordon Hobbs, Chief of Police

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June 30, 2020**

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FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Mayor
and Members of the Town Council
Snow Hill, 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 Snow Hill, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We believe that the 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 Snow Hill, 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 Management's Discussion and Analysis, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the individual fund financial statements, budgetary

schedule, and other schedules 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 May 20, 2021, on our consideration of the Town of Snow Hill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Snow Hill's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

May 20, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

Financial Highlights

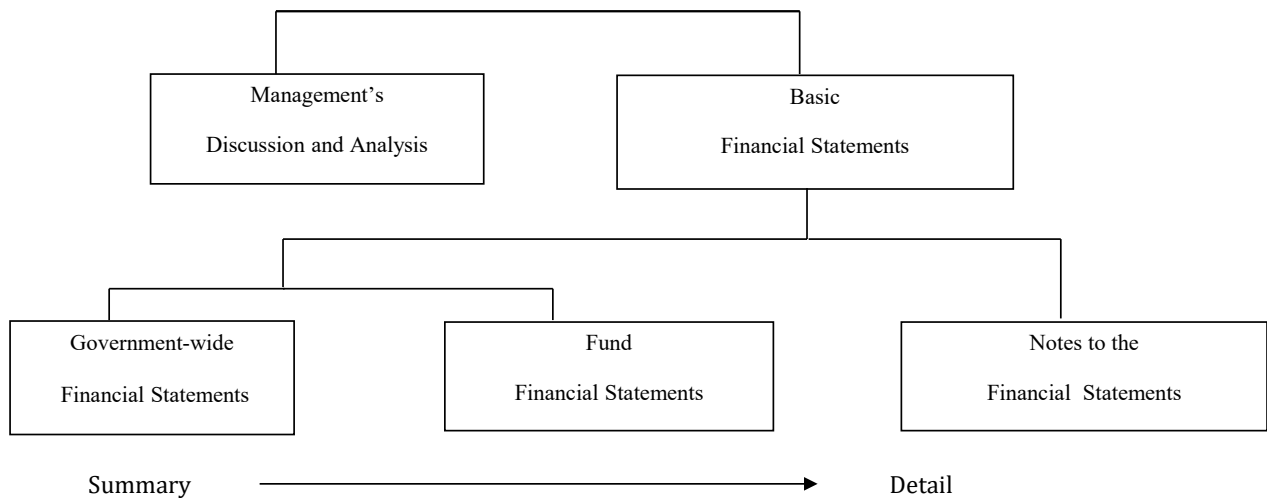
- The assets and deferred outflows of resources of the Town of Snow Hill exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,747,325 (net position).
- The government's total net position increased by \$41,597, due entirely to increase in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Snow Hill's governmental fund reported an ending fund balance of \$1,275,677 with a net increase of \$77,538 in fund balance. Approximately, 15% of this total amount, or \$191,477, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,084,200 or 91% of total general fund expenditures for the fiscal year.
- The Town of Snow Hill's total debt decreased by \$123,784 during the current fiscal year due to regularly scheduled principal payments.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, 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 water and sewer services offered by the Town of Snow Hill.

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 Snow Hill, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Snow Hill can be divided into two categories: governmental fund and proprietary fund.

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

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

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

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 follow Exhibit 8 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Snow Hill's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found after the Notes to the Financial Statements.

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

Government-Wide Financial Analysis

**Town of Snow Hill's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,368,221	\$ 1,293,005	\$ 1,101,308	\$ 1,060,492	\$ 2,469,529	\$ 2,353,497
Capital assets	1,559,402	1,646,406	5,685,803	5,731,486	7,245,205	7,377,892
Deferred outflows of resources	99,660	109,244	70,017	83,134	169,677	192,378
Total assets and deferred outflows of resources	3,027,283	3,048,655	6,857,128	6,875,112	9,884,411	9,923,767
Long-term liabilities outstanding	184,759	159,117	622,482	738,701	807,241	897,818
Other liabilities	105,139	103,463	222,800	214,972	327,939	318,435
Deferred inflows of resources	1,906	1,295	-	491	1,906	1,786
Total liabilities and deferred inflows of resources	291,804	263,875	845,282	954,164	1,137,086	1,218,039
Net position:						
Net investment in capital assets	1,559,402	1,646,406	5,041,906	4,963,800	6,601,308	6,610,206
Restricted	191,477	210,827	-	-	191,477	210,827
Unrestricted	984,600	927,547	969,940	957,148	1,954,540	1,884,695
Total net position	\$ 2,735,479	\$ 2,784,780	\$ 6,011,846	\$ 5,920,948	\$ 8,747,325	\$ 8,705,728

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Snow Hill exceeded liabilities and deferred inflows by \$8,747,325 as of June 30, 2020. The Town's net position increase by \$41,597 for the fiscal year ended June 30, 2020. However, the Town's largest portion, \$6,601,308 (75%), reflects the Town's net investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The Town of Snow Hill uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Snow Hill'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 Snow Hill's net position of \$191,477 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,954,540 is unrestricted.

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

- Slight increase in tax revenues.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.65%.

Town of Snow Hill's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues						
Charges for services	\$ 358,453	\$ 336,998	\$ 1,220,909	\$ 1,080,880	\$ 1,579,362	\$ 1,417,878
Operating grants and contributions	46,525	147,650	-	-	46,525	147,650
Capital grants and contributions	-	-	293,883	135,825	293,883	135,825
General revenues:						
Property taxes	398,635	379,376	-	-	398,635	379,376
Other taxes	437,597	453,589	-	-	437,597	453,589
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	19,615	144	4,515	4,373	24,130	4,517
Total revenues	1,260,825	1,317,757	1,519,307	1,221,078	2,780,132	2,538,835
Expenses:						
General government	253,081	260,644	-	-	253,081	260,644
Public safety	538,830	475,431	-	-	538,830	475,431
Transportation	192,328	192,241	-	-	192,328	192,241
Environmental protections	146,995	141,615	-	-	146,995	141,615
Cultural and recreation	178,892	130,428	-	-	178,892	130,428
Interest on long-term debt	-	517	-	-	-	517
Water and sewer	-	-	1,428,409	1,410,291	1,428,409	1,410,291
Total expenses	1,310,126	1,200,876	1,428,409	1,410,291	2,738,535	2,611,167
Increase (decrease) in net position before transfers	(49,301)	116,881	90,898	(189,213)	41,597	(72,332)
Increase (decrease) in net position	(49,301)	116,881	90,898	(189,213)	41,597	(72,332)
Net position-beginning	2,784,780	2,667,899	5,920,948	6,110,161	8,705,728	8,778,060
Net position-ending	\$ 2,735,479	\$ 2,784,780	\$ 6,011,846	\$ 5,920,948	\$ 8,747,325	\$ 8,705,728

Governmental-type activities: Governmental activities decrease the Town's net position by \$49,301. Key element of this decrease are as follows:

- Decrease in revenues.
- Increase in expenses.

Business-type activities: Business-type activities increased the Town's net position by \$90,898. Key elements of this increase are as follows:

- Increase in revenues.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Snow Hill. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,084,200 while total fund balance reached \$1,275,677. The Town currently has an available fund balance of 91% of general fund expenditures, while total fund balance represents 107% of the same amount.

At June 30, 2020, the governmental funds of Town of Snow Hill reported a combined fund balance of \$1,275,677, with a net increase in fund balance of \$77,538,

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

Proprietary Fund. The Town's proprietary fund provides 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 \$969,940. The total increase in net position was \$90,898. The change in net position in the Water and Sewer Fund is a result of increase water revenues.

Capital Asset and Debt Administration

Capital assets. The Town of Snow Hill's net investment in capital assets for its governmental and business type activities as of June 30, 2020, totals \$7,245,205 (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 addition:

- Dump Truck
- Laptops

**Town of Snow Hill's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 287,044	\$ 287,044	\$ 31,794	\$ 31,794	\$ 318,838	\$ 318,838
Construction in progress	-	-	523,349	275,162	523,349	275,162
Buildings and other systems	567,333	593,185	113,293	121,018	680,626	714,203
Equipments	22,916	28,420	50,304	65,031	73,220	93,451
Infrastructure	633,186	661,251	17,811	19,257	650,997	680,508
Vehicles	48,923	76,506	53,893	46,545	102,816	123,051
Furnitures	-	124	-	-	-	124
Water/Sewer system	-	-	4,895,359	5,172,679	4,895,359	5,172,679
Total	<u>\$ 1,559,402</u>	<u>\$ 1,646,530</u>	<u>\$ 5,685,803</u>	<u>\$ 5,731,486</u>	<u>\$ 7,245,205</u>	<u>\$ 7,378,016</u>

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

Long-term Debt. As of June 30, 2020 the Town of Snow Hill had total debt outstanding of \$643,902. The legal debt margin of the Town is \$9,283,247.

Additional information regarding the Town of Snow Hill's long-term debt can be found in the notes to the financial statements.

Request for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Question concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Snow Hill, P.O. Box 247, Snow Hill, North Carolina 28580. You can call (252) 747-3414 extension 206, or visit our website at <http://snowhill.com>.

BASIC FINANCIAL STATEMENTS

Town of Snow Hill, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,275,087	\$ 681,562	\$ 1,956,649
Taxes receivable (net)	24,577	-	24,577
Accounts receivable (net)	1,723	188,347	190,070
Internal balances	(153,253)	153,253	-
Due from other governments	89,197	-	89,197
Inventories	-	25,637	25,637
Restricted cash and cash equivalents	130,890	52,509	183,399
Total Current Assets	<u>1,368,221</u>	<u>1,101,308</u>	<u>2,469,529</u>
Non-Current Assets:			
Capital assets:			
Land, improvements, and construction in progress	287,044	555,143	842,187
Other capital assets, net of depreciation	<u>1,272,358</u>	<u>5,130,660</u>	<u>6,403,018</u>
Total capital assets	<u>1,559,402</u>	<u>5,685,803</u>	<u>7,245,205</u>
Total assets	<u>2,927,623</u>	<u>6,787,111</u>	<u>9,714,734</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>99,660</u>	<u>70,017</u>	<u>169,677</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	37,634	18,974	56,608
Customer deposits	30,333	52,509	82,842
Compensated absences	37,172	27,533	64,705
Current portion of long-term liabilities	-	123,784	123,784
Long-term liabilities:			
Net pension liability	125,117	102,369	227,486
Total pension liability	59,642	-	59,642
Due in more than one year	-	520,113	520,113
Total liabilities	<u>289,898</u>	<u>845,282</u>	<u>1,135,180</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	1,906	-	1,906
Total deferred inflows of resources	<u>1,906</u>	<u>-</u>	<u>1,906</u>
NET POSITION			
Net investment in capital assets	1,559,402	5,041,906	6,601,308
Restricted for:			
Transportation-Powell Bill	100,557	-	100,557
Stabilization by State statute	90,920	-	90,920
Unrestricted (deficit)	984,600	969,940	1,954,540
Total net position	<u>\$ 2,735,479</u>	<u>\$ 6,011,846</u>	<u>\$ 8,747,325</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 253,081	\$ 36,732	\$ -	\$ -	\$ (216,349)	\$ -	\$ (216,349)
Public safety	538,830	112,433	-	-	(426,397)	-	(426,397)
Transportation	192,328	-	46,525	-	(145,803)	-	(145,803)
Cultural and recreation	178,892	88,785	-	-	(90,107)	-	(90,107)
Environmental protection	146,995	120,503	-	-	(26,492)	-	(26,492)
Total governmental activities	<u>1,310,126</u>	<u>358,453</u>	<u>46,525</u>	<u>-</u>	<u>(905,148)</u>	<u>-</u>	<u>(905,148)</u>
Business-type activities:							
Water and sewer	<u>1,428,409</u>	<u>1,220,909</u>	<u>-</u>	<u>293,883</u>	<u>-</u>	<u>86,383</u>	<u>86,383</u>
Total business-type activities	<u>1,428,409</u>	<u>1,220,909</u>	<u>-</u>	<u>293,883</u>	<u>-</u>	<u>86,383</u>	<u>86,383</u>
Total Government	<u>\$ 2,738,535</u>	<u>\$ 1,579,362</u>	<u>\$ 46,525</u>	<u>\$ 293,883</u>	<u>(905,148)</u>	<u>86,383</u>	<u>(818,765)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					398,635	-	398,635
Local Option Sales tax					234,805	-	234,805
Other taxes and licenses					202,792	-	202,792
Grants and contributions not restricted to specific programs					-	-	-
Investment earnings, unrestricted					11,794	4,117	15,911
Other					<u>7,821</u>	<u>398</u>	<u>8,219</u>
Total general revenues and transfers					<u>855,847</u>	<u>4,515</u>	<u>860,362</u>
Change in net position					<u>(49,301)</u>	<u>90,898</u>	<u>41,597</u>
Net position-beginning					<u>2,784,780</u>	<u>5,920,948</u>	<u>8,705,728</u>
Net position-ending					<u>\$ 2,735,479</u>	<u>\$ 6,011,846</u>	<u>\$ 8,747,325</u>

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

Town of Snow Hill, North Carolina
Balance Sheet
Governmental Fund
June 30, 2020

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>		<u>Governmental</u>
			<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,275,087	\$	1,275,087
Restricted cash	130,890		130,890
Receivables, net:			
Taxes	24,577		24,577
Accounts	1,723		1,723
Due from other governments	89,197		89,197
Total assets	<u>1,521,474</u>		<u>1,521,474</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	37,634		37,634
Customer deposits	30,333		30,333
Due to other funds	153,253		153,253
Total liabilities	<u>221,220</u>		<u>221,220</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	24,577		24,577
Unavailable revenue	-		-
Total deferred inflows of resources	<u>24,577</u>		<u>24,577</u>
FUND BALANCES			
Restricted			
Stabilization by state statute	90,920		90,920
Streets - Powell Bill	100,557		100,557
Unassigned	1,084,200		1,084,200
Total fund balances	<u>1,275,677</u>		<u>1,275,677</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,521,474</u>		
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Compensated absences			(37,172)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,559,402
Net pension liability.			(125,117)
Total pension liability.			(59,642)
Liabilities for earned revenues considered deferred inflows of resources in fund statements			24,577
Contributions to the pension plan in the current fiscal year are deferred outflows of resources in the Statement of Net Position			
Pension plan deferrals.			99,660
Deferred inflows of resources related to pensions are not reported in the funds			(1,906)
Net position of governmental activities		\$	<u>2,735,479</u>

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

Town of Snow Hill, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	<u>Major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental Funds</u>
REVENUES		
Ad valorem taxes	\$ 401,762	\$ 401,762
Other taxes and licenses	7,635	7,635
Unrestricted intergovernmental	429,962	429,962
Restricted intergovernmental	46,525	46,525
Sales and services	321,721	321,721
Investment earnings	11,794	11,794
Other	37,307	37,307
Total revenues	<u>1,256,706</u>	<u>1,256,706</u>
EXPENDITURES		
Current:		
General government	256,282	256,282
Public safety	482,663	482,663
Transportation	143,181	143,181
Environmental protection	146,129	146,129
Cultural and recreational	158,159	158,159
Total expenditures	<u>1,186,414</u>	<u>1,186,414</u>
Excess (deficiency) of revenues over expenditures	<u>70,292</u>	<u>70,292</u>
OTHER FINANCING SOURCES (USES)		
Insurance recovery	7,246	7,246
Total other financing sources and uses	<u>7,246</u>	<u>7,246</u>
Net change in fund balance	77,538	77,538
Fund balances-beginning	1,198,139	1,198,139
Fund balances-ending	<u>\$ 1,275,677</u>	<u>\$ 1,275,677</u>

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

Town of Snow Hill, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

Amounts reported for governmental activities in the Statement of Net Position are different because:

Net changes in fund balances - total governmental funds	\$ 77,538
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay expenditures which were capitalized	14,976
Depreciation expense for governmental assets	<u>(101,980)</u>
	(87,004)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	34,638
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	(2,162)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in unavailable revenue for tax revenues	(3,127)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(871)
Pension expense	<u>(68,313)</u>
Total changes in net position of governmental activities	<u>\$ (49,301)</u>

Town of Snow Hill, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2020

	General Fund			Variance With Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 373,500	\$ 373,500	\$ 401,762	\$ 28,262
Other taxes and licenses	1,000	1,000	7,635	6,635
Unrestricted intergovernmental	350,000	426,400	429,962	3,562
Restricted intergovernmental	48,000	48,000	46,525	(1,475)
Sales and services	363,870	318,231	321,721	3,490
Investment earnings	300	300	11,794	11,494
Other	5,000	30,500	37,307	6,807
Total revenues	<u>1,141,670</u>	<u>1,197,931</u>	<u>1,256,706</u>	<u>58,775</u>
Expenditures				
Current:				
General government	195,439	257,547	256,282	1,265
Public safety	461,009	482,985	482,663	322
Transportation	157,959	160,959	143,181	17,778
Environmental protection	155,955	155,955	146,129	9,826
Cultural and recreational	171,308	159,200	158,159	1,041
Total expenditures	<u>1,141,670</u>	<u>1,216,646</u>	<u>1,186,414</u>	<u>30,232</u>
Revenues over (under) expenditures	-	(18,715)	70,292	89,007
Other financing sources (uses):				
Contingency	-	-	-	-
Insurance recovery	-	-	7,246	7,246
Fund balance appropriated	-	18,715	-	(18,715)
Total other financing sources (uses)	<u>-</u>	<u>18,715</u>	<u>7,246</u>	<u>(11,469)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	77,538	<u>\$ 77,538</u>
Fund balances:				
Beginning of year, July 1			1,198,139	
End of year, June 30			<u>\$ 1,275,677</u>	

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

Town of Snow Hill, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2020

	Major Enterprise Fund Water & Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 681,562
Accounts receivable (net)	188,347
Inventory	25,637
Due from other funds	153,253
Restricted cash and cash equivalents	52,509
Total current assets	<u>1,101,308</u>
Non-current Assets	
Capital Assets:	
Land and other nondepreciable assets	555,143
Other capital assets, net of depreciation	<u>5,130,660</u>
Capital assets	<u>5,685,803</u>
Total noncurrent assets	<u>5,685,803</u>
Total assets	<u><u>6,787,111</u></u>
DEFERRED OUTFLOWS OF RESOURCES	<u>70,017</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	18,974
Customer deposits	52,509
Current portion of compensated absences	27,533
Long-term debt, current portion	123,784
Total current liabilities	<u>222,800</u>
Noncurrent liabilities:	
Net pension liability	102,369
Long-term debt, noncurrent portion	<u>520,113</u>
Total noncurrent liabilities	<u>622,482</u>
Total liabilities	<u>845,282</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>-</u>
Total deferred inflows of resources	<u>-</u>
NET POSITION	
Net investment in capital assets, net of related debt	5,041,906
Unrestricted	<u>969,940</u>
Total net position	<u><u>\$ 6,011,846</u></u>

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

Town of Snow Hill, North Carolina
Statement of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2020

	Major Enterprise Fund
	Water & Sewer Fund
OPERATING REVENUES:	
Charges for services	\$ 1,121,667
Other operating revenues	99,242
Total operating revenues	<u>1,220,909</u>
OPERATING EXPENSES:	
Water	482,310
Sewer	622,196
Depreciation	321,535
Total operating expenses	<u>1,426,041</u>
Operating income (loss)	<u>(205,132)</u>
NONOPERATING REVENUES (EXPENSES):	
Investment earnings	4,117
Miscellaneous revenue	398
Interest and other charges	(2,368)
Total nonoperating revenues (expenses)	<u>2,147</u>
Income before contributions and transfers	(202,985)
Capital contributions	293,883
Change in net position	90,898
Beginning net position	<u>5,920,948</u>
Total net position, ending	<u><u>\$ 6,011,846</u></u>

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

Town of Snow Hill, North Carolina
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2020

	Major Enterprise Fund Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,121,667
Cash paid for goods and services	(537,835)
Cash paid to employees for services	(509,053)
Customer deposits	4,697
Net cash provided by operating activities	<u>79,476</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in due from other funds	(101,958)
Net cash provided (used) by noncapital financing activities	<u>(101,958)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(275,932)
Grant proceeds	293,883
Principal paid on bond maturities and revolving loan	(123,789)
Interest paid on bond maturities and revolving loan	(2,368)
Net cash provided (used) by capital and related financing activities	<u>(108,206)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends	<u>4,117</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(126,571)
Cash and cash equivalents:	
Beginning of year, July 1	860,642
End of year, June 30	<u>\$ 734,071</u>

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

Town of Snow Hill, North Carolina
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2020

Reconciliation of operating income to net cash provided
by operating activities:

Operating income (loss)	\$ <u>(205,132)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	321,535
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(58,542)
(Increase) decrease in inventory	(6,409)
(Increase) decrease in deferred outflows of resources - pensions	13,117
(Decrease) increase in net pension liability	7,570
(Decrease) increase in deferred inflows of resources - pensions	(491)
Increase (decrease) in accounts payable and accrued liabilities	7131
Increase (decrease) in customer deposits	4,697
Increase (decrease) in compensated absences	<u>(4,000)</u>
Total adjustments	<u>284,608</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>79,476</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Snow Hill, 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 Snow Hill 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 Snow Hill (the "Town") is a municipal corporation that is governed by an elected mayor and a five-member board. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

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

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

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

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

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 major enterprise fund:

Water & Sewer Fund. This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

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.

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance 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 the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Capital Projects Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. Any revisions that alter expenditures of any fund must be approved by the governing board. During the year several amendments to the original budget were necessary.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity1. 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 generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Cash held in the Capital Projects Funds are classified as restricted assets for the enterprise fund because their use is restricted to the purpose for which the revenues were received and for customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Snow Hill Restricted Cash

Governmental Activities

General Fund

Streets	\$	100,557
Customer deposits		30,333
Total Governmental Activities	\$	<u>130,890</u>

Business-type Activities

Water and Sewer Fund

Customer deposits		52,509
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Total Business-type Activities	\$	<u>52,509</u>
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Total Restricted Cash	\$	<u><u>183,399</u></u>
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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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 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

The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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. Capitalization cost for the Town's assets is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or contracted capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciable using the straight-line method at the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	40
Buildings	39
Improvements	15-20
Vehicles	5-7
Furniture and Equipment	7-20
Computer Equipment	3-5

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

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Assigned Fund Balance - portion of fund balance that the Town of Snow Hill intends to use for specific purposes.

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

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

Timeliness of audit submission.

Noncompliance with budget.

2. Contractual Violations

None reported.

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

None reported.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the expenditures made in the Town's Water Fund exceeded the authorized appropriations made by the governing board. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for 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 \$759,204 and a bank balance of \$769,344. Of the bank balance, \$252,118 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$930.

2. Investments

At June 30, 2020, the Town of Snow Hill had \$1,379,914 invested with the North Carolina Capital Management Trust's Government Portfolio which earned a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Allowance for Doubtful Accounts

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

General Fund:	
Taxes Receivable	\$ 8,192
Water and Sewer Fund:	
Accounts Receivable	<u>20,367</u>
Total	<u>\$ 28,559</u>

3. Capital Assets**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 287,044	\$ -	\$ -	\$ 287,044
Construction in progress	-	-	-	-
Total capital assets not being depreciated	287,044	-	-	287,044
Capital assets being depreciated:				
Buildings	864,339	-	-	864,339
Equipment	298,185	14,976	-	313,161
Vehicles and motorized equipment	248,798	-	36,779	212,019
Infrastructure	1,011,288	-	-	1,011,288
Furniture	1,762	-	-	1,762
Total capital assets being depreciated	2,424,372	14,976	36,779	2,402,569
Less accumulated depreciation for:				
Buildings	271,154	25,852	-	297,006
Equipment	269,764	20,481	-	290,245
Vehicles and motorized equipment	172,292	27,583	36,779	163,096
Infrastructure	350,038	28,064	-	378,102
Furniture	1,762	-	-	1,762
Total accumulated depreciation	1,065,010	\$ 101,980	\$ 36,779	1,130,211
Total capital assets being depreciated, net	1,359,362			1,272,358
Governmental activity capital assets, net	\$ 1,646,406			\$ 1,559,402

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

General Government	\$ 11,218
Public Safety	24,475
Transportation	46,911
Cultural & Recreational	19,376
Total Depreciation Expense	<u>\$ 101,980</u>

Business-Type activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 31,794	\$ -	\$ -	\$ 31,794
Construction in progress	275,162	248,187	-	523,349
Total capital assets not being depreciated	306,956	248,187	-	555,143
Capital assets being depreciated:				
Buildings	250,062	-	-	250,062
Equipment	292,304	-	-	292,304
Vehicles and motorized equipment	215,996	27,745	1,600	242,141
Water & sewer system	11,397,760	-	-	11,397,760
Infrastructure	26,691	-	-	26,691
Total capital assets being depreciated	12,182,813	27,745	1,600	12,208,958
Less accumulated depreciation for:				
Buildings	129,044	7,725	-	136,769
Equipment	227,273	14,727	-	242,000
Vehicles and motorized equipment	169,451	20,317	1,520	188,248
Water & sewer system	6,225,081	277,320	-	6,502,401
Infrastructure	7,434	1,446	-	8,880
Total accumulated depreciation	6,758,283	\$ 321,535	\$ 1,520	7,078,298
Total capital assets being depreciated, net	5,424,530			5,130,660
Water Fund capital assets, net	\$ 5,731,486			\$ 5,685,803

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Snow Hill is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North 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. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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. The 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 of Snow Hill's contractually required contribution rate for the year ended June 30, 2020, was 8.95% for general employees and 9.70% for law enforcement 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 \$62,978 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported an liability of \$227,486 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.00833%, which was a decrease of 0.00055% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$107,859. 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	\$ 38,951	\$ -
Change of assumptions	37,076	-
Net difference between projected and actual earnings on pension plan investments	5,549	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	11,040	-
Town's contributions subsequent to the measurement date	62,978	-
Total	<u>\$ 155,594</u>	<u>\$ -</u>

\$62,978 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 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	\$ 45,471
2022	16,579
2023	23,211
2024	7,355
Thereafter	-
	<u>\$ 92,616</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 future mortality improvements.

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

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 3.0%. All rates of return and inflation are annualized.

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

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

	1 % Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$520,302	\$227,486	(\$15,903)

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 Snow Hill 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. 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.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019 the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	6
Total	<u>7</u>

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 the 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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
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 amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$2,162 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 \$59,642. 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 \$9,653.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,919	\$ -
Changes of assumptions and other inputs	4,164	1,906
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 14,083</u>	<u>\$ 1,906</u>

\$0.00 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June	
30,	
2021	\$ 2,657
2022	2,657
2023	2,657
2024	2,295
2025	1,911
Thereafter	-
	<u>\$ 12,177</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	Discount Rate	1% Increase
	(2.26%)	(3.26%)	(4.26%)
Town's proportionate share of the net pension liability (asset)	\$ 65,834	\$ 59,642	\$ 53,990

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

	2020
Beginning balance	\$ 43,252
Service Cost	5,461
Interest on the total pension liability	1,535
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	9,347
Changes of assumptions or other inputs	2,209
Benefit payments	(2,162)
Other changes	-
Ending balance of the total pension liability	<u>\$ 59,642</u>

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

The actuarial assumptions used in the December 31, 2019 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

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

	LGERS	LEOSSA	Total
Pension Expense	107,859	9,653	117,512
Pension Liability	227,486	59,642	287,128
Proportionate share of the net pension liability	0.00833%	N/A	

Deferred of Outflows of Resources

Differences between expected and actual experience	38,951	9,919	48,870
Changes of assumptions	37,076	4,164	41,240
Net difference between projected and actual earning on plan investments	5,549	-	5,549
Changes in proportion and differences between contributions and proportionate share of contributions	11,040	-	11,040
Benefit payments and administrative costs paid subsequent to the measurement date	62,978	-	62,978

Deferred of Inflows of Resources

	LGERS	LEOSSA	Total
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	1,906	1,906
Net differences between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributed 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 and other employees employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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. The law enforcement officers and other employees may also make voluntary contributions to the plan.

The Town made contributions of \$20,676 for the reporting year. No amounts were forfeited.

1. Other Employment Benefits

The Town has also 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 the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefits may not exceed \$50,000 or be less than \$25,000. 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 post-employment benefit amount and their benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

The Town has one deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 62,978
Differences between expected and actual experience	48,870
Changes of assumptions	41,240
Net difference between projected and actual earnings on pension plan investments	5,549
Changes in proportion and differences between Town's contributions and proportionate share of contributions	11,040
Total	<u>\$ 169,677</u>

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

	Statement of Net Position	General Fund Balance Sheet
Pension deferrals	\$ 1,906	\$ -
Taxes Receivable, less penalties (General Fund)	-	24,577
	<u>\$ 1,906</u>	<u>\$ 24,577</u>

3. 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 maintains commercial insurance with two private sector insurance agencies. 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, worker's compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit.

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 carry any flood insurance. The Town is not located in a flood plain.

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

4. Claims, Judgments and Contingent Liabilities

At June 30, 2020, there were no lawsuits against the Town that materiality impact its financial statements.

5. Long Term Obligations

a. Sanitary Sewer Revolving Loan

In August of 2000, the Town entered into a Sanitary Sewer Revolving Loan Agreement with the North Carolina Department of Environment and Natural Resources Division of Water Quality, to aide in the construction of the Town's Waste Water Treatment Plant. The total amount of the loan proceeds was \$1,650,000 with the total project costs approximated at \$5,760,000. The agreement required principal and interest payments to begin in 2002, spread over 20 years, with the initial interest rate of 2.87%, not to exceed 4%. At the date of this report, all of the funds have been drawn down and the project has been completed. the annual debt service requirements to maturity for this loan should approximate the following:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 82,500	\$ 2,368	\$ 84,868
	<u>\$ 82,500</u>	<u>\$ 2,368</u>	<u>\$ 84,868</u>

b. Construction Notes

The Town has signed a fifteen year note with the Drinking Water Management Trust Fund for \$144,638 to finance the purchase and installation of automatic meter readers. The note was executed November 2013 with payments beginning May 2015. Through June 30, 2020, \$144,638 of the available loan has been received and used by the Town for the purchase and installation of automatic meter readers.

Annual debt service requirements to maturity for the full amount of the note of \$86,782, including no interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 9,643	\$ -	\$ 9,643
2022	9,643	-	9,643
2023	9,643	-	9,643
2024	9,643	-	9,643
2025	9,643	-	9,643
2026-2030	38,567	-	38,567
	<u>\$ 86,782</u>	<u>\$ -</u>	<u>\$ 86,782</u>

The Town has signed a fifteen year note with the Drinking Water Management Trust Fund for \$632,825 to finance the replacement of water lines. The note was executed November 2013 with payments beginning May 2015. Through June 30, 2020, \$632,825 of the available loan has been received and used by the Town for replacement of water lines.

Annual debt service requirements to maturity for the full amount of the note of \$474,615, including no interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 31,641	\$ -	\$ 31,641
2022	31,641	-	31,641
2023	31,641	-	31,641
2024	31,641	-	31,641
2025	31,641	-	31,641
2026-2030	158,205	-	158,205
2031-2035	158,205	-	158,205
	<u>\$ 474,615</u>	<u>\$ -</u>	<u>\$ 474,615</u>

c. Changes in General Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Balance 07/01/19	Increases	Decreases	Balance 06/30/20	Current Portion
Governmental activities:					
Net pension liability (LGERS)	\$ 115,865	\$ 9,252	\$ -	\$ 125,117	\$ -
Total pension liability (LEOSSA)	43,252	16,390	-	59,642	-
Compensated absences	36,301	16,757	(15,886)	37,172	37,172
Governmental activity long-term liabilities	<u>\$ 195,418</u>	<u>\$ 42,399</u>	<u>\$ (15,886)</u>	<u>\$ 221,931</u>	<u>\$ 37,172</u>
Business-type activities:					
Net pension liability (LGERS)	\$ 94,799	\$ 7,570	\$ -	\$ 102,369	\$ -
Direct placement installment Revolving loan	767,686	-	(123,789)	643,897	123,784
Compensated absences	31,533	15,896	(19,896)	27,533	27,533
Business-type activity long-term liabilities	<u>\$ 894,018</u>	<u>\$ 23,466</u>	<u>\$ (143,685)</u>	<u>\$ 773,799</u>	<u>\$ 151,317</u>

At June 30, 2020, the Town of Snow Hill had a legal debt margin of \$9,283,247.

C. Interfund Balances and Activity

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water/Sewer Fund	\$ 153,253

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 1,559,402	5,685,803
Less: long term debt	-	(643,897)
Net investment in capital asset	<u>\$ 1,559,402</u>	<u>\$ 5,041,906</u>

E. 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	\$ 1,275,677
Less:	
Stabilization by State Statute	90,920
Streets - Powell Bill	100,557
Remaining Fund Balance	1,084,200

IV. Summary Disclosure of Significant ContingenciesFederal and State Assisted Programs

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

V. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through May 20, 2021 the date that the financial statements were available to be issued.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted
accounting principals.

Schedule of the Proportionate Share of the Net Pension
Asset – Local Government Employees' Retirement System

Schedule of Contributions – Local Government
Employees' Retirement System

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

Schedule of Total Pension Liability as a Percentage of
Covered Payroll - Law Enforcement Officers' Special
Separation Allowance

Town of Snow Hill, North Carolina
Town of Snow Hill's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.00833%	0.00888%	0.00934%	0.00817%	0.00769%	0.00681%	0.00670%
Town's proportion of the net pension liability (asset) (\$)	\$ 227,486	\$ 210,664	\$ 142,689	\$ 173,393	\$ 34,512	43,641	79,555
Town's covered-employee payroll	\$ 692,138	\$ 625,552	\$ 637,098	\$ 516,215	\$499,739	466,306	466,306
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.87%	33.68%	22.40%	33.59%	6.91%	9.36%	17.06%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

Town of Snow Hill, North Carolina
Town of Snow Hill's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 62,978	\$ 55,504	\$ 48,424	\$ 47,690	\$ 35,153	\$ 35,813	\$ 36,203
Contributions in relation to the contractually required contribution	62,978	55,504	48,424	47,690	35,153	35,813	36,203
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 681,012	\$ 692,138	\$ 625,552	\$ 637,098	\$ 516,215	\$ 499,739	\$ 466,306
Contributions as a percentage of covered-employee payroll	9.25%	8.02%	7.74%	7.49%	6.81%	7.17%	7.76%

Town of Snow Hill, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020	2019	2018	2017
Beginning balance	\$ 43,252	\$ 40,443	\$ 30,578	\$ 27,652
Service Cost	5,461	4,761	4,131	2,879
Interest on the total pension liability	1,535	1,244	1,139	987
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	9,347	1,216	2,462	-
Changes of assumptions or other inputs	2,209	(2,250)	4,295	(940)
Benefit payments	(2,162)	(2,162)	(2,162)	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 59,642</u>	<u>\$ 43,252</u>	<u>\$ 40,443</u>	<u>\$ 30,578</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Snow Hill, North Carolina
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	\$ 59,642	\$ 43,252	\$ 40,443	\$ 30,578
Covered payroll	239,971	189,915	242,545	161,977
Total pension liability as a percentage of covered payroll	24.85%	22.77%	16.67%	18.88%

Notes to the schedules:

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

INDIVIDUAL FUND SCHEDULES

- Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund

Town of Snow Hill, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	2020		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	\$	\$ 396,011	\$
Penalties and interest		5,751	
Total	<u>373,500</u>	<u>401,762</u>	<u>28,262</u>
Other taxes and licenses:			
Automobile licenses tags		7,635	
Total	<u>1,000</u>	<u>7,635</u>	<u>6,635</u>
Unrestricted intergovernmental:			
Local option sales taxes		234,805	
Utility franchise tax		73,345	
Piped natural gas sales tax		4,935	
Telecommunication sales tax		17,555	
Supplement PEG channel support		82,972	
Beer and wine tax		6,847	
ABC Revenue		4,826	
Video franchise fee		3,067	
Solid waste dist. Tax		1,533	
Sales tax refund		77	
Total	<u>426,400</u>	<u>429,962</u>	<u>3,562</u>
Restricted intergovernmental:			
Powell Bill allocation		46,525	
Total	<u>48,000</u>	<u>46,525</u>	<u>(1,475)</u>

Town of Snow Hill, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	2020		Variance
	Budget	Actual	Positive (Negative)
Sales and services:			
Waste collection fees		120,503	
Cemetery lot sales and dept fees		88,785	
Police revenue		110,683	
Zoning		1,750	
Total	318,231	321,721	3,490
Investment earnings	300	11,794	11,494
Miscellaneous:			
Other revenues		11,279	
Rent		25,453	
Gasoline tax refund		575	
Total	30,500	37,307	6,807
Total Revenues	1,197,931	1,256,706	58,775
Expenditures:			
General government:			
Governing body:			
Salaries & benefits		37,043	
Operating expense		8,047	
Total	45,943	45,090	853
Administration:			
Salaries & benefits		40,108	
Operating expense		115,323	
Total	155,496	155,431	65
Cemetery Department:			
Salaries & benefits		36,924	
Operating expense		18,837	
Total	56,108	55,761	347

Town of Snow Hill, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	2020		
	Budget	Actual	Variance Positive (Negative)
Total general government	257,547	256,282	1,265
Public safety:			
Police Department:			
Salaries & benefits		379,870	
Operating expense		43,817	
Capital Outlay		14,976	
Total	438,985	438,663	322
Fire Department:			
Contributions		44,000	
Total	44,000	44,000	-
Total public safety	482,985	482,663	322
Transportation:			
Streets:			
Salaries & benefits		37,455	
Operating expense		75,203	
Total	112,759	112,658	101

Town of Snow Hill, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	2020		Variance
	Budget	Actual	Positive (Negative)
Powell Bill:			
Salaries & benefits		21,960	
Operating expense		8,563	
Total	<u>48,200</u>	<u>30,523</u>	<u>17,677</u>
Total transportation	<u>160,959</u>	<u>143,181</u>	<u>17,778</u>
Environmental protection:			
Salaries & benefits		31,537	
Waste collection		105,971	
Operating expense		8,621	
Total	<u>155,955</u>	<u>146,129</u>	<u>9,826</u>
Cultural & Recreation:			
Contribution to County Library		500	
Historic preservation		7,743	
Area contributions		10,000	
PEG channel contributions		81,920	
Town Development Committee		56,425	
Miscellaneous		1,571	
Total	<u>159,200</u>	<u>158,159</u>	<u>1,041</u>
Total Expenditures	<u>1,216,646</u>	<u>1,186,414</u>	<u>30,232</u>
Revenues over (under) expenditures	(18,715)	70,292	89,007
Other financing sources (uses):			
Fund Balance Appropriated	18,715	-	(18,715)
Insurance Recovery	-	7,246	7,246
Contingency	-	-	-
Total	<u>18,715</u>	<u>7,246</u>	<u>(11,469)</u>
Net change in fund balance	\$ <u>-</u>	77,538	\$ <u>77,538</u>
Fund balances:			
Beginning of year, July 1		<u>1,198,139</u>	
End of year, June 30		\$ <u><u>1,275,677</u></u>	

ENTERPRISE FUNDS

Town of Snow Hill, North Carolina
Water & Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020

	2020		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Operating Revenues:			
Charges for services	\$	\$ 1,126,627	\$
Total Charges for Services	<u>1,066,500</u>	<u>1,126,627</u>	<u>60,127</u>
Water & sewer taps	-	1,000	1,000
Operating revenues:			
Alternative water	92,000	84,054	(7,946)
Total Other Operating Revenues	<u>92,000</u>	<u>84,054</u>	<u>(7,946)</u>
Total Operating Revenues	<u>1,158,500</u>	<u>1,211,681</u>	<u>53,181</u>
Nonoperating revenues:			
Interest earned on investments		4,117	
Service charge		9,228	
Miscellaneous		398	
Total Non-Operating Revenues	<u>3,500</u>	<u>13,743</u>	<u>10,243</u>
Total Revenues	<u>1,162,000</u>	<u>1,225,424</u>	<u>63,424</u>
Expenditures:			
Water:			
Salaries and benefits		270,272	
Repairs and maintenance		63,567	
Contracted services		20,720	
Supplies		16,349	
Utilities		24,988	
Operating expenses		99,885	
Total Water	<u>507,950</u>	<u>495,781</u>	<u>12,169</u>
Sewer:			
Salaries and benefits		238,781	
Repairs and maintenance		144,899	
Contracted services		33,562	
Supplies		11,647	
Utilities		57,004	
Operating expenses		106,636	
Total Sewer	<u>534,050</u>	<u>592,529</u>	<u>(58,479)</u>

(cont.)

Town of Snow Hill, North Carolina
Water & Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020

	2020		Variance
	Budget	Actual	Positive (Negative)
Debt service:			
Interest and fees		2,368	
Principal retirement		123,789	
Total Debt Service	92,000	126,157	(34,157)
Capital Outlay		27,745	
Total Capital Outlay	28,000	27,745	255
Total Expenditures	1,162,000	1,242,212	(80,212)
Revenues Over (Under) Expenses	-	(16,788)	(16,788)
Other Financing Sources (Uses):			
Contingency		-	
Total other financing sources (uses):	-	-	-
Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ (16,788)	\$ (16,788)

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues and Other Sources Over (Under) Expenditures	\$ (16,788)
Reconciling items:	
Capital outlay	27,745
Depreciation	(321,535)
Capital contribution	293,883
Principal retirement	123,789
Change in accrued vacation pay	4,000
Change in deferred outflows of resources - pensions	(13,117)
Change in pension liability	(7,570)
Change in deferred inflows of resources - pensions	491
Total reconciling items	107,686
Change in net position	\$ 90,898

Town of Snow Hill, North Carolina
Water Line Replacement Capital Project Fund
From Inception and For the Fiscal Year Ended June 30, 2020

		Actual			Variance
	Project		Current	Total to	Positive
	Authorization	Prior Years	Year	Date	(Negative)
Revenues:					
Restricted intergovernmental:					
FEMA Grant	\$ 89,000	\$ 89,000	\$ -	\$ 89,000	\$ -
NC Commerce Grant	244,310	-	152,392	152,392	(91,918)
Total Revenues	<u>333,310</u>	<u>89,000</u>	<u>152,392</u>	<u>241,392</u>	<u>(91,918)</u>
Expenditures:					
Construction	186,100	-	80,187	80,187	105,913
Technical	68,400	32,356	16,473	48,829	19,571
Land/Easement Purchase	14,500	14,000	-	14,000	500
Legal	3,000	1,556	-	1,556	1,444
Contingency	61,310	-	-	-	61,310
Total Expenditures	<u>333,310</u>	<u>47,912</u>	<u>96,660</u>	<u>144,572</u>	<u>188,738</u>
Revenues Over (Under) Expenditures	\$ <u>-</u>	\$ <u>41,088</u>	55,732	\$ <u>96,820</u>	\$ <u>96,820</u>
Fund Balance, beginning			41,088		
Fund Balance, ending			\$ <u>96,820</u>		

Town of Snow Hill, North Carolina
Water Line Replacement Capital Project Fund
From Inception and For the Fiscal Year Ended June 30, 2020

		Actual			Variance
	Project		Current	Total to	Positive
	Authorization	Prior Years	Year	Date	(Negative)
Revenues:					
Restricted intergovernmental:					
DEQA Grant	\$ 325,710	\$ -	\$ -	\$ -	\$ (325,710)
DEQ Loan Proceeds	325,710	-	-	-	(325,710)
Total Revenues	<u>651,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(651,420)</u>
Expenditures:					
Construction	384,010	-	-	-	384,010
Construction contingency	55,850	-	-	-	55,850
Power Generator	85,000	-	4,739	4,739	80,261
Engineering Design	59,000	57,386	1,225	58,611	389
Permits	1,600	-	1,600	1,600	-
Loan Administration	10,000	-	4,140	4,140	5,860
Construction Observation & Administration	55,960	-	20,780	20,780	35,180
Total Expenditures	<u>651,420</u>	<u>57,386</u>	<u>32,484</u>	<u>89,870</u>	<u>561,550</u>
Revenues Over (Under) Expenditures	\$ <u>-</u>	\$ <u>(57,386)</u>	(32,484)	\$ <u>(89,870)</u>	\$ <u>(89,870)</u>
Fund Balance, beginning			(57,386)		
Fund Balance, ending			\$ <u>(89,870)</u>		

Town of Snow Hill, North Carolina
Water System AIA Capital Project Fund
From Inception and For the Fiscal Year Ended June 30, 2020

		Actual			Variance
	Project		Current	Total to	Positive
	Authorization	Prior Years	Year	Date	(Negative)
Revenues:					
Restricted intergovernmental:					
DEQA Grant	\$ 150,000	\$ 135,825	\$ 8,640	\$ 144,465	\$ (5,535)
Total Revenues	<u>150,000</u>	<u>135,825</u>	<u>8,640</u>	<u>144,465</u>	<u>(5,535)</u>
Expenditures:					
Engineering Design	162,000	147,825	14,175	162,000	-
Loan Administration	<u>750</u>	<u>750</u>	<u>-</u>	<u>750</u>	<u>-</u>
Total Expenditures	<u>162,750</u>	<u>148,575</u>	<u>14,175</u>	<u>162,750</u>	<u>-</u>
Revenues Over (Under) Expenditures	\$ (12,750)	\$ (12,750)	(5,535)	\$ (18,285)	\$ (5,535)
Other Financing Sources (Uses):					
Transfers	<u>12,750</u>	<u>12,750</u>	<u>-</u>	<u>12,750</u>	<u>-</u>
Revenues and Other Sources Over (Under) Expenditures	\$ <u>-</u>	\$ <u>-</u>	(5,535)	\$ <u>(5,535)</u>	\$ <u>(5,535)</u>
Fund Balance, beginning			-		
Fund Balance, ending			<u><u>(5,535)</u></u>		

Town of Snow Hill, North Carolina
Water System AIA Capital Project Fund
From Inception and For the Fiscal Year Ended June 30, 2020

		Actual			Variance
	Project		Current	Total to	Positive
	Authorization	Prior Years	Year	Date	(Negative)
Revenues:					
Restricted intergovernmental:					
DEQA Grant	\$ 150,000	\$ -	\$ 132,851	\$ 132,851	\$ (17,149)
Total Revenues	<u>150,000</u>	<u>-</u>	<u>132,851</u>	<u>132,851</u>	<u>(17,149)</u>
Expenditures:					
Engineering Design	160,250	2,250	121,407	123,657	36,593
Loan Administration	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Total Expenditures	<u>162,750</u>	<u>2,250</u>	<u>123,907</u>	<u>126,157</u>	<u>36,593</u>
Revenues Over (Under) Expenditures	\$ (12,750)	\$ (2,250)	8,944	\$ 6,694	\$ 19,444
Other Financing Sources (Uses):					
Transfers	<u>12,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,750)</u>
Revenues and Other Sources Over (Under) Expenditures	\$ <u>-</u>	\$ <u>(2,250)</u>	8,944	\$ <u>6,694</u>	\$ <u>6,694</u>
Fund Balance, beginning			(2,250)		
Fund Balance, ending			<u>\$ 6,694</u>		

OTHER SCHEDULES

This section includes additional information on property taxes.

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

Town of Snow Hill, North Carolina
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>Uncollected Balance June 30, 2020</u>
2019-2020	\$	\$ 394,538	\$ (385,262)	\$ 9,276
2018-2019	11,105	-	(4,808)	6,297
2017-2018	8,017	-	(1,715)	6,302
2016-2017	6,519	-	(2,632)	3,887
2015-2016	3,449	-	(915)	2,534
2014-2015	1,864	-	(589)	1,275
2013-2014	1,417	-	(589)	828
2012-2013	1,090	-	(264)	826
2011-2012	998	-	(264)	734
2010-2011	1,254	-	(444)	810
2009-2010	1,226	-	(1,226)	-
	<u>\$ 36,939</u>	<u>\$ 394,538</u>	<u>\$ (398,708)</u>	<u>32,769</u>
Less: allowance for uncollectible ad valorem taxes receivable				<u>(8,192)</u>
Ad valorem taxes receivable - net				<u>\$ 24,577</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 401,762
Reconciling items:				
Interest and penalties collected				(5,751)
Releases and other adjustments				2,697
Total reconciling items				<u>(3,054)</u>
Total collections and credits				<u>\$ 398,708</u>

Town of Snow Hill, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2020

				Total Levy	
	Town - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current rate:					
General tax	\$ 116,040,588	0.34	\$ 394,538	\$ 333,914	\$ 60,624
Total	<u>116,040,588</u>		<u>394,538</u>	<u>333,914</u>	<u>60,624</u>
Net levy			394,538	333,914	60,624
Uncollected taxes at June 30, 2020			<u>9,276</u>	<u>9,276</u>	<u>-</u>
Current year's taxes collected			<u>\$ 385,262</u>	<u>\$ 324,638</u>	<u>\$ 60,624</u>
Current levy collection percentage			<u>97.65%</u>	<u>97.22%</u>	<u>100.00%</u>

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 3
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Telephone (910) 791-4872
Fax (910) 395-4872

**Report On Internal Control Over Financial Reporting And On Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Snow Hill, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises the Town of Snow Hill's basic financial statements, and have issued our report thereon dated May 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Snow Hill'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 Town of Snow Hill'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 a 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 attention by those charged with governance.

Our consideration of the internal control 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiencies, listed as 2020-001, 2020-002, 2020-003, and 2020-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Snow Hill's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2020-004.

Town of Snow Hill's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

May 20, 2021

Section I.	Summary of Auditor's Results
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Type of report auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

- Material weakness(es) identified? ___yes Xno
- Significant Deficiency(s) identified? X yes ___no

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Town of Snow Hill, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

Finding: 2020 -001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2019-001.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan to follow.

Finding: 2020 – 002 Timeliness of Audit Report Submission

Criteria: The June 30, 2020 audit was submitted passed the required due date. This is a violation of G.S. 159-33.

Condition: Required reports to the State of North Carolina were not filed by the required due date.

Context: The Town was unable to produce all the paperwork needed in a timely manner for the auditor to be able to complete the audit.

Effect: The reports are a requirement of General Statutes, lateness created the statute violation.

Cause: A delay in getting the audit firm information it needed to complete the audit.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2019-002.

Recommendation: The Town has implemented steps to prevent this in the future.

Views of responsible officials and planned corrective actions: The town agrees with this finding and has already taken action.

SIGNIFICANT DEFICIENCY

Finding 2020-003 Failure to Perform Reconciliations of Significant Accounts.

Criteria: Accounts payable and accounts receivable accounts are not reconciled to the general ledger accounts in timely or accurate manner.

Condition: There is a lack of ability to reconcile these subsidiary ledgers to the general ledger.

Effect: There information obtained from the general ledger could be incorrect.

Cause: Inadequate training with software.

Recommendation: The Town should obtain additional training with the software vender and evaluate the usefulness of the system.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan to follow.

MATERIAL NONCOMPLIANCE/SIGNIFICANT DEFICIENCY

Finding 2020-004 Noncompliance with Budget.

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town expended more for the Water Fund than was appropriated for in the annual budget ordinance.

Effect: Monies were spent that had not been obligated and appropriated.

Cause: The Town exceeded budget expenditures in the Water Fund while budget amendments were not adopted.

Recommendation: Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of responsible officials and planned corrective actions: The Town will continue to monitor the budgets on a monthly basis to ensure compliance.



Town of Snow Hill, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

Finding: 2020 – 001	Segregation of Duties
Name of contact person:	Todd Whaley, Town Manager
Corrective Action:	The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.
Proposed Completion Date:	The Town will implement the above immediately.
Finding 2020 – 002	Timeliness of Audit Report Submission
Name of contact person:	Todd Whaley, Town Manager
Corrective Action:	The Town will ensure timeliness of required filings.
Proposed Completion Date:	The Town will implement the above immediately.
Finding 2020 – 003	Failure to Perform Reconciliations of Significant Accounts
Name of contact person:	Todd Whaley, Town Manager
Corrective Action:	The Town will obtain additional training in accounting software and will obtain outside resources for assistance. The Town will reconcile required accounts in a timely and accurate manner.
Proposed Completion Date:	The Town will implement the above immediately.

MATERIAL NONCOMPLIANCE/SIGNIFICANT DEFICIENCY

Finding 2020 – 004	Noncompliance with Budget
Name of contact person:	Todd Whaley, Town Manager
Corrective Action:	The Town will start evaluating this deficiency to ensure that proper budgets are completed as well as budget amendments.
Proposed Completion Date:	The Town will implement the above immediately.