

**Town of Youngsville
Youngsville, North Carolina**

Audited Financial Statements

Year Ended June 30, 2019

Town of Youngsville, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2019

BOARD OF COMMISSIONERS MEMBERS

Fonzie Flowers, Mayor

Joseph Johnson

Cat Redd

Graham C. Stallings

Larry Wiggins

Terry Hedlund

ADMINISTRATIVE AND FINANCIAL STAFF

Phillip Cordeiro, Town Administrator

Jaclyn Patterson, Finance Officer

Town of Youngsville, North Carolina
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June 30, 2019

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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Youngsville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Youngsville, North Carolina, as of and for the year ended June 30, 2019, 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 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 the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information of the Town of Youngsville, North Carolina as of June 30, 2019, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10, respectively, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 41 and 42 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 on pages 43 and 44. 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 Youngsville, North Carolina. The individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and 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 applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, 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 October 15, 2019 on our consideration of the Town of Youngsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Youngsville's internal control over financial reporting and compliance.



Lumberton, North Carolina
October 15, 2019

Management's Discussion and Analysis

**Town of Youngsville, North Carolina
Management's Discussion and Analysis
June 30, 2019**

Management's Discussion and Analysis

As management of the Town of Youngsville, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Youngsville for the fiscal year ending June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

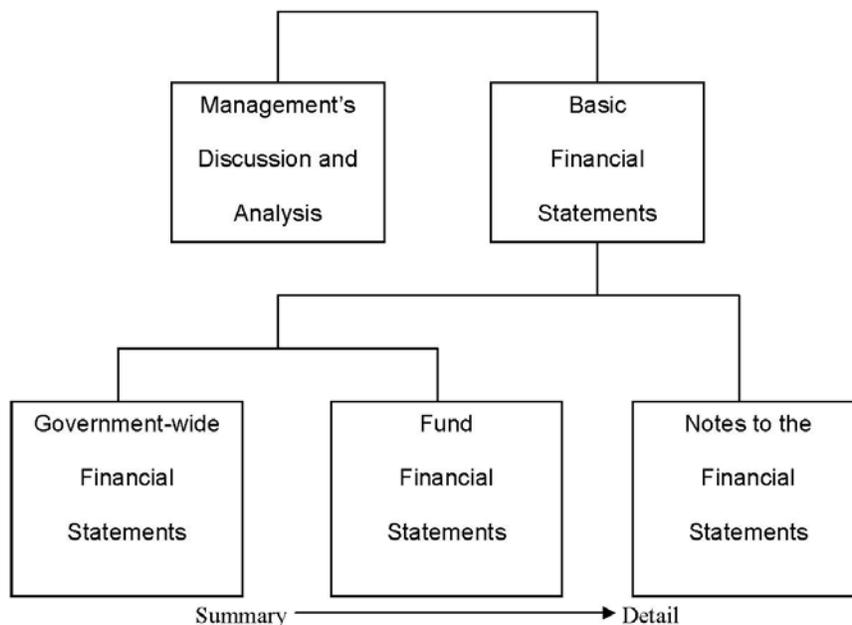
- The assets and deferred outflows of the Town of Youngsville exceeded its liabilities and deferred inflows at the close of the fiscal year by \$2,716,287 (net position).
- The government's total net position increased by \$605,687.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,441,411, or approximately 61.98% of total general fund expenditures for the year.
- As of the close of the current fiscal year, the Town of Youngsville's governmental funds reported combined ending fund balances of \$1,867,156, with a increase of \$526,880 in fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Youngsville's basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Youngsville.

Required Components of Annual Financial Report

Figure 1



Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Basic Financial Statements

The first two statements 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 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 to the Financial Statements**. The notes 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, in a manner similar to the 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 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 governmental activities include most of the Town's basic services such as general government, public safety, general administration, and parks and recreation. Property taxes and State and federal grant funds finance most of these activities.

The government-wide financial statements are found on pages 11 and 12 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 Youngsville, like all other state and local governments, 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. The Town of Youngsville has only one type of fund – the governmental fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 monies that are unexpended 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 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 Youngsville 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.

Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

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.

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 can be found on pages 18-40 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 Youngsville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

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

Government-Wide Financial Analysis

The Town of Youngsville's Net Position
Figure 2

	Governmental Activities 2019	Governmental Activities 2018
Current and other assets	\$ 2,262,791	\$ 1,526,854
Capital assets	1,636,058	1,458,391
Total assets	3,898,849	2,985,245
Deferred Outflows of Resources	186,794	135,514
Current liabilities	426,102	223,548
Long-term liabilities	929,335	778,252
Total liabilities	1,355,437	1,001,800
Deferred Inflows of Resources	13,919	8,359
Net position		
Net investment in capital assets	960,687	890,495
Restricted	311,476	271,530
Unrestricted	1,444,124	948,575
Total net position	\$ 2,716,287	\$ 2,110,600

Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

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 Youngsville exceeded liabilities and deferred inflows by \$2,716,287 as of June 30, 2019. The Town's net position increased by \$605,687 for the fiscal year ended June 30, 2019. The largest portion of net position is unrestricted at \$1,444,124 or 53.17%. The Town of Youngsville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. As of the end of the current fiscal year, the Town does not have any outstanding debt related to the capital assets. An additional portion of the Town of Youngsville's net position, \$311,476, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,444,124 is unrestricted.

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

- Continued diligence in the control of cash flow and expenditures. Current assets have increased by \$735,937.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.27 percent which is comparable to the statewide average.

Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Town of Youngsville's Changes in Net Position
Figure 3

	Governmental Activities 2019	Governmental Activities 2018
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 450,517	\$ 194,933
Operating grants and contributions	123,721	42,739
Capital Grants and contributions	101,037	-
General revenues:		
Property taxes	1,474,038	1,098,290
Other taxes	667,620	407,464
Other	17,395	243,687
Total revenues	<u>2,834,328</u>	<u>1,987,113</u>
Expenses:		
General government	561,449	384,221
Public safety	918,048	884,443
Transportation	166,218	184,475
Economic and physical develop.	134,958	68,110
Environmental protection	96,198	75,009
Cultural and recreation	134,937	113,997
Interest on long-term debt	15,808	17,271
Total expenses	<u>2,027,616</u>	<u>1,727,526</u>
Increase in net position before transfers	605,687	259,587
Transfers	-	-
Increase in net position	<u>605,687</u>	<u>259,587</u>
Net position, beginning	2,110,600	18,007
Restatement	-	44,006
Net position, beginning, restated	<u>2,110,600</u>	<u>1,851,013</u>
Net position - June 30	<u>\$ 2,716,287</u>	<u>\$ 2,110,600</u>

Governmental activities. Governmental activities increased the Town's net position by \$605,687, accounting for 100% of the total increase in the net position of the Town of Youngsville. The Town of Youngsville is committed to improving roads and public safety. Expenses of \$33,807 were paid during the fiscal year to continue the town's capital project endeavors.

Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Financial Analysis of the Government's Funds

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

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

The general fund is the chief operating fund of the Town of Youngsville. At the end of the current fiscal year, the Town of Youngsville's fund balance available in the General Fund was \$1,441,411 is unassigned and available. The Town currently has an available fund balance of 61.98% of general fund expenditures.

At June 30, 2019, the governmental funds of the Town of Youngsville reported a combined fund balance of \$1,867,156 with a net increase in fund balance of \$526,880. This change in fund balance is comprised of an increase in fund balance in the General Fund, offset by a decrease in the fund balance in the Capital Projects Fund.

General Fund Budgetary Highlights

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

There were several reasons the Town revised its budget throughout the year. The Town Council reallocated funds for several expenditures that were not anticipated in the original budget including an increase in salary for the planning staff, hiring of an interim planning contractor, hiring a consultant to conduct a land use plan survey, and increased legal fees.

Capital Assets and Debt Administration

The Town of Youngsville's investment in capital assets for its governmental activities as of June 30, 2019 total \$1,636,058 (net of accumulated depreciation). These assets include land, right-of-way easements, sidewalks, furniture and equipment, buildings and park facilities. There were no major capital asset transactions during the year.

Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

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

	Governmental	
	Activities	
	2019	2018
Land	\$ 78,007	\$ 78,007
Construction in progress	131,292	97,485
Buildings	879,117	902,748
Improvements	353,775	208,795
Equipment	54,894	51,305
Vehicles	138,973	120,051
Total capital assets, net	\$ 1,636,058	\$ 1,458,391

Additional information on the Town's capital assets can be found in the notes on page 25 of this report.

Long-term debt. As of June 30, 2019, the Town of Youngsville had total outstanding debt of \$1,053,211.

Outstanding Liabilities
Figure 5

	Governmental	
	Activities	
	2019	2018
Installment purchase	\$ 666,847	\$ 556,874
Capital Lease	8,524	11,020
Compensated absences	34,568	39,093
Net pension obligation (LGERS)	213,036	161,328
Total pension obligation (LEO)	130,236	112,153
Total outstanding debt	\$ 1,053,211	\$ 880,468

Town of Youngsville Outstanding Debt

The Town of Youngsville's total debt increased by \$172,743 during the past fiscal year. Most of the increase was related to new installment loans taken by the Town. Additional information regarding the Town of Youngsville's long-term debt can be found in Note 3 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Continued growth in the area in and around the Town are expected to be positive factors on future revenues of the Town as there are expected to be several new housing developments completed in the coming years.

Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The budget allows the Town to continue to carry out its obligations in the General Fund with no proposed property tax increase, as well as no increases in other fees. Budgeted revenues are up by 5% in total over the prior year, with property taxes making up the majority of the increase benefitting from economic growth. Budgeted expenditures in the General Fund are expected to increase slightly as the cost of business has a natural increase and the Town is impacted accordingly.

Request for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Youngsville, 134 US 1A South, Youngsville, NC 27596. One can also call (919)925-3401 or send an email to customerservice@townofyoungsville.org for more information.

Basic Financial Statements

Town of Youngsville, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		Town of Youngsville ABC Board
	Governmental Activities	Total	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,827,055	\$ 1,827,055	\$ 109,161
Taxes receivables, net	93,409	93,409	-
Accounts receivable, net	197,408	197,408	-
Due from component units	60,885	60,885	-
Prepaid expenses	-	-	6,479
Inventories	-	-	105,511
Restricted cash and cash equivalents	84,034	84,034	-
Total current assets	2,262,791	2,262,791	221,151
Noncurrent assets:			
Capital assets (Note 3):			
Land, and non-depreciable improvements	209,299	209,299	-
Other capital assets, net of depreciation	1,426,759	1,426,759	201,343
Total capital assets	1,636,058	1,636,058	201,343
Total assets	3,898,849	3,898,849	422,494
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	186,794	186,794	-
Total deferred outflows of resources	186,794	186,794	-
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	302,226	302,226	60,160
Current portion of installment purchases	110,130	110,130	113,893
Current portion of capital leases	2,496	2,496	-
Accrued vacation payable	11,250	11,250	7,786
Total current liabilities	426,102	426,102	181,839
Long-term liabilities:			
Installment purchases	556,717	556,717	167,326
Capital leases payable	6,028	6,028	-
Accrued vacation payable	23,318	23,318	-
Net pension liability	213,036	213,036	-
Total pension liability	130,236	130,236	-
Total long term liabilities	929,335	929,335	167,326
Total liabilities	1,355,437	1,355,437	349,165
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	13,919	13,919	-
Total deferred inflows of resources	13,919	13,919	-
NET POSITION			
Net investment in capital assets	960,687	960,687	17,180
Restricted for:			
Working capital	-	-	50,000
Streets	84,034	84,034	-
Stabilization by State Statute	227,442	227,442	-
Unrestricted	1,444,124	1,444,124	6,149
Total net position	\$ 2,716,287	\$ 2,716,287	\$ 73,329

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

Town of Youngsville, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Town of Youngsville ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	
Primary government:							
Governmental Activities:							
General government	\$ 561,449	\$ 229,898	\$ 84,497	\$ -	\$ (247,054)	\$ (247,054)	\$ -
Public safety	918,048	35,204	-	-	(882,844)	(882,844)	-
Transportation	166,218	-	39,224	-	(126,994)	(126,994)	-
Economic and physical development	134,958	-	-	101,037	(33,921)	(33,921)	-
Environmental protection	96,198	126,893	-	-	30,695	30,695	-
Cultural and recreational	134,937	58,522	-	-	(76,415)	(76,415)	-
Interest on long-term debt	15,808	-	-	-	(15,808)	(15,808)	-
Total governmental activities	2,027,616	450,517	123,721	101,037	(1,352,341)	(1,352,341)	-
Component Unit:							
Town of Youngsville ABC Board	\$ 1,400,099	\$ 1,410,440	\$ -	\$ -	-	-	10,341
Total component unit	1,400,099	1,410,440	-	-	-	-	10,341
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,474,038	1,474,038	-
Other taxes					466,595	466,595	-
Investment earnings, unrestricted					13,364	13,364	-
Miscellaneous, unrestricted					4,031	4,031	-
Total general revenues					1,958,028	1,958,028	-
Change in net position					605,687	605,687	10,341
Net position, beginning					2,110,600	2,110,600	62,988
Net position, ending					\$ 2,716,287	\$ 2,716,287	\$ 73,329

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

Town of Youngsville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds		Total Governmental Funds
	General Fund	Pedestrian Plan Project Fund	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,743,639	\$ 83,416	\$ 1,827,055
Restricted cash and cash equivalents	84,034	-	84,034
Taxes receivable, net	93,409	-	93,409
Accounts receivable, net	166,555	30,853	197,408
Due from component unit	60,885	-	60,885
Total assets	\$ 2,148,522	\$ 114,269	\$ 2,262,791
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 302,226	\$ -	\$ 302,226
Total liabilities	302,226	-	302,226
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	93,409	-	93,409
Total deferred inflows of resources	93,409	-	93,409
<u>FUND BALANCES</u>			
Restricted			
Stabilization by State Statute	227,442	-	227,442
Streets - Powell Bill	84,034	-	84,034
Unassigned	1,441,411	114,269	1,555,680
Total fund balances	1,752,887	114,269	1,867,156
Total liabilities, deferred inflows of resources and fund balances	\$ 2,148,522	\$ 114,269	\$ 2,262,791

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

Town of Youngsville, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2019

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

Total Fund Balance, Governmental Funds	\$	1,867,156
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$	2,606,803
Accumulated depreciation		<u>(970,745)</u>
		1,636,058
Deferred outflows of resources related to pensions are not reported in the fund statements.		
		186,794
Earned revenues considered deferred inflows of resources in fund statements		
		93,409
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt	\$	(675,371)
Compensated absences		(34,568)
Net pension liability		(213,036)
Total pension liability		<u>(130,236)</u>
		(1,053,211)
Deferred inflows of resources related to pensions are not reported in the funds		
		(13,919)
Net position of governmental activities	\$	<u>2,716,287</u>

Town of Youngsville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds		Total Governmental Funds
	General Fund	Pedestrian Plan Project Fund	
Revenues:			
Ad valorem taxes	\$ 1,435,110	\$ -	\$ 1,435,110
Other taxes and licenses	467,635	-	467,635
Unrestricted intergovernmental	229,638	-	229,638
Restricted intergovernmental	123,721	101,037	224,758
Permits and fees	35,204	-	35,204
Sales and services	196,364	-	196,364
Investment earnings	13,364	-	13,364
Miscellaneous	4,031	-	4,031
Total revenues	<u>2,505,067</u>	<u>101,037</u>	<u>2,606,104</u>
Expenditures:			
General government	540,702	-	540,702
Public safety	853,587	-	853,587
Transportation	145,415	-	145,415
Parks and recreation	104,816	-	104,816
Economic and physical development	134,958	-	134,958
Environmental protection	96,198	-	96,198
Capital outlay	261,408	33,809	295,217
Debt service:			
Principal	172,559	-	172,559
Interest	15,808	-	15,808
Total expenditures	<u>2,325,451</u>	<u>33,809</u>	<u>2,359,260</u>
Excess (deficiency) of revenues over expenditures	<u>179,616</u>	<u>67,228</u>	<u>246,844</u>
Other financing sources (uses)			
Transfers to other funds	(100,450)	-	(100,450)
Transfers from other funds	-	100,450	100,450
Installment purchase obligations issued	280,036	-	280,036
Total other financing sources (uses)	<u>179,586</u>	<u>100,450</u>	<u>280,036</u>
Net change in fund balances	359,202	167,678	526,880
Fund balance, beginning	1,393,685	(53,409)	1,340,276
Fund balances, ending	<u>\$ 1,752,887</u>	<u>\$ 114,269</u>	<u>\$ 1,867,156</u>

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

Town of Youngsville, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$	526,880
<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 capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 295,217	
Depreciation expense for governmental assets	<u>(117,548)</u>	177,669
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		54,606
<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		40,860
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(280,036)	
Principal payments on long-term debt	172,559	
Decrease in accrued interest payable	<u>(12,198)</u>	(119,675)
<p>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.</p>		
Compensated absences	4,525	
Pension expense	<u>(79,176)</u>	<u>(74,651)</u>
Total changes in net position of governmental activities	\$	<u>605,689</u>

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

Town of Youngsville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,333,473	\$ 1,420,403	\$ 1,435,110	\$ 14,707
Other taxes and licenses	400,000	414,660	467,635	52,975
Unrestricted intergovernmental	150,000	155,785	229,638	73,853
Restricted intergovernmental	111,900	111,993	123,721	11,728
Permits and fees	12,000	32,100	35,204	3,104
Sales and services	210,250	189,443	196,364	6,921
Investment earnings	2,200	6,725	13,364	6,639
Miscellaneous	500	900	4,031	3,131
Total revenues	<u>2,220,323</u>	<u>2,332,009</u>	<u>2,505,067</u>	<u>173,058</u>
Expenditures:				
General government	463,993	582,620	540,702	41,918
Public safety	931,768	952,658	853,587	99,071
Transportation	235,062	177,078	145,415	31,663
Parks and recreation	135,750	107,207	104,816	2,391
Economic and physical development	78,450	155,418	134,958	20,460
Environmental protection	-	97,179	96,198	981
Capital outlay	249,500	341,585	261,408	80,177
Debt service:				
Principal	123,300	180,613	172,559	8,054
Interest	-	18,000	15,808	2,192
Total expenditures	<u>2,217,823</u>	<u>2,612,358</u>	<u>2,325,451</u>	<u>286,907</u>
Revenues over (under) expenditures	<u>2,500</u>	<u>(280,349)</u>	<u>179,616</u>	<u>459,965</u>
Other financing sources (uses):				
Transfers to other funds	(82,500)	(105,500)	(100,450)	5,050
Installment purchase obligations issued	80,000	280,036	280,036	-
Total other financing sources (uses)	<u>(2,500)</u>	<u>174,536</u>	<u>179,586</u>	<u>5,050</u>
Fund balance appropriated	-	105,813	-	105,813
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>359,202</u>	<u>\$ 359,202</u>
Fund balance, beginning			<u>1,393,685</u>	
Fund balance, ending			<u>\$ 1,752,887</u>	

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

Notes to the Financial Statements

Town of Youngsville, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Youngsville, North Carolina 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 Youngsville is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally-separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Youngsville ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by the State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at the Town of Youngsville ABC Board, 101 College St., Youngsville, North Carolina.

B - Basis of Presentation

Government-wide Statements: The statement of net position and statement of activities display information about the primary government. These statements include the financial activities of the overall government. The Town has only governmental activities. 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. 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 and 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 - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column.

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, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

Pedestrian Plan Project Fund - This fund is used to account for revenues and expenditures related to the design and construction of bicycle and pedestrian streetscape improvements to Main Street. These improvements include sidewalks, curb extensions, cross-walks, and share lane markings.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. 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 and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Youngsville because the tax is levied by Franklin County and then remitted to and distributed by the State. Most intergovernmental revenue 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-reimbursed grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Project ordinances are adopted for the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the Town Council, and the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers’ acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town’s and ABC Board’s investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, 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, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from both 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 outlined in G.S. 136-41.1 through 136-41.4.

Town of Youngsville Restricted Cash

Governmental Activities

General Fund

Powell Bill	\$ 84,034
Total Restricted Cash	\$ 84,034

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

5. Allowance 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. No allowance for doubtful accounts was required as of June 30, 2019.

6. Inventories and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$25,000 for infrastructure and \$5,000 for all other assets. 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. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Estimated Useful Lives</u>
Buildings	40
Improvements	10
Vehicles	5
Furniture and Equipment	5 – 10

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion – pension deferrals for the 2019 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 criteria for this category – property taxes receivable and pension deferrals.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

9. Long-Term Obligations

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

10. Compensated Absences

The vacation policies of the Town and the ABC Board provide 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 and the ABC Board, 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 last-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 is not considered to be material.

Both the Town's and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any 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 fund financial statements are classified as invested in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Net Position / Fund Balances (continued)

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

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 Youngsville'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 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.

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

The Town of Youngsville has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is not less than sixty percent (60%) of General Fund Expenditures plus Transfers Out less Amounts for Debt Issued. Any portion of the general fund balance in excess of the 60% of General Fund Expenditures plus Transfers Out less Amounts for Debt Issued may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

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 of Youngsville'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.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statues

None.

2. Contractual Violations

None.

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

None.

C - Excess of Expenditures over Appropriations

None.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in 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. 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, 2019, the Town's deposits had a carrying amount of \$1,911,089 and a bank balance of \$1,937,456. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$189. At June 30, 2019, the Board's deposits had a carrying amount of \$107,843 and a bank balance of \$92,462. All of the bank balance was covered by federal depository insurance. The ABC Board had cash on hand in the amount of \$1,318 at June 30, 2019.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

2. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

Governmental activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land and improvements	\$ 78,007	\$ -	\$ -	\$ 78,007
Construction in progress	97,485	33,807	-	131,292
Total capital assets not being depreciated	175,492	33,807	-	209,299
Capital assets being depreciated:				
Buildings	1,011,233	-	-	1,011,233
Improvements	400,847	165,099	-	565,946
Equipment	179,587	16,272	-	195,859
Vehicles	544,429	80,037	-	624,466
Total capital assets being depreciated	2,136,096	261,408	-	2,397,504
Less accumulated depreciation for:				
Buildings	108,485	23,631	-	132,116
Improvements	192,052	20,119	-	212,171
Equipment	128,282	12,683	-	140,965
Vehicles	424,378	61,115	-	485,493
Total accumulated depreciation	853,197	117,548	-	970,745
Total capital assets being depreciated, net	1,282,899			1,426,759
Governmental activities capital assets, net	\$ 1,458,391			\$ 1,636,058

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

General government	\$ 25,762
Public Safety	41,591
Cultural and recreation	29,877
Transportation	20,318
Total depreciation expense	\$ 117,548

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

2. Capital Assets (continued)

Discretely presented component unit

Activity for the Youngsville ABC Board for the year ended June 30, 2019, was as follows:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Capital assets				
Land (non-depreciable)	\$ 4,756	\$ 180,000	\$ -	\$ 184,756
Buildings	65,915	-	-	65,915
Improvements	5,077	-	-	5,077
Furniture and fixtures	7,302	-	-	7,302
Equipment	37,675	-	-	37,675
Total capital assets	120,725	180,000	-	300,725
 Less -				
Accumulated depreciation				
Buildings	56,060	1,465	-	57,525
Improvements	5,077	-	-	5,077
Furniture and fixtures	7,302	-	-	7,302
Equipment	27,287	2,191	-	29,478
Total accumulated depreciation	95,726	3,656	-	99,382
Capital assets - net	\$ 24,999			\$ 201,343

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Youngsville 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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Youngsville 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 Youngsville's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Youngsville were \$54,606 for the year ended June 30, 2019.

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.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

At June 30, 2019, the Town reported a liability of \$213,036 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was 0.00898%, which was a decrease of 0.01954% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$62,698. At June 30, 2019, 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	\$ 32,866	\$ 1,103
Changes of assumptions	56,532	-
Net difference between projected and actual earnings on pension plan investments	29,244	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	226	5,147
Town contributions subsequent to the measurement date	54,606	-
Total	\$ 173,474	\$ 6,250

\$54,606 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	55,344
2020		35,835
2021		5,644
2022		15,793
2023		-
Thereafter		-
		\$ 112,616

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

Actuarial Assumptions. The total pension liability in the December 31, 2017 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, 2017 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, 2018 are summarized in the following table:

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

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Town's proportionate share of the net pension 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)	\$ 511,732	\$ 213,036	\$ (36,558)

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

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance

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

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>11</u>
Total	<u><u>11</u></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 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 criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 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, 2017.

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

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

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. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$130,236. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$16,478.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,957	\$ 1,977
Changes of assumptions and other inputs	6,363	5,692
Benefit payment and administrative expenses subsequent to the measurement date	-	-
Total	\$ 13,320	\$ 7,669

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 1,338
2021	1,338
2022	1,338
2023	1,284
2024	353
Thereafter	-

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. Contributions (continued)

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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$141,976	\$130,236	\$119,556
			<u>2019</u>
Beginning balance			\$ 112,153
Service Cost			11,596
Interest on the total pension liability			3,544
Changes of benefit terms			-
Differences between expected and actual experience in the measurement of the total pension liability			8,443
Changes of assumptions or other inputs			(5,500)
Benefit payments			-
Other changes			-
Ending balance of the total pension liability			<u><u>\$ 130,236</u></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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. Contributions (continued)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 62,698	\$ 16,478	\$79,176
Pension Liability	213,036	130,236	343,272
Proportionate share of the net pension liability	0.00898%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	32,866	6,957	39,823
Changes of assumptions	56,532	6,363	62,895
Net difference between projected and actual earnings on plan investments	29,244	-	29,244
Changes in proportion and differences between contributions and proportionate share of contributions	226	-	226
Benefit payments and administrative costs paid subsequent to the measurement date	54,606	-	54,606
 Deferred of Inflows of Resources			
Differences between expected and actual experience	1,103	1,977	3,080
Changes of assumptions	-	5,692	5,692
Net difference between projected and actual earnings on plan investments	5,147	-	5,147
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers and General Employees

1. Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the 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. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$20,692, which consisted of \$11,901 from the Town and \$13,759 from the law enforcement officers. General employees of the Town are also permitted to make voluntary contributions to the Plan. Contribution made by general employees for the year ended June 30, 2019 was \$2,218.

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-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 month's salary in a row during the 24 months prior to the employee's death, but the benefit 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 the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to the pension plan in the current fiscal year	\$ 54,606
Differences between expected and actual experience	39,823
Changes of assumptions	62,895
Net difference between projected and actual earnings on pension plan investments	29,244
Changes in proportion and differences between contributions and proportionate share of contributions	226
Total	<u>\$ 186,794</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$ 93,409
Differences between expected and actual experience	3,080	-
Changes in assumption	5,692	-
Net difference between projected and actual earnings on plan investments	5,147	-
Total	<u>\$ 13,919</u>	<u>\$ 93,409</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 participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to the statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town has made the decision not to purchase flood insurance at this time. The Town does not deem the risk of flooding to outweigh the costs of insurance.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Risk Management (continued)

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000 for dishonesty coverage and \$10,000 for alteration coverage.

Town of Youngsville ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, worker's compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years and there has been non-significant reduction in insurance coverage in the prior year.

4. Claims, Judgements, and Contingent Liabilities

At June 30, 2019, the Town had no pending lawsuits.

5. Long-Term Obligations

a. Installment Purchase

In December 2012, the Town entered into a \$22,024 installment purchase to finance a Dodge Charger at a rate of 4.75%. The financing contract requires a monthly payment of \$413.83 beginning January 2013.

Also in December 2012, the Town entered into a \$22,144 installment purchase to finance a Dodge Charger at a rate of 4.75%. The financing contract requires a monthly payment of \$416.09 beginning January 2013.

In July 2014, the Town entered into a \$22,854 installment purchase to finance a Dodge Charger at a rate of 4.00%. The financing contract requires a monthly payment of \$421.52 beginning August 2014.

In March 2015, the Town entered into a \$22,897 installment purchase to finance a Dodge Charger at a rate of 3.40%. The financing contract requires a monthly payment of \$416.14 beginning April 2015.

In September 2014, the Town entered into a \$22,897 installment purchase to finance a Dodge Charger at a rate of 3.40%. The financing contract requires a monthly payment of \$416.01 beginning October 2014.

In August 2015, the Town entered into a \$30,778 installment purchase to finance a Dodge Durango at a rate of 2.99%. The financing contract requires a monthly payment of \$553.62 beginning September 2015.

In June 2016, the Town entered into a \$650,000 installment purchase to finance the purchase of a building for a new Town Hall. The financing contract requires 71 monthly payments of \$3,456.48 with a balloon payment due on July 1, 2022.

In October 2016, the Town entered into a \$30,610 installment purchase to finance the purchase of a Dodge Durango at a rate of 2.45%. The financing contract requires a monthly payment of \$543.04 beginning November 2016.

In October 2016, the Town entered into an \$8,200 installment purchase to finance the purchase of a new lawn mower at a rate of 2.45%. The financing contract requires a monthly payment of \$236.61 beginning November 2016.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

a. Installment Purchase (continued)

In September 2017, the Town entered in to a \$34,745 installment purchase to finance the purchase of a new Ford SUV at a rate of 2.76%. The financing contract requires a monthly payment of \$621.22 beginning October 2017.

In September 2018, the Town entered in to a \$40,018 installment purchase to finance the purchase of a new Ford SUV at a rate of 3.25%. The financing contract requires a monthly payment of \$724.35 beginning October 2018.

In September 2018, the Town entered in to a \$40,018 installment purchase to finance the purchase of a new Ford SUV at a rate of 3.25%. The financing contract requires a monthly payment of \$724.35 beginning October 2018.

In March 2019, the Town entered in to a \$200,000 installment construction loan to finance the resurfacing of Town streets at a rate of 3.98%. The financing contract requires a monthly payment of \$2,028.81 beginning April 2019.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$75,057 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 110,130	\$ 18,716
2021	104,928	16,245
2022	103,045	12,611
2023	98,205	9,458
2024	21,876	6,955
Thereafter	228,663	11,072
Total	\$ 666,847	\$ 75,057

b. Capital Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on March 20, 2018 to lease a copier for 63 months and requires 60 monthly payments of \$101.39. The second agreement was executed on March 20, 2018 to lease a copier for 63 months and requires 60 monthly payments of \$106.58.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

b. Capital Leases

Year Ending June 30	Payments
2020	\$ 2,496
2021	2,496
2022	2,496
2023	2,496
Total minimum lease payments	9,984
Less: amount representing interest	(1,460)
Present value of the minimum lease payments	\$ 8,524

c. Changes in Long-Term Liabilities

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

Governmental Activities:

	Beginning	Increases	Decreases	Ending	Current Portion
Installment purchase	\$ 556,874	\$ 280,036	\$ (170,063)	\$ 666,847	\$ 110,130
Capital Lease	11,020	-	(2,496)	8,524	2,496
Compensated absences	39,093	41,343	(45,868)	34,568	11,250
Net pension obligation (LGERS)	161,328	51,708	-	213,036	-
Total pension obligation (LEO)	112,153	18,083	-	130,236	-
Total	\$ 880,468	\$ 391,170	\$ (218,427)	\$ 1,053,211	\$ 123,876

6. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019, consist of the following:

From the General Fund to the Capital Projects Fund	\$ 100,450
Total	\$ 100,450

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

During the 2019 fiscal year, the Town made a one-time transfer of \$100,450 from the General Fund to the Capital Projects Fund for Pedestrian Plan Project Fund construction and maintenance.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C - Fund Balance

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

Total Fund Balance - General Fund	\$ 1,752,887
Less:	
Streets - Powell Bill	84,034
Stabilization by State Statute	227,442
Remaining Fund Balance	\$ 1,441,411

NOTE 4 - SUMMARY DISCLOSURES OF SIGNIFICANT CONTINGENCIES

Federal 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.

NOTE 5 - SUBSEQUENT EVENTS

There are no subsequent events that would have a material effect on the financial statements. Subsequent events were evaluated through October 15, 2019 which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

Town of Youngsville, North Carolina
Town of Youngsville's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Youngsville's proportion of the net pension liability (asset) (%)	0.00898%	0.01056%	0.01061%	0.01069%	-0.01090%	0.00910%
Youngsville's proportion of the net pension liability (asset) (\$)	\$ 213,036	\$ 161,328	\$ 225,180	\$ 273,481	\$ (64,283)	\$ 109,690
Youngsville's covered-employee payroll	\$ 662,028	\$ 657,845	\$ 634,827	\$ 606,449	\$ 593,314	\$ 516,370
Youngsville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.18%	24.52%	35.47%	45.10%	-10.83%	21.24%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

Town of Youngsville, North Carolina
Town of Youngsville's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 54,606	\$ 52,723	\$ 49,924	\$ 44,356	\$ 44,232	\$ 42,795
Contributions in relation to the contractually required contribution	<u>54,606</u>	<u>52,723</u>	<u>49,924</u>	<u>44,356</u>	<u>44,232</u>	<u>42,795</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Coats' covered-employee payroll	\$ 662,028	\$ 657,845	\$ 645,518	\$ 634,827	\$ 606,449	\$ 593,314
Contributions as a percentage of covered-employee payroll	8.25%	8.01%	7.73%	6.99%	7.29%	7.21%

Town of Youngsville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 112,153	\$ 92,599	\$ 82,396
Service Cost	11,596	9,224	9,516
Interest on the total pension liability	3,544	3,574	2,942
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	8,443	(3,047)	-
Changes of assumptions or other inputs	(5,500)	9,803	(2,255)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 130,236</u>	<u>\$ 112,153</u>	<u>\$ 92,599</u>

Town of Youngsville, North Carolina
Schedule of Changes in Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 130,236	\$ 112,153	\$ 92,599
Covered payroll	490,848	442,600	440,995
Total pension liability as a percentage of covered payroll	26.53%	25.34%	21.00%

Notes to the schedules:

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

Individual Fund Statements and Schedules

Town of Youngsville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year ad valorem taxes	\$ 1,406,285	\$ 1,411,703	\$ 5,418
Prior years	14,118	15,853	1,735
Penalties and interest	-	7,554	7,554
Total	<u>1,420,403</u>	<u>1,435,110</u>	<u>14,707</u>
Other taxes and licenses:			
Solid waste disposal tax	980	1,040	60
Local option sales tax	413,680	466,595	52,915
Total	<u>414,660</u>	<u>467,635</u>	<u>52,975</u>
Unrestricted intergovernmental:			
Gas and sales tax refund	4,585	4,585	-
Utility sales tax	105,000	117,870	12,870
Beer and wine tax	6,200	6,298	98
ABC store revenue	40,000	100,885	60,885
Total	<u>155,785</u>	<u>229,638</u>	<u>73,853</u>
Restricted intergovernmental:			
Powell Bill allocation	39,220	39,224	4
Grants	72,773	84,497	11,724
Total	<u>111,993</u>	<u>123,721</u>	<u>11,728</u>
Permits and fees:			
Zoning fees	28,250	30,779	1,729
Court fees	3,600	3,933	3,933
Animal tags	250	492	492
Total	<u>32,100</u>	<u>35,204</u>	<u>3,104</u>
Sales and services:			
Recreation department fees	47,933	47,891	(42)
Field rental	9,895	10,095	200
Rental income	10,600	11,729	1,129
Concessions	536	536	-
Miscellaneous	479	260	(219)
Garbage fees	120,000	125,853	5,853
Total	<u>189,443</u>	<u>196,364</u>	<u>6,921</u>
Investment earnings	<u>6,725</u>	<u>13,364</u>	<u>6,639</u>
Miscellaneous revenues			
Miscellaneous revenues	900	4,031	3,131
Total	<u>900</u>	<u>4,031</u>	<u>3,131</u>
Total revenues	<u>\$ 2,332,009</u>	<u>\$ 2,505,067</u>	<u>\$ 173,058</u>

Town of Youngsville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and benefits	\$ 16,000	\$ 14,583	\$ 1,417
Professional services	27,535	26,645	890
Total	<u>43,535</u>	<u>41,228</u>	<u>2,307</u>
Administration:			
Salaries and benefits	146,843	141,671	5,172
Operating expenditures	392,242	357,803	34,439
Capital outlay	-	-	-
Total	<u>539,085</u>	<u>499,474</u>	<u>39,611</u>
Total general government	<u>582,620</u>	<u>540,702</u>	<u>41,918</u>
Public safety:			
Police:			
Salaries and benefits	792,126	695,934	96,192
Operating expenditures	160,532	157,653	2,879
Capital outlay	111,229	80,037	31,192
Total	<u>1,063,887</u>	<u>933,624</u>	<u>130,263</u>
Transportation:			
Streets and highways:			
Salaries and benefits	103,383	86,155	17,228
Street repairs and construction	22,245	10,114	12,131
Operating expenditures	51,450	49,146	2,304
Capital outlay	222,000	173,015	48,985
Total	<u>399,078</u>	<u>318,430</u>	<u>80,648</u>
Cultural and recreational			
Salaries and benefits	55,600	53,287	2,313
Park operations	51,607	51,529	78
Total	<u>\$ 107,207</u>	<u>\$ 104,816</u>	<u>\$ 2,391</u>

Town of Youngsville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental protection:			
Sanitation operating expenditures	\$ 97,179	\$ 96,198	\$ 981
Total	<u>97,179</u>	<u>96,198</u>	<u>981</u>
Economic and physical development			
Operating expenditures	155,418	134,958	20,460
Capital outlay	8,356	8,356	-
Total	<u>163,774</u>	<u>143,314</u>	<u>20,460</u>
Debt Service:			
Principal	180,613	172,559	8,054
Interest	18,000	15,808	2,192
Total	<u>198,613</u>	<u>188,367</u>	<u>10,246</u>
Total expenditures	<u>2,612,358</u>	<u>2,325,451</u>	<u>286,907</u>
Revenues over (under) expenditures	<u>(280,349)</u>	<u>179,616</u>	<u>459,965</u>
Other financing sources (uses):			
Transfers to Special Revenue Fund	(105,500)	(100,450)	5,050
Proceeds from installment purchase	280,036	280,036	-
Total	<u>174,536</u>	<u>179,586</u>	<u>5,050</u>
Fund balance appropriated	<u>105,813</u>	-	<u>105,813</u>
Net change in fund balances	<u>\$ -</u>	359,202	<u>\$ 359,202</u>
Fund balance, beginning		<u>1,393,685</u>	
Fund balance, ending		<u>\$ 1,752,887</u>	

Town of Youngsville, North Carolina
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
From Inception and For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Year Actual</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Federal and state grants	\$ 506,000	\$ -	\$ 101,037	\$ 101,037	\$ (404,963)
Investment earnings	-	76	-	76	76
Total revenues	<u>506,000</u>	<u>76</u>	<u>101,037</u>	<u>101,037</u>	<u>(404,963)</u>
Expenditures:					
Capital outlay:					
Project oversight / engineering fees	63,250	97,485	33,809	131,294	68,044
Consttuction expenditures	569,250	-	-	-	(569,250)
Total expenditures	<u>632,500</u>	<u>97,485</u>	<u>33,809</u>	<u>131,294</u>	<u>(501,206)</u>
Revenues under expenditures	(126,500)	(97,409)	67,228	(30,257)	96,243
Other financing sources (uses):					
Transfers from General Fund	126,500	44,000	100,450	144,450	17,950
Transfers to General Fund	-	-	-	-	-
Total other sources (uses)	<u>126,500</u>	<u>44,000</u>	<u>100,450</u>	<u>144,450</u>	<u>17,950</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (53,409)</u>	167,678	<u>\$ 114,269</u>	<u>\$ 114,269</u>
Fund balance, beginning			(53,409)		
Fund balance, ending			<u>\$ 114,269</u>		

Other Schedules

This section contains additional information on property taxes, transfers, and cash and investments

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

Town of Youngsville, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2019</u>
2018-2019	\$ -	\$ 1,447,038	\$ 1,407,493	\$ 39,545
2017-2018	23,512	-	278	23,234
2016-2017	19,739	-	(3,326)	23,065
2015-2016	3,317	-	826	2,491
2014-2015	2,490	-	1,200	1,290
2013-2014	1,166	-	270	896
2012-2013	1,266	-	232	1,034
2011-2012	1,230	-	435	795
2010-2011	1,074	-	15	1,059
2009-2010	1,145	-	1,145	-
2008-2009	240	-	240	-
	<u>\$ 55,179</u>	<u>\$ 1,447,038</u>	<u>\$ 1,408,808</u>	<u>93,409</u>

Less: allowance for uncollectible accounts - General Fund

-

Ad valorem taxes receivable - net

\$ 93,409

Reconciliation to revenues:

Ad valorem taxes - General Fund

\$ 1,435,110

Reconciling items:

Discounts, releases, refunds

(7,534)

Interest collected

(18,768)

Total collections and credits

\$ 1,408,808

Town of Youngsville, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2019

	Town-Wide Levy		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 216,760,606	0.66	\$ 1,430,620	\$ 1,348,845	\$ 81,775
Total	<u>216,760,606</u>		<u>1,430,620</u>	<u>1,348,845</u>	<u>81,775</u>
Discoveries	<u>2,552,424</u>	0.66	<u>16,846</u>	<u>16,846</u>	<u>-</u>
Releases	<u>(64,778)</u>	0.66	<u>(428)</u>	<u>(428)</u>	<u>-</u>
Total property valuation	<u>\$ 219,248,252</u>				
Net levy			1,447,038	1,365,263	81,775
Uncollected taxes at June 30, 2019			<u>(39,545)</u>	<u>(39,545)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,407,493</u>	<u>\$ 1,325,718</u>	<u>\$ 81,775</u>
Current levy collection percentage			<u>97.27%</u>	<u>97.10%</u>	<u>100.00%</u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Honorable Mayor and
Members of the Board of Commissioners
Youngsville, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Youngsville, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Youngsville's basic financial statements and have issued our report thereon dated October 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Youngsville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Youngsville'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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

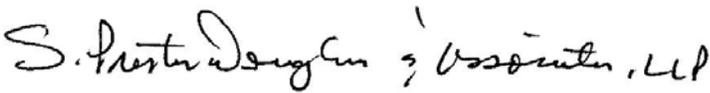
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (items 2018-001, 2018-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Youngsville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other 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 2018-001.

Purpose of this Report

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



S. Preston DeLong & Associates, LLP

Lumberton, North Carolina
October 15, 2019

**Town of Youngsville, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified.			
Internal control over financial reporting:				
• Material weakness(es) identified?	<u> X </u>	yes	<u> </u>	no
• Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u>	yes	<u> X </u>	none reported
• Noncompliance material to financial statements	<u> </u>	yes	<u> X </u>	no

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding 2019-001 Preaudit Process

Criteria: The Town was not in compliance with N.C. G.S. 159-28(a) in connection with the required preaudit process over purchases.

Condition: The appropriate level of management did not perform the preaudit process on all purchases.

Effect: The Town was in violation of the statute which could result in over spending the current year budget. Also, purchase orders could be considered a void contract.

Cause: Personnel responsible for purchasing and issuing checks were not adequately informed of the requirement.

Repeat Finding: This was not a repeat finding.

Recommendation: The Town should implement internal control procedures to ensure that all purchases go through the preaudit process.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 55.

Town of Youngsville, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2019

Section II. Financial Statement Findings (continued)

MATERIAL WEAKNESS

Finding 2019-002 Segregation of Duties

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

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

Effect: The Town's internal control process cannot ensure that errors will be detected by employees in the normal course of performing their assigned functions.

Cause: The Town has a limited number of personnel to handle all financial transactions.

Repeat Finding: This was not a repeat finding.

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

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 55.



Town of Youngville

Post Office Box 190, Youngville, North Carolina 27596

Phone: 919.925.3401 | Fax: 919.925.3402

Finding 2019-001

Preaudit Process

Name of contact person: Jaclyn Patterson, Finance Officer

Corrective Action: The Town Manager will implement internal control procedures to ensure that all purchases go through the preaudit process

Proposed Completion Date: The Town will implement the above procedures immediately.

Finding 2019-002

Segregation of Duties

Name of contact person: Jaclyn Patterson, Finance Officer

Corrective Action For the last 3 years we have separated duties as much as possible. We now have an employee doing the coding and handling the purchase orders, an employee that is accounts payable and payroll and one that balances the accounts and bank statements. We are also cross training so we can still function if one employee is out. By improving our processes, more than one employee knows what is going on and errors can be detected by the employees in the normal course of performing their assigned functions. The Town will continue to monitor its internal controls in an effort to alleviate inherent limitations placed on small towns.

Proposed Completion Date: The Town will implement the above procedures immediately.

**Town of Youngsville, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019**

No prior year findings.