

**Town of Speed**  
**Speed, North Carolina**  
**Financial Statements**  
**For The Year Ended June 30, 2020**

# Town of Speed, North Carolina

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June 30, 2020

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**BOARD MEMBERS**

J. W. Dickens III

Leroy Candies

Betty Jo Roberson

Kenneth Randolph

Roberta Mercer

**MAYOR**

Wilbert Lee Harrison

**FINANCE OFFICER**

Dolores Faison

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Speed, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Speed as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Speed, North Carolina. The individual fund 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 budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Flowers & Stanley, LLP*

Tarboro, North Carolina  
November 23, 2020

## Town of Speed

### Management's Discussion and Analysis

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

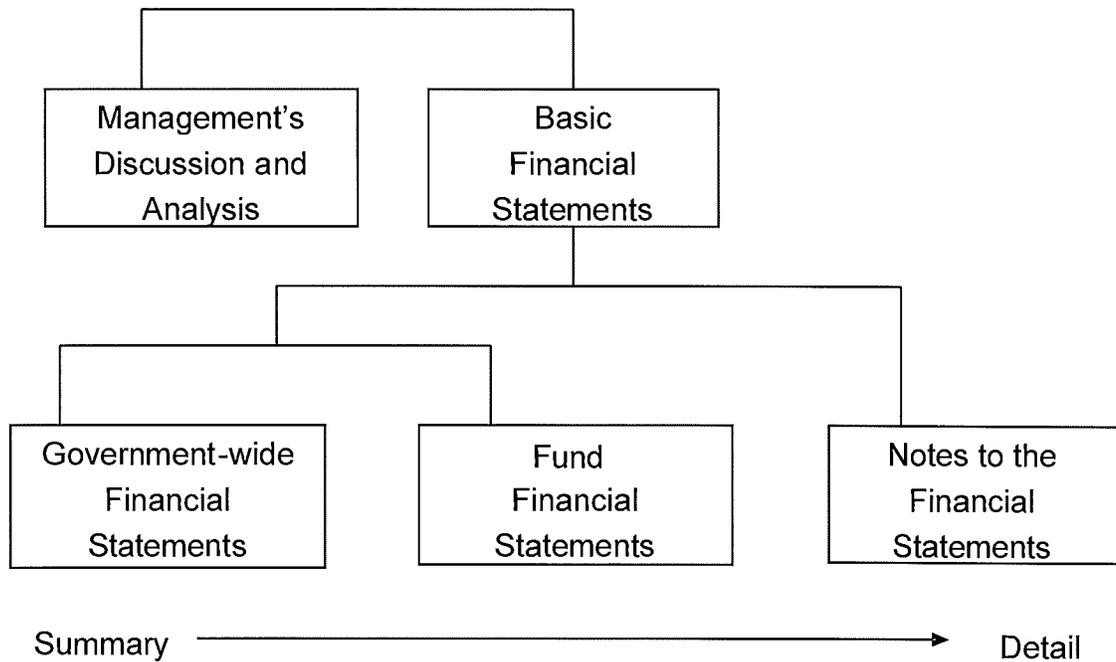
#### Financial Highlights

- The assets and deferred outflows of resources of the Town of Speed exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$81,836 (*net position*).
- The government's total net position decreased by \$6,663.
- As of the close of the current fiscal year, the Town of Speed's governmental fund reported an ending fund balance of \$37,570, a decrease of \$4,442 in comparison with the prior year. \$34,184 is available for spending at the Government's discretion.

#### Overview of the Financial Statements

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

**Required Components of Annual Financial Report**  
**Figure 1**



### **Basic Financial Statements**

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

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

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

### **Government-wide Financial Statements**

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

## Management Discussion and Analysis Town of Speed

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 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 Speed, 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.

### **Governmental Funds**

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town's services are accounted for in the governmental fund. This fund focuses on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that 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 Speed adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

**Government-Wide Financial Analysis**

**The Town of Speed's Net Position  
Figure 2**

	Governmental Activities	
	2020	2019
Current and other assets	\$ 58,531	\$ 64,327
Capital assets	25,170	25,898
Deferred outflows of resources	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 83,701</b>	<b>\$ 90,225</b>
Long-term liabilities outstanding	\$ -	\$ -
Other Liabilities	1,865	1,726
Deferred inflows of resources	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 1,865</b>	<b>\$ 1,726</b>
Net Position:		
Net invested in capital assets	\$ 25,170	\$ 25,898
Restricted	3,386	13,367
Unrestricted	53,280	49,234
<b>Total Net Position</b>	<b>\$ 81,836</b>	<b>\$ 88,499</b>

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 Speed exceeded liabilities and deferred inflows by \$81,836 as of June 30, 2020. The Town's net position decreased by \$6,663 for the fiscal year ended June 30, 2020. However, a large portion (30.76%) reflects the Town's net investment in capital assets (e.g. land and buildings). The Town of Speed uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Of the remaining balance, \$209 is restricted for streets, \$3,177 is restricted for stabilization by State statute, and \$53,280 is unrestricted.

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

**Financial Analysis of the Town of Speed's Funds**

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

	Governmental Activities	
	2020	2019
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	3,132	3,158
General Revenues:		
Property taxes	15,429	13,454
Grants and contributions not restricted to specific programs	24,111	20,178
Unrestricted investment earnings	86	36
Total Revenues	\$ 42,758	\$ 36,826
<b>Expenses:</b>		
General Government	\$ 27,632	\$ 23,048
Public Safety	-	-
Transportation	13,750	-
Environmental Protection	8,039	7,796
Total Expenses	\$ 49,421	\$ 30,844
Increase (Decrease) in Net Position	\$ (6,663)	\$ 5,982
Net Position, July 1	88,499	82,517
Net Position, June 30	\$ 81,836	\$ 88,499

**Governmental Funds.**

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

Management Discussion and Analysis  
Town of Speed

The general fund is the only operating fund of the Town of Speed. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$34,184 while total fund balance was \$37,570. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

At June 30, 2020, the governmental funds of the Town of Speed reported a fund balance of \$37,570, a decrease of \$4,442 from last year.

**General Fund Budgetary Highlights**

During the fiscal year, the Town made no budget amendments. 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.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Speed’s investment in capital assets as of June 30, 2020, totals \$25,170 (net of accumulated depreciation). These assets include the administrative building and land.

	Governmental Activities	
	2020	2019
Land	\$ 10,000	\$ 10,000
Building	15,170	15,898
Total Capital Assets	<u>\$ 25,170</u>	<u>\$ 25,898</u>

Additional information on the Town’s capital assets can be found in note 3 of the Basic Financial Statements.

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

**Requests for Information**

This report is designed to provide an overview of the Town’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Dolores Faison, Town of Speed, P. O. Box 327, Speed, N.C. 27881.

**Town of Speed, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

**Exhibit 1**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 36,049
Taxes receivable	14,624
Accrued interest receivable on taxes	4,472
Accounts receivable	-
Due from other governments	3,177
Restricted cash and cash equivalents	209
Total Current Assets	\$ 58,531
Non-current Assets:	
Capital Assets:	
Land, non-depreciable	\$ 10,000
Building - Administrative, net of depreciation	15,170
Total Capital Assets	\$ 25,170
Total Assets	\$ 83,701
<b>Deferred Outflows of Resources</b>	\$ -
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	\$ 1,865
<b>Deferred Inflows of Resources</b>	\$ -
<b>Net Position</b>	
Net investment in capital assets	\$ 25,170
Restricted for:	
Stabilization by State Statute	3,177
Transportation	209
Unrestricted	53,280
Total Net Position	\$ 81,836

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

**Town of Speed, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

**Exhibit 2**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Change in Net Position Governmental Activities</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
Governmental Activities:				
General Government	\$ 27,632	\$ -	\$ -	\$ (27,632)
Transportation	13,750	-	3,132	(10,618)
Environmental Protection	8,039	-	-	(8,039)
Total Governmental Activities	<u>\$ 49,421</u>	<u>\$ -</u>	<u>\$ 3,132</u>	<u>\$ (46,289)</u>

General Revenues:

Taxes:

Property taxes, levied for general purpose	\$ 15,429
Grants and contributions not restricted to specific programs	24,111
Other revenues	86
Total General Revenues	<u>\$ 39,626</u>

Change in Net Position \$ (6,663)

Net Position, beginning 88,499

Net Position, ending \$ 81,836

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

**Town of Speed, North Carolina  
Balance Sheet  
Governmental Fund  
June 30, 2020**

**Exhibit 3**

**Major Fund  
General  
Fund**

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**Assets**

Cash and cash equivalents	\$	36,049
Restricted cash		209
Receivables:		
Taxes		14,624
Due from other governments		3,177
Total Assets	\$	<u>54,059</u>

**Liabilities**

Accounts payable	\$	<u>1,865</u>
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**Deferred Inflows of Resources**

Property taxes receivable	\$	<u>14,624</u>
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**Fund Balances**

Restricted		
Stabilization by State Statute	\$	3,177
Streets		209
Unassigned		34,184
Total Fund Balance	\$	<u>37,570</u>

Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$	<u>54,059</u>
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(continued)

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

**Town of Speed, North Carolina**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2020**

**Exhibit 3**

(continued)

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Fund	\$ 37,570
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,170
Accrued interest receivable from taxes is not available to pay for current period expenditures and therefore is deferred in the funds.	4,472
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	14,624
Net Position of Governmental Activities	<u>\$ 81,836</u>

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

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

**Exhibit 4**

	<b>Major Fund</b>
	<b>General</b>
	<b>Fund</b>
<b>Revenues:</b>	
Ad valorem taxes	\$ 16,922
Unrestricted intergovernmental	24,111
Restricted intergovernmental	3,132
Investment earnings	86
	\$ 44,251
<b>Expenditures:</b>	
General Government	\$ 26,904
Transportation	13,750
Environmental Protection	8,039
	\$ 48,693
Excess Revenues over (under) Expenditures	\$ (4,442)
<b>Other Financing Sources:</b>	
Contributed Capital	\$ -
Net Change in Fund Balance	\$ (4,442)
<b>Fund Balance:</b>	
Beginning of year	42,012
End of year	\$ 37,570

(continued)

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

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

**Exhibit 4**

(continued)

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

Net changes in fund balance - total governmental fund	\$	(4,442)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Depreciation expense for governmental assets		(728)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(1,493)
Total Changes in Net Position of Governmental Activities	<u>\$</u>	<u>(6,663)</u>

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

**Town of Speed, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2020**

**Exhibit 5**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 14,000	\$ 14,000	\$ 16,922	\$ 2,922
Unrestricted intergovernmental	19,000	19,000	24,111	5,111
Restricted intergovernmental	10,468	10,468	3,132	(7,336)
Investment earnings	10	10	86	76
	<u>\$ 43,478</u>	<u>\$ 43,478</u>	<u>\$ 44,251</u>	<u>\$ 773</u>
<b>Total Revenues</b>				
<b>Expenditures:</b>				
General Government	\$ 39,910	\$ 39,910	\$ 26,904	\$ 13,006
Transportation	10,468	10,468	13,750	(3,282)
Environmental Protection	9,000	9,000	8,039	961
	<u>\$ 59,378</u>	<u>\$ 59,378</u>	<u>\$ 48,693</u>	<u>\$ 10,685</u>
<b>Total Expenditures</b>				
Revenues Over (Under) Expenditures	\$ (15,900)	\$ (15,900)	\$ (4,442)	\$ 11,458
<b>Other Financing Sources</b>				
Fund balance appropriated	<u>15,900</u>	<u>15,900</u>	<u>-</u>	<u>(15,900)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,442)</u>	<u>\$ (4,442)</u>
<b>Fund Balance:</b>				
Beginning of year			42,012	
End of year			<u>\$ 37,570</u>	

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

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

**1. Summary of Significant Accounting Policies**

The accounting policies of the Town of Speed conform to the 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 Speed is a municipal corporation located in the northeastern area of North Carolina. The Town is governed by an elected mayor and a five-member council.

**B. Basis of Presentation**

**Government-wide Statements**

The statement of net position and the statement of activities display information about the Town. These statements include the financial activities of the government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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 general fund.

The Town reports the following major governmental fund.

**General Fund**

The general fund is the general operating fund of the Town. The general fund accounts for all financial resources. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government, street maintenance, and sanitation services.

**C. Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, the Town's general fund is maintained during the year using the modified accrual basis of accounting.

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

**Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenues from property taxes are 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, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Governmental Fund Financial Statements**

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end, are recorded as unearned revenues.

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

**D. Budgetary Data**

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

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

**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 State 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).

**Cash and Cash Equivalents**

All cash and investments of the Town are essentially demand deposits and are considered cash equivalents.

**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.

**Ad Valorem Taxes Receivable**

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

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

**Allowance for Doubtful Accounts**

Based on materiality and historical collection rates, no allowance for uncollectible taxes receivable have been established.

**Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Building – 30 years

**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 does not have any items that meet this criterion. 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 only one item that meets the criterion for this category –property taxes receivable.

**Net Position/Fund Balances**

**Net Position**

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

**Fund Balance**

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

The governmental fund types classify fund balance as follows:

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

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.

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

The Town has no established spending policy for programs with multiple revenue sources. The Finance Officer is directed to expend fund balance with restricted classification first and unassigned fund balance lastly if such is in the best interest of the Town.

The Town has not adopted any minimum fund balance policy for the General Fund.

**2. Stewardship, Compliance, and Accountability**

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

**Noncompliance with North Carolina General Statutes**

The Annual Budget Ordinance did not include the property tax rate.

Management will ensure that the budget will include the property tax rate in the future.

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

**B. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2020, expenditures exceeded the authorized budget set by the governing board for transportation expenses. These were expenses paid by Powell Bill funds.

Checks for certain disbursements did not exhibit the required pre-audit authorization.

**3. Detail Notes on all Funds**

**A. Assets**

**Deposits**

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

At June 30, 2020, the Town's deposits had a carrying amount of \$36,258 and a bank balance of \$37,582. All of the Town's bank balance was covered by federal depository insurance.

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

**Capital Assets**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital Assets Being Depreciated:				
Administrative building	\$ 27,370	\$ -	\$ -	\$ 27,370
Less accumulated depreciation	<u>11,472</u>	<u>728</u>	<u>-</u>	<u>12,200</u>
Total Capital Assets being Depreciated, Net	<u>\$ 15,898</u>	<u>\$ (728)</u>	<u>\$ -</u>	<u>\$ 15,170</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,898</u>			<u>\$ 25,170</u>

Depreciation expense was charged to General Government activities.

**B. Liabilities**

**Pension**

Town personnel are not covered by an employee retirement/pension plan.

**Deferred Outflows and Inflows of Resources**

The Town has no deferred outflows of resources at year-end.

Deferred inflows of resources at year-end consists of the following:

Taxes Receivable	<u>\$ 14,624</u>
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**Town of Speed, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Town carries commercial insurance for all risks of loss, except for losses from floods for which the town has elected to assume that risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Town Clerk/Finance Officer has an individual Treasurer bond for \$50,000. There is no blanket Public Official Bond.

**5. Fund Balance**

Total fund balance - General Fund	\$	37,570
Less:		
Stabilization by State Statute		3,177
Streets - Powell Bill		209
Remaining Fund Balance (Unassigned)	<u>\$</u>	<u>34,184</u>

**6. Significant Effects of Subsequent Events**

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditor's report. The Town has not evaluated subsequent events after that date. There were no material subsequent events during this period that require disclosure.

**Town of Speed, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

Exhibit A-1

	2020		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Ad Valorem Taxes:			
Taxes		\$ 15,756	
Interest		1,166	
Total Ad Valorem Taxes	\$ 14,000	\$ 16,922	\$ 2,922
Unrestricted Intergovernmental:			
Local option sales taxes		\$ 19,742	
Utility franchise tax		2,734	
Beer and wine tax		335	
Edgecombe County mini-grant		1,300	
Total Unrestricted Intergovernmental	\$ 19,000	\$ 24,111	\$ 5,111
Restricted Intergovernmental:			
Powell Bill allocation	\$ 10,468	3,132	\$ (7,336)
Total Restricted Intergovernmental	\$ 10,468	\$ 3,132	\$ (7,336)
Investment earnings	\$ 10	\$ 86	\$ 76
Total Revenues	\$ 43,478	\$ 44,251	\$ 773

(continued)

**Town of Speed, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

Exhibit A-1

	2020		
	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
General Government:			
Payroll expense	\$ 10,680	\$ 8,568	\$ 2,112
Audit	4,000	3,895	105
Insurance and bonds	1,000	450	550
Board of Elections	1,500	1,361	139
Utilities	9,000	7,959	1,041
Other operating expenditures	2,800	2,171	629
Cost to move modular	10,930	2,500	8,430
Total General Government	\$ 39,910	\$ 26,904	\$ 13,006
Transporation:			
Cleaning Ditches	10,468	\$ 13,750	\$ (3,282)
Environmental Protection:			
Solid waste	\$ 9,000	\$ 8,039	\$ 961
Total Expenditures	\$ 59,378	\$ 48,693	\$ 10,685
Revenues Over (Under) Expenditures	\$ (15,900)	\$ (4,442)	\$ 11,458
Fund balance appropriated	15,900	-	(15,900)
Net change in fund balance	\$ -	\$ (4,442)	\$ (4,442)
<b>Fund Balance:</b>			
Beginning of year		42,012	
End of year		\$ 37,570	

**Town of Speed, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2020**

Exhibit B-1

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2019</b>	<b>Additions</b>	<b>Collections And Credits</b>	<b>Uncollected Balance June 30, 2020</b>
2019-2020	\$ -	\$ 14,429	\$ 12,619	\$ 1,810
2018-2019	3,063	-	1,409	1,654
2017-2018	2,242	-	196	2,046
2016-2017	2,272	-	313	1,959
2015-2016	1,725	-	2	1,723
2014-2015	1,731	-	28	1,703
2013-2014	1,749	-	270	1,479
2012-2013	1,310	-	270	1,040
2011-2012	1,012	-	240	772
2010-2011	615	-	177	438
2009-2010	477	-	477	-
<b>Total</b>	<b>\$ 16,196</b>	<b>\$ 14,429</b>	<b>\$ 16,001</b>	<b>\$ 14,624</b>

Reconciliation with Revenues:

Ad valorem taxes - General Fund	<u>\$ 16,922</u>
Reconciling items:	
Interest collected	\$ (1,166)
Taxes written off	245
Total Reconciling Items	<u>\$ (921)</u>
Total Collections and Credits	<u><u>16,001</u></u>

**Town of Speed, North Carolina**  
**Analysis of Current Tax Levy**  
**Town-wide Levy**  
**For the Fiscal Year Ended June 30, 2020**

Exhibit B-2

	City-Wide			Property excluding Registered Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total		
<b>Original Levy:</b>					
Real and personal property	\$ 4,102,333	0.30	\$ 12,307	\$ 12,307	\$ -
Motor vehicles	707,333	0.30	2,122	-	2,122
Total Property Valuation	\$ 4,809,666				
<b>Net Levy</b>			\$ 14,429	\$ 12,307	\$ 2,122
Less uncollected taxes at June 30, 2020			\$ 1,810	1,810	-
Current Year's Taxes Collected			\$ 12,619	\$ 10,497	\$ 2,122
Current Levy Collection Percentage			87.46%	85.29%	100.00%