

TOWN OF PEACHLAND, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2019

JBW

J. B. WATSON & Co., P.L.L.C.

Certified Public Accountants

TOWN OF PEACHLAND, NORTH CAROLINA
LOCAL GOVERNMENT OFFICIALS
June 30, 2019

Richard B. Allen, Mayor

Town Council

Garrett McLendon, Mayor Pro Tem

Jeff Davis

Betty Hasty

Gail D. Horne, Finance Officer

James Hamilton

Administrative Staff

Lynn H. Griffin, Town Clerk

Eugene Jones, Water ORC

Chris Mullis, Sewer ORC

Roy Dawkins, Maintenance

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FINANCIAL SECTION

J. B. WATSON & CO., P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Peachland, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, the business-type activities, and each major fund of Town of Peachland, North Carolina, as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages i through x) and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions (on pages 30 and 31) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

J. B. Watson + Co., P.L.L.C.

Wadesboro, North Carolina
November 21, 2019

Management's Discussion and Analysis Town of Peachland, North Carolina

As management of the Town of Peachland, North Carolina, we offer readers of the Town of Peachland's financial statements this narrative overview and analysis of the financial activities of the Town of Peachland for the fiscal year ended 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 resources of the Town of Peachland exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,982,661 (*net position*).
- The government's total net position decreased by \$36,409, due to decreases of \$31,726 in the business-type activities net position and \$4,683 in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Peachland's governmental funds reported combined ending fund balances of \$543,868, an increase of \$7,725 in comparison with the prior year. Approximately 17 percent of this total amount, or \$90,445, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$296,851, or 134.07 percent, of total General Fund expenditures for the fiscal year.
- Town of Peachland has no long-term debt in governmental activities other than accrued vacation pay in the amount of \$5,387 and net pension liability in the amount of \$17,793.
- Town of Peachland's total debt in business-type activities decreased by \$5,557.

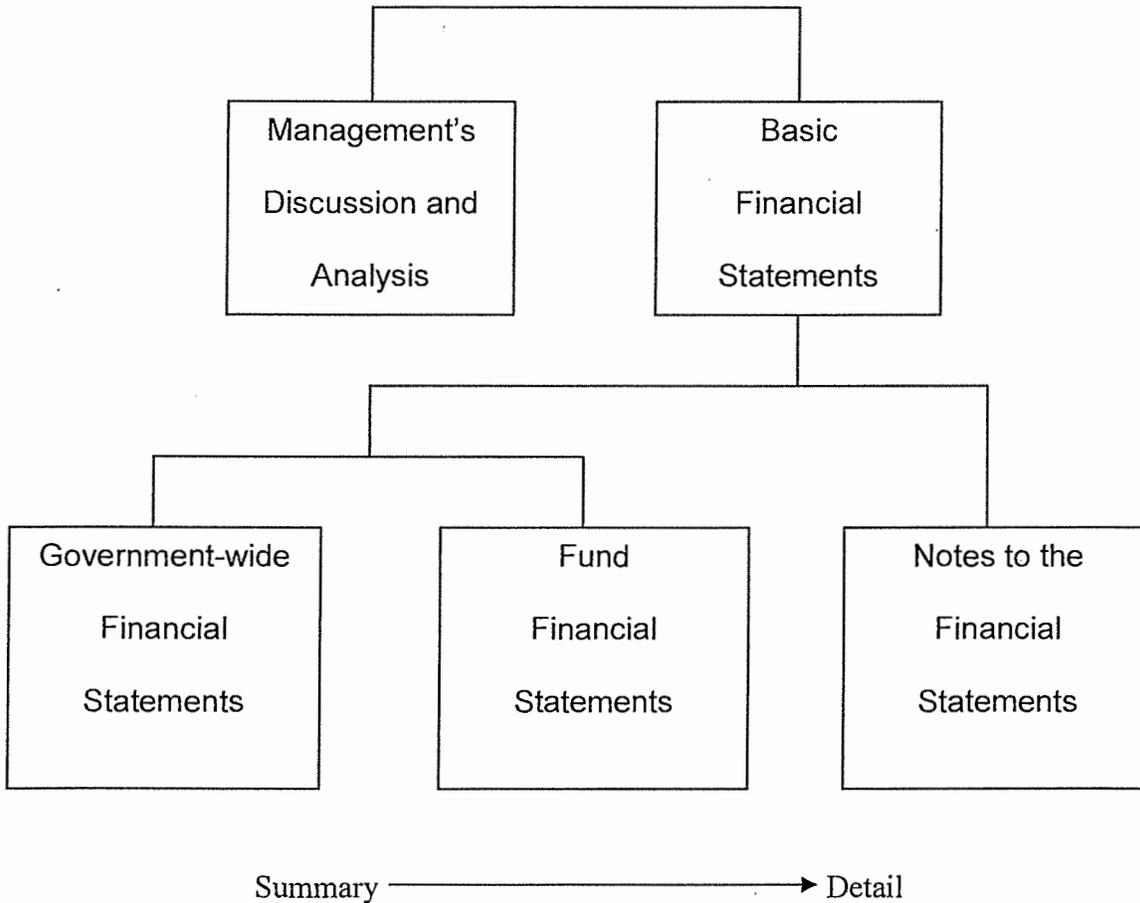
Overview of the Financial Statements

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

**Management's Discussion and Analysis
Town of Peachland, North Carolina**

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

Management's Discussion and Analysis

Town of Peachland, North Carolina

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is **Required Supplementary Information**. This section contains funding information about the Town's pension plans. Also after the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which

Management's Discussion and Analysis Town of Peachland, North Carolina

provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental 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 Peachland adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 12-29 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Town of Peachland's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 30 of this report.

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

**Management's Discussion and Analysis
Town of Peachland, North Carolina**

Government-Wide Financial Analysis

The Town of Peachland's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 499,908	\$ 496,024	\$ 229,686	\$ 175,218	\$ 729,594	\$ 671,242
Restricted assets	65,147	66,253	19,810	19,530	84,957	85,783
Capital assets	260,299	271,568	3,024,587	3,115,683	3,284,886	3,387,251
Deferred outflows of resources	16,219	11,836	-	-	16,219	11,836
Total assets and deferred outflows of resources	841,573	845,681	3,274,083	3,310,431	4,115,656	4,156,112
Current and other liabilities	2,418	7,129	29,442	28,507	31,860	35,636
Long-term liabilities	23,180	17,552	77,805	83,362	100,985	100,914
Deferred inflows of resources	150	492	-	-	150	492
Total liabilities and deferred inflows of resources	25,748	25,173	107,247	111,869	132,995	137,042
Net position:						
Net investment in capital assets	260,299	271,568	2,941,225	3,026,764	3,201,524	3,298,332
Restricted	90,445	90,401	-	-	90,445	90,401
Unrestricted	465,081	458,539	225,611	171,798	690,692	630,337
Total net position	\$ 815,825	\$ 820,508	\$ 3,166,836	\$ 3,198,562	\$ 3,982,661	\$ 4,019,070

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 resources of the Town of Peachland exceeded liabilities and deferred inflows of resources by \$3,982,661 as of June 30, 2019. The Town's net position decreased by \$36,409 for the fiscal year ended June 30, 2019. However, the largest portion (80.39%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Peachland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Peachland's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Town of Peachland's net position (2.27%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$690,692 is unrestricted.

**Management's Discussion and Analysis
Town of Peachland, North Carolina**

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

- Business-type revenues increased by \$2,956 or 1.83 percent.
- Revenues for governmental activities increased \$12,136 or 5.60 percent.
- Expenditures for all funds were held well below budgeted amounts.

The Town of Peachland's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 31,507	\$ 31,529	\$ 164,295	\$ 161,359	\$ 195,802	\$ 192,888
Operating grants and contributions	16,196	16,479	-	-	16,196	16,479
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	58,082	55,269	-	-	58,082	55,269
Other taxes	112,732	109,202	-	-	112,732	109,202
Other	10,394	4,296	283	263	10,677	4,559
Total revenues	228,911	216,775	164,578	161,622	393,489	378,397
Expenses:						
General government	143,664	143,731	-	-	143,664	143,731
Public safety	29,830	18,736	-	-	29,830	18,736
Transportation	21,191	21,398	-	-	21,191	21,398
Environmental protection	29,013	28,406	-	-	29,013	28,406
Culture and recreation	9,896	10,398	-	-	9,896	10,398
Water and sewer	-	-	196,304	183,515	196,304	183,515
Total expenses	233,594	222,669	196,304	183,515	429,898	406,184
Decrease in net position	(4,683)	(5,894)	(31,726)	(21,893)	(36,409)	(27,787)
Net position, July 1	820,508	826,402	3,198,562	3,220,455	4,019,070	4,046,857
Net position, June 30	\$ 815,825	\$ 820,508	\$ 3,166,836	\$ 3,198,562	\$ 3,982,661	\$ 4,019,070

Governmental activities: Governmental activities decreased the Town's net position by \$4,683. Key elements of this decrease are as follows:

- Depreciation on capital assets of \$14,632.
- Increase in total revenue of \$12,136 or 5.60%.

Business-type activities: Business-type activities decreased the Town of Peachland's net position by \$31,726. Key elements of this decrease are as follows:

- Depreciation of capital assets in the amount of \$92,496.
- Expenses increased by \$12,789 or 6.97%
- Revenues for water and sewer charges increased by \$2,936 or 1.82%.

Management's Discussion and Analysis

Town of Peachland, North Carolina

- Depreciation expense (a non-budgeted, non-cash expense) of \$92,496 was largely due to new sewer lines installed in 2005 from grant proceeds.
- The Town was able to control expenditures to a level significantly lower than budgeted amounts.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Peachland. At the end of the current fiscal year, Town of Peachland's fund balance available in the General Fund was \$518,570 while total fund balance reached \$543,868. The Town currently has an available fund balance of 225.33% of general fund expenditures, while total fund balance represents 236.33% of the same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on one occasion. 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.

The Town of Peachland did not make any major budget amendments. An amendment was required near year-end because expenses were slightly more than expected within some line items. The Town was able to allocate unspent funds within other line items to offset most of the difference. The Town was able to comply with its budgetary requirements at all levels.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$225,611. The total decrease in net position was \$31,726. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Management's Discussion and Analysis
Town of Peachland, North Carolina

Capital Asset and Debt Administration

Capital assets: The Town of Peachland's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$3,284,886 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Depreciation of capital assets for governmental activities in the amount of \$14,632.
- Depreciation of capital assets for business-type activities in the amount of \$92,496.

The Town of Peachland's Capital Assets
(net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 80,551	\$ 76,451	\$ 474	\$ 474	\$ 81,025	\$ 76,925
Buildings	168,863	176,964	-	-	168,863	176,964
Improvements	3,941	6,407	-	-	3,941	6,407
Furniture and equipment	4,819	8,121	1,475	2,099	6,294	10,220
Vehicles	2,125	3,625	-	-	2,125	3,625
Infrastructure	-	-	2,968,638	3,059,110	2,968,638	3,059,110
Construction in progress	-	-	54,000	54,000	54,000	54,000
Total	\$ 260,299	\$ 271,568	\$ 3,024,587	\$ 3,115,683	\$ 3,284,886	\$ 3,387,251

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

**Management’s Discussion and Analysis
Town of Peachland, North Carolina**

Long-term Debt:

**The Town of Peachland’s Outstanding Debt
Long-Term Debt**

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Installment purchase (<i>direct borrowing</i>)	\$ -		\$ 83,362	\$ 88,919	\$ 83,362	\$ 88,919
Net pension liability (LGERS)	17,793	12,833	-	-	17,793	12,833
Compensated absences	5,387	4,719	-	-	5,387	4,719
Total	\$ 23,180	\$ 17,552	\$ 83,362	\$ 88,919	\$ 106,542	\$ 106,471

Town of Peachland’s Outstanding Debt

Town of Peachland’s total debt increased by \$71 during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Peachland is \$1,522,509. The Town does not have any un-issued authorized bonds as of June 30, 2019.

Additional information regarding the Town of Peachland’s long-term debt can be found in Note 3 of the Basic Financial Statements beginning on page 26 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.

The Town expects slow revenue growth in the future due to the following economic indicators.

- The Town expects general revenues from taxes to remain steady.
- Garbage revenue rates were slightly increased for the fiscal year ending June 30, 2020, and small increases are expected for future years.
- Water and sewer rates were slightly increased for fiscal year ending June 30, 2020, and small increases are expected for future years.

**Management's Discussion and Analysis
Town of Peachland, North Carolina**

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The Town has budgeted for a revenue increase of \$6,524 compared to the June 30, 2019, budget. The increase is required to stay in line with expected revenues.

The Town has budgeted for an increase in expenditures of \$32,521. The increase is necessary to reflect actual costs expected.

Business-type Activities: The Town has budgeted for an increase in operating revenues of \$14,900 compared to the June 30, 2019, budget to reflect expected revenues.

The Town has budgeted for an increase in operating expenditures of \$2,285 compared to the June 30, 2019, budget to reflect actual expected costs.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Lynn Griffin, PO Box 120, Peachland, North Carolina, 28133.

BASIC FINANCIAL STATEMENTS

TOWN OF PEACHLAND, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 455,841	\$ 207,211	\$ 663,052
Taxes receivable	13,842	-	13,842
Accrued interest receivable on taxes	4,927	-	4,927
Accounts receivable	2,707	19,592	22,299
Due from other governments	22,591	373	22,964
Loans receivable - current	-	360	360
Restricted cash and cash equivalents	65,147	19,810	84,957
Total current assets	<u>565,055</u>	<u>247,346</u>	<u>812,401</u>
NONCURRENT ASSETS			
Loans receivable - noncurrent	-	2,150	2,150
Capital assets:			
Land and construction in progress	80,551	54,474	135,025
Other capital assets, net of depreciation	179,748	2,970,113	3,149,861
Total noncurrent assets	<u>260,299</u>	<u>3,026,737</u>	<u>3,287,036</u>
TOTAL ASSETS	<u>825,354</u>	<u>3,274,083</u>	<u>4,099,437</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>16,219</u>	<u>-</u>	<u>16,219</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	2,418	-	2,418
Due to other governments	-	4,075	4,075
Customer deposits	-	19,810	19,810
Current portion of long-term liabilities	-	5,557	5,557
Total current liabilities	<u>2,418</u>	<u>29,442</u>	<u>31,860</u>
LONG-TERM LIABILITIES			
Net pension liability	17,793	-	17,793
Due in more than one year	5,387	77,805	83,192
Total long-term liabilities	<u>23,180</u>	<u>77,805</u>	<u>100,985</u>
TOTAL LIABILITIES	<u>25,598</u>	<u>107,247</u>	<u>132,845</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>150</u>	<u>-</u>	<u>150</u>
NET POSITION			
Net investment in capital assets	260,299	2,941,225	3,201,524
Restricted for:			
Stabilization by State statute	25,298	-	25,298
Streets	65,147	-	65,147
Unrestricted	465,081	225,611	690,692
TOTAL NET POSITION	<u>\$ 815,825</u>	<u>\$ 3,166,836</u>	<u>\$ 3,982,661</u>

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

TOWN OF PEACHLAND, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Exhibit 2

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities:							
General government	\$ 143,664	\$ 150	\$ -	\$ -	\$ (143,514)	\$ -	\$ (143,514)
Public safety	29,830	-	-	-	(29,830)	-	(29,830)
Transportation	21,191	-	16,196	-	(4,995)	-	(4,995)
Environmental protection	29,013	31,357	-	-	2,344	-	2,344
Culture and recreation	9,896	-	-	-	(9,896)	-	(9,896)
Total governmental activities	<u>233,594</u>	<u>31,507</u>	<u>16,196</u>	<u>-</u>	<u>(185,891)</u>	<u>-</u>	<u>(185,891)</u>
Business-type activities:							
Water and sewer	<u>196,304</u>	<u>164,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,009)</u>	<u>(32,009)</u>
	<u>\$ 429,898</u>	<u>\$ 195,802</u>	<u>\$ 16,196</u>	<u>\$ -</u>	<u>(185,891)</u>	<u>(32,009)</u>	<u>(217,900)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					58,082	-	58,082
Local option sales taxes					91,650	-	91,650
Other taxes and licenses					21,082	-	21,082
Investment earnings, unrestricted					6,411	158	6,569
Miscellaneous, unrestricted					<u>3,983</u>	<u>125</u>	<u>4,108</u>
Total general revenues not including transfers					181,208	283	181,491
Transfers					<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>181,208</u>	<u>283</u>	<u>181,491</u>
Change in net position					(4,683)	(31,726)	(36,409)
Net position, beginning					<u>820,508</u>	<u>3,198,562</u>	<u>4,019,070</u>
Net position, ending					<u>\$ 815,825</u>	<u>\$ 3,166,836</u>	<u>\$ 3,982,661</u>

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

**TOWN OF PEACHLAND, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019**

Exhibit 3-1

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 455,841
Restricted cash and cash equivalents	65,147
Taxes receivable	13,842
Accounts receivable	2,707
Due from other governments	<u>22,591</u>
TOTAL ASSETS	<u><u>\$ 560,128</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>\$ 2,418</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	<u>13,842</u>
FUND BALANCES	
Restricted:	
Stabilization by State statute	25,298
Streets	65,147
Assigned:	
Subsequent year's expenditures	156,572
Unassigned	<u>296,851</u>
TOTAL FUND BALANCES	<u>543,868</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 560,128</u></u>

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

TOWN OF PEACHLAND, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
June 30, 2019

Exhibit 3-2

Fund balances - Total governmental funds (Exhibit 3-1)	\$ 543,868
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets	612,512
Less: Accumulated depreciation	(352,213)
Deferred outflows of resources related to pensions are not reported in the funds	16,219
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds:	
Accrued interest receivable on taxes	4,927
Earned revenues considered deferred inflows of resources in fund statements.	13,842
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Net pension liability	(17,793)
Deferred inflows of resources related to pensions are not reported in the funds	(150)
Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	<u>(5,387)</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 815,825</u>

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

TOWN OF PEACHLAND, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit 4-1

	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 58,318
Unrestricted intergovernmental revenues	112,023
Restricted intergovernmental revenues	16,905
Permits and fees	150
Sales and services	31,357
Investment earnings	6,411
Miscellaneous	<u>3,983</u>
TOTAL REVENUES	<u>229,147</u>
EXPENDITURES	
General government	150,040
Public safety	23,963
Transportation	19,943
Environmental protection	29,013
Culture and recreation	<u>7,174</u>
TOTAL EXPENDITURES	<u>230,133</u>
REVENUES UNDER EXPENDITURES	(986)
OTHER FINANCING SOURCES	
Insurance recovery	<u>8,711</u>
NET CHANGE IN FUND BALANCE	7,725
FUND BALANCE, beginning	<u>536,143</u>
FUND BALANCE, ending	<u>\$ 543,868</u>

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

TOWN OF PEACHLAND, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Exhibit 4-2

Net change in fund balances - total governmental funds (Exhibit 4-1)	\$ 7,725
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:	
Capital outlay expenditures	4,100
Depreciation expense for governmental assets	(14,632)
Cost of disposed capital assets	(737)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	5,483
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Increase in accrued interest on property taxes	416
Change in unavailable revenue for tax revenues	(652)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Pension expense	(5,718)
Increase in compensated absences	<u>(668)</u>
Total change in net position of governmental activities (Exhibit 2)	<u>\$ (4,683)</u>

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

TOWN OF PEACHLAND, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2019

Exhibit 5

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 56,000	\$ 56,000	\$ 58,318	\$ 2,318
Unrestricted intergovernmental revenues	99,000	99,000	112,023	13,023
Restricted intergovernmental revenues	16,750	16,750	16,905	155
Permits and fees	30	30	150	120
Sales and services	30,000	30,000	31,357	1,357
Investment earnings	776	776	6,411	5,635
Miscellaneous	2,365	2,365	3,983	1,618
	<u>204,921</u>	<u>204,921</u>	<u>229,147</u>	<u>24,226</u>
TOTAL REVENUES				
EXPENDITURES				
General government	164,982	163,857	150,040	13,817
Public safety	28,200	29,325	23,963	5,362
Transportation	75,714	75,714	19,943	55,771
Environmental protection	35,000	35,000	29,013	5,987
Culture and recreation	19,300	19,300	7,174	12,126
Contingency	12,300	12,300	-	12,300
	<u>335,496</u>	<u>335,496</u>	<u>230,133</u>	<u>105,363</u>
TOTAL EXPENDITURES				
REVENUES UNDER EXPENDITURES	(130,575)	(130,575)	(986)	129,589
OTHER FINANCING SOURCES				
Insurance recovery	-	-	8,711	8,711
	<u>-</u>	<u>-</u>	<u>8,711</u>	<u>8,711</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	(130,575)	(130,575)	7,725	138,300
APPROPRIATED FUND BALANCE	<u>130,575</u>	<u>130,575</u>	<u>-</u>	<u>(130,575)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (130,575)</u>	<u>\$ (130,575)</u>	7,725	<u>\$ 7,725</u>
FUND BALANCE, beginning			<u>536,143</u>	
FUND BALANCE, ending			<u>\$ 543,868</u>	

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

TOWN OF PEACHLAND, NORTH CAROLINA
 STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
 June 30, 2019

Exhibit 6

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 207,211
Accounts receivable	19,592
Due from other governments	373
Loans receivable - current	360
Restricted cash and cash equivalents	<u>19,810</u>

TOTAL CURRENT ASSETS 247,346

NONCURRENT ASSETS

Loans receivable - noncurrent	<u>2,150</u>
Capital assets:	
Land and construction in progress	54,474
Other capital assets, net of depreciation	<u>2,970,113</u>
Total capital assets	<u>3,024,587</u>

TOTAL NONCURRENT ASSETS 3,026,737

TOTAL ASSETS 3,274,083

LIABILITIES

CURRENT LIABILITIES

Due to other governments	4,075
Installment purchase payable (<i>direct borrowing</i>) - current	5,557
Customer deposits	<u>19,810</u>

TOTAL CURRENT LIABILITIES 29,442

NONCURRENT LIABILITIES

Installment purchase payable (<i>direct borrowing</i>)	<u>77,805</u>
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TOTAL LIABILITIES 107,247

NET POSITION

Net investment in capital assets	2,941,225
Unrestricted	<u>225,611</u>

TOTAL NET POSITION \$ 3,166,836

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

TOWN OF PEACHLAND, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2019

Exhibit 7

OPERATING REVENUES	
Charges for services	\$ <u>164,295</u>
OPERATING EXPENSES	
Water and sewer purchases	61,913
Operating expenses	41,895
Depreciation	<u>92,496</u>
TOTAL OPERATING EXPENSES	<u>196,304</u>
OPERATING LOSS	<u>(32,009)</u>
NONOPERATING REVENUES	
Investment earnings	158
Miscellaneous	<u>125</u>
TOTAL NONOPERATING REVENUES	<u>283</u>
CHANGE IN NET POSITION	(31,726)
NET POSITION, beginning	<u>3,198,562</u>
NET POSITION, ending	<u><u>\$ 3,166,836</u></u>

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

TOWN OF PEACHLAND, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2019

Exhibit 8
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 163,868
Cash paid for goods and services	(89,957)
Cash paid to employees for services	(13,364)
Customer deposits received	2,250
Customer deposits returned	<u>(1,970)</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

60,827

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Other nonoperating revenues	<u>125</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES**

Principal paid on installment purchase obligation	(5,557)
Acquisition of capital assets	<u>(1,400)</u>

**NET CASH USED BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

(6,957)

CASH FLOWS FROM INVESTING ACTIVITIES

Payments received on sewer connection loans	210
Investment earnings	<u>158</u>

**NET CASH PROVIDED BY
INVESTING ACTIVITIES**

368

NET INCREASE IN CASH AND CASH EQUIVALENTS

54,363

CASH AND CASH EQUIVALENTS, beginning

172,658

CASH AND CASH EQUIVALENTS, ending

\$ 227,021

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE BALANCE SHEET**

Cash and cash equivalents in current assets	\$ 207,211
Cash and cash equivalents in restricted assets	<u>19,810</u>

\$ 227,021

TOWN OF PEACHLAND, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2019

Exhibit 8
Page 2 of 2

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Operating loss	\$	(32,009)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization of capital assets		92,496
Increase in:		
Accounts receivable		(427)
Customer deposits		280
Due from other governments		(168)
Due to other governments		<u>655</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES** \$ 60,827

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

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

Town of Peachland is a municipal corporation which is governed by an elected mayor and a five-member council.

B. BASIS OF PRESENTATION

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

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

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

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

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes 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.

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

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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

D. BUDGETARY DATA

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted as needed. The enterprise fund projects are consolidated with the Water and Sewer Fund for reporting purposes, when applicable. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. During the year, several amendments to the original budget were necessary, the

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY

DEPOSITS AND INVESTMENTS

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United 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).

CASH AND CASH EQUIVALENTS

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

RESTRICTED ASSETS

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

AD VALOREM TAXES RECEIVABLE

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

**TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

ALLOWANCES FOR DOUBTFUL ACCOUNTS

Allowances for doubtful accounts are not maintained by the Town due to expected collectability of all accounts receivable.

CAPITAL ASSETS

Capital assets are defined by the government as assets with an estimated useful life in excess of two years. Donated capital assets received prior to June 16, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and have not been capitalized. The costs 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 of the Town are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	40 years
Improvements	10-15 years
Furniture and equipment	5-15 years
Water tank and distribution system	5-50 years
Sewer lines	50 years
Vehicles	5-7 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

LONG-TERM OBLIGATIONS

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

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

COMPENSATED ABSENCES

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary fund financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

NET POSITION/FUND BALANCES

NET POSITION:

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

FUND BALANCES:

In the governmental fund financial statements, fund 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. The Town does not have any nonspendable fund balance.

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. 159-8a 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 legislature in the 1930's 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 year.* 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. RSS is included as a component of restricted fund balance on the Balance Sheet and restricted net position on the Statement of Net Position.

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Peachland'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. The Town does not have any committed fund balance.

Assigned Fund Balance - This classification includes the portion of fund balance that the Town intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other 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 Town has not adopted a formal minimum fund balance policy, but follows the State Treasurer's guidance.

DEFINED BENEFIT COST-SHARING PLANS

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and 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. Town of Peachland's employer contributions are recognized when due and Town of Peachland 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For the fiscal year ended June 30, 2019, the Town had no material instances of noncompliance with North Carolina General Statutes or budgetary requirements.

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. ASSETS

DEPOSITS

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town'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 agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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 \$747,709 and a bank balance of \$749,842. At June 30, 2019, the Town's bank balances exceeded federally insured limits by \$249,842. All deposits of the Town are insured or collateralized under the Pooling Method. At June 30, 2019, the Town's petty cash totaled \$300.

RECEIVABLES

Loans receivable at June 30, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Sewer connection loans	<u>\$ 2.510</u>	<u>\$ 2.720</u>

Virtually all ad valorem taxes and accounts receivable are collected, and accordingly, allowances for doubtful accounts are not considered material or necessary.

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 76,451	\$ 4,100	\$ -	\$ 80,551
Capital assets being depreciated:				
Buildings	306,800	-	1,000	305,800
Improvements	118,926	-	-	118,926
Furniture and equipment	83,781	-	-	83,781
Vehicles	23,454	-	-	23,454
Total capital assets being depreciated	<u>532,961</u>	<u>-</u>	<u>1,000</u>	<u>531,961</u>
Less accumulated depreciation for:				
Buildings	129,836	7,364	263	136,937
Improvements	112,519	2,466	-	114,985
Furniture and equipment	75,660	3,302	-	78,962
Vehicles	19,829	1,500	-	21,329
Total accumulated depreciation	<u>337,844</u>	<u>14,632</u>	<u>263</u>	<u>352,213</u>
Total capital assets being depreciated, net	<u>195,117</u>			<u>179,748</u>
Governmental activities capital assets, net	<u>\$ 271,568</u>			<u>\$ 260,299</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 4,795
Public safety	5,867
Transportation	1,248
Culture and recreation	<u>2,722</u>
	<u>\$ 14,632</u>

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and construction in progress	\$ 54,474	\$ -	\$ -	\$ 54,474
Capital assets being depreciated:				
Water tank and distribution system	442,469	1,400	-	443,869
Sewer lines	4,065,628	-	-	4,065,628
Equipment	3,347	-	-	3,347
Vehicles	9,500	-	-	9,500
Total capital assets being depreciated	<u>4,520,944</u>	<u>1,400</u>	<u>-</u>	<u>4,522,344</u>
Less accumulated depreciation for:				
Water tank and distribution system	284,206	10,560	-	294,766
Sewer lines	1,164,781	81,312	-	1,246,093
Equipment	1,248	624	-	1,872
Vehicles	9,500	-	-	9,500
Total accumulated depreciation	<u>1,459,735</u>	<u>92,496</u>	<u>-</u>	<u>1,552,231</u>
Total capital assets being depreciated, net	<u>3,061,209</u>			<u>2,970,113</u>
Business-type activities capital assets, net	<u>\$3,115,683</u>			<u>\$3,024,587</u>

Depreciation expense for the year ended June 30, 2019, for the Water and Sewer Fund was \$92,496.

B. LIABILITIES

PENSION PLAN OBLIGATIONS

Local Governmental Employees' Retirement System

Plan Description: Town of Peachland 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)

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Peachland employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Peachland's contractually required contribution rate for the year ended June 30, 2019, was 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 Town of Peachland were \$5,483 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.

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 \$17,793 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, 2019, the Town's proportion was 0.00075%, which was a decrease of 0.00009% from its proportion measured as of June 30, 2018.

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

For the year ended June 30, 2019, the Town recognized pension expense of \$5,718. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,745	\$ 92
Changes of assumptions	4,721	-
Net difference between projected and actual earnings on pension plan investments	2,443	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	827	58
Town contributions subsequent to the measurement date	<u>5,483</u>	<u>-</u>
Total	<u>\$ 16,219</u>	<u>\$ 150</u>

\$5,483 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ 4,923
2021	3,327
2022	765
2023	1,571
2024	-
Thereafter	-

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 actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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.

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study as of 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	<u>100.0%</u>	

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.

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) 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 <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Town's proportionate share of the net pension liability(asset)	\$ 42,739	\$ 17,793	\$ (3,053)

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.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

Contributions to pension plan in current fiscal year	\$ 5,483
Difference between expected and actual experience	2,745
Changes of assumptions	4,721
Net difference between projected and actual earnings on pension plan investments	2,443
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>827</u>
	<u>\$ 16,219</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 (General Fund)	\$ -	\$ 13,842
Difference between expected and actual experience	92	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>58</u>	<u>-</u>
	<u>\$ 150</u>	<u>\$ 13,842</u>

COMMITMENT

On August 11, 2011, the Town entered a contract with Utility Service Co. to perform repairs and maintenance on the water tank. The cost is \$18,432 for the first six years and \$9,316 annually for the seventh, eighth, and ninth years. There can be an inflation adjustment after the ninth year and this contract may be cancelled on an annual basis.

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 two insurance pools administered by the North Carolina Interlocal Risk Management Agency. Through these pools, the Town obtains general liability and auto liability coverage of \$5 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property liability in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial insurance 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 insurance coverage in any of the past three fiscal years.

The Town did not participate in the National Flood Insurance Plan (NFIP) for the year ended June 30, 2019. There are no structures in a designated Flood Hazard Area within the incorporated limits of the Town. In order to avoid any possible loss, the Town adopted an ordinance effective August 4, 2008, that will allow the Town to participate in the National Flood Insurance Plan (NFIP) in the future.

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, and the remaining employees that have access to funds are bonded under a blanket bond that provides \$50,000 separate coverage for each covered individual.

CLAIMS AND JUDGMENTS

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

LONG TERM OBLIGATIONS

Direct borrowing installment purchase payable

Direct borrowing installment purchase payable consisted of the following at June 30, 2019:

On April 2, 2014, the Town entered into a direct borrowing installment purchase contract with the State of North Carolina to finance the purchase and installation of water meters. The financing contract requires 20 annual payments of \$5,557, beginning May 1, 2015. The interest rate is 0%. The contract is being serviced by the Water and Sewer Fund. In the event of default, the State of North Carolina may withhold any monies due to the Town and apply to the principal on this note.

\$ 83,362

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

The future minimum payments of the installment purchase as of June 30, 2019, including \$-0- of interest, are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2020	\$ 5,557	\$ -
2021	5,557	-
2022	5,557	-
2023	5,557	-
2024	5,557	-
2025-2029	27,788	-
2030-2034	27,789	-
	<u>\$ 83,362</u>	<u>\$ -</u>

At June 30, 2019, Town of Peachland had a legal debt margin of \$1,522,509.

Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long term liabilities for the year ended June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
Governmental activities:					
Compensated absences	\$ 4,719	\$ 668	\$ -	\$ 5,387	\$ -
Net pension liability (LGERS)	<u>12,833</u>	<u>4,960</u>	<u>-</u>	<u>17,793</u>	<u>-</u>
	<u>\$ 17,552</u>	<u>\$ 5,628</u>	<u>\$ -</u>	<u>\$ 23,180</u>	<u>\$ -</u>
Business-type activities:					
<i>Direct borrowing:</i>					
Installment purchase	<u>\$ 88,919</u>	<u>\$ -</u>	<u>\$ 5,557</u>	<u>\$ 83,362</u>	<u>\$ 5,557</u>

Compensated absences typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming employees are taking leave time as it is earned.

C. INTERFUND BALANCES AND ACTIVITY

Transfers are used to move unrestricted revenues to finance various programs the Town must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for grant programs. There were no transfers to/from other funds during the year ended June 30, 2019.

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

D. 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	\$ 543,868
Less:	
Stabilization by State statute	25,298
Streets - Powell Bill	65,147
Appropriated fund balance in 2019-2020 budget	<u>156,572</u>
Unassigned fund balance	<u>\$ 296,851</u>

NOTE 4 - JOINT VENTURES

Rocky River Rural Planning Organization

The Town participates in a joint venture, Rocky River Rural Planning Organization (RPO), with 3 counties and 13 other municipalities to work cooperatively with each other and the North Carolina Department of Transportation to enhance transportation planning opportunities for rural areas in the region. Rocky River RPO is the only RPO in the State not housed in a Council of Governments. The RPO's fiscal agent is County of Stanly. None of the participating governments have any equity interest in the RPO, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the agreement between the participating governments and the RPO, the Town paid \$112 to the RPO during the fiscal year ended June 30, 2019, for membership dues. Complete financial statements for the RPO can be obtained from the RPO's office at 1000 North First Street, Albemarle, North Carolina 28001.

North Carolina Rural Water Association

The Town also participates in a joint venture, North Carolina Rural Water Association (NCRWA), with other municipal and county water systems and related businesses in North Carolina to help attain the highest standards in drinking water and wastewater service. NCRWA is governed by a volunteer board of directors from the association's membership. None of the participating governments or businesses have any equity interest in NCRWA, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the agreement between the Town and NCRWA, the Town paid \$265 to NCRWA during the year ended June 30, 2019, for membership dues based upon the Town's water connections. Complete financial statements for NCRWA can be obtained from NCRWA's office at PO Box 540, Welcome, NC 27374.

TOWN OF PEACHLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 - SUMMARY DISCLOSURE 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 monies 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 monies.

REQUIRED SUPPLEMENTARY INFORMATION

This section contains information required by generally accepted accounting principles:

- Schedule of the Proportionate Share of the Net Pension Liability (Asset) - Local Governmental Employee's Retirement System
- Schedule of Contributions - Local Governmental Employees' Retirement System

TOWN OF PEACHLAND, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET
 PENSION LIABILITY (ASSET)
 LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
 Last Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.00075%	0.00084%	0.00094%	0.00103%	0.00113%	0.00090%
Town's proportionate share of the net pension liability (asset) (\$)	\$ 17,793	\$ 12,833	\$ 19,950	\$ 4,623	\$ (6,664)	\$ 10,848
Town's covered payroll	\$ 70,120	\$ 67,817	\$ 70,196	\$ 67,257	\$ 66,805	\$ 50,672
Town's proportion of the net pension liability (asset) as a percentage of its covered payroll	25.38%	18.92%	28.42%	6.87%	(9.98%)	21.41%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF PEACHLAND, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
 Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,483	\$ 5,259	\$ 4,917	\$ 4,682	\$ 4,755	\$ 4,723
Contributions in relation to the contractually required contribution	<u>5,483</u>	<u>5,259</u>	<u>4,917</u>	<u>4,682</u>	<u>4,755</u>	<u>4,723</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Town's covered payroll	\$ 70,750	\$ 70,120	\$ 67,817	\$ 70,196	\$ 67,257	\$ 66,805
Contributions as a percentage of covered payroll	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

General Fund:

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

TOWN OF PEACHLAND, NORTH CAROLINA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended June 30, 2019

Exhibit A-1
 Page 1 of 2

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes	\$ 55,000	\$ 57,399	\$ 2,399
Penalties and interest	1,000	919	(81)
Total	<u>56,000</u>	<u>58,318</u>	<u>2,318</u>
Unrestricted intergovernmental:			
Local option sales taxes	80,000	91,650	11,650
Telecommunications sales tax	-	6,039	6,039
Utilities sales tax	19,000	13,748	(5,252)
Video franchise fee	-	586	586
Total	<u>99,000</u>	<u>112,023</u>	<u>13,023</u>
Restricted intergovernmental:			
Solid waste disposal tax	250	287	37
Motor fuel tax refund-Powell Bill	500	422	(78)
Powell Bill allocation	16,000	16,196	196
Total	<u>16,750</u>	<u>16,905</u>	<u>155</u>
Permits and fees:			
Zoning fees and permits	<u>30</u>	<u>150</u>	<u>120</u>
Sales and services	<u>30,000</u>	<u>31,357</u>	<u>1,357</u>
Investment earnings	<u>776</u>	<u>6,411</u>	<u>5,635</u>
Miscellaneous	<u>2,365</u>	<u>3,983</u>	<u>1,618</u>
TOTAL REVENUES	<u>204,921</u>	<u>229,147</u>	<u>24,226</u>
EXPENDITURES			
General government:			
Governing body:			
Elected officials fees	<u>3,950</u>	<u>3,950</u>	<u>-</u>
Administration:			
Salaries and employee benefits	-	82,631	-
Capital outlay	-	4,100	-
Other operating expenditures	-	59,359	-
Total	<u>159,907</u>	<u>146,090</u>	<u>13,817</u>
Total general government	<u>163,857</u>	<u>150,040</u>	<u>13,817</u>

TOWN OF PEACHLAND, NORTH CAROLINA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended June 30, 2019

Exhibit A-1
 Page 2 of 2

	Final Budget	Actual	Variance Positive (Negative)
Public safety:			
Contribution to volunteer fire department	-	10,000	-
Other operating expenditures	-	13,963	-
Total public safety	<u>29,325</u>	<u>23,963</u>	<u>5,362</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	6,682	-
Other operating expenditures	-	13,261	-
Total transportation	<u>75,714</u>	<u>19,943</u>	<u>55,771</u>
Environmental protection:			
Sanitation contracted services	<u>35,000</u>	<u>29,013</u>	<u>5,987</u>
Culture and recreation:			
Operating expenditures	<u>19,300</u>	<u>7,174</u>	<u>12,126</u>
Contingency	<u>12,300</u>	<u>-</u>	<u>12,300</u>
TOTAL EXPENDITURES	<u>335,496</u>	<u>230,133</u>	<u>105,363</u>
REVENUES UNDER EXPENDITURES	(130,575)	(986)	129,589
OTHER FINANCING SOURCES			
Insurance recovery	<u>-</u>	<u>8,711</u>	<u>8,711</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	(130,575)	7,725	138,300
APPROPRIATED FUND BALANCE	<u>130,575</u>	<u>-</u>	<u>(130,575)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (130,575)</u>	<u>7,725</u>	<u>\$ 7,725</u>
FUND BALANCE, beginning		<u>536,143</u>	
FUND BALANCE, ending		<u>\$ 543,868</u>	

Enterprise Funds:

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

TOWN OF PEACHLAND, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET
AND ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2019

Exhibit B-1
Page 1 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
OPERATING REVENUES			
Charges for services:			
Water and sewer sales	\$ 130,000	\$ 158,830	\$ 28,830
Water taps, reconnections, and installations	<u>3,700</u>	<u>5,465</u>	<u>1,765</u>
Total operating revenues	<u>133,700</u>	<u>164,295</u>	<u>30,595</u>
NONOPERATING REVENUES			
Investment earnings	100	158	58
Miscellaneous income	<u>50</u>	<u>125</u>	<u>75</u>
Total nonoperating revenues	<u>150</u>	<u>283</u>	<u>133</u>
TOTAL REVENUES	<u>133,850</u>	<u>164,578</u>	<u>30,728</u>
EXPENDITURES			
Salaries and employee benefits	-	13,364	-
Water and sewer purchases	-	61,913	-
Repairs and maintenance	-	13,330	-
Water inspection charges	-	2,040	-
Supplies	-	3,995	-
Utilities	-	4,492	-
Miscellaneous	-	4,674	-
Total	<u>146,514</u>	<u>103,808</u>	<u>42,706</u>
Debt service:			
Principal retirement	<u>5,558</u>	<u>5,557</u>	<u>1</u>
Capital outlay	<u>4,250</u>	<u>1,400</u>	<u>2,850</u>
Contingency	<u>7,500</u>	<u>-</u>	<u>7,500</u>
TOTAL EXPENDITURES	<u>163,822</u>	<u>110,765</u>	<u>53,057</u>

TOWN OF PEACHLAND, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET
AND ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2019

Exhibit B-1
Page 2 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES OVER (UNDER) EXPENDITURES	(29,972)	53,813	83,785
APPROPRIATED FUND BALANCE	<u>29,972</u>	<u>-</u>	<u>(29,972)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 53,813</u>	<u>\$ 53,813</u>

**RECONCILIATION FROM BUDGETARY
BASIS (MODIFIED ACCRUAL) TO FULL
ACCRUAL:**

NET CHANGE IN FUND BALANCE \$ 53,813

RECONCILING ITEMS:

Principal retirement 5,557
Capital outlay 1,400
Depreciation (92,496)

CHANGE IN NET POSITION (EXHIBIT 7) \$ (31,726)

OTHER SCHEDULES

TOWN OF PEACHLAND, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019

Exhibit C-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 57,094	\$ 54,609	\$ 2,485
2017-2018	3,261	-	1,528	1,733
2016-2017	2,426	-	403	2,023
2015-2016	1,895	-	362	1,533
2014-2015	1,934	-	215	1,719
2013-2014	1,233	-	78	1,155
2012-2013	1,265	-	133	1,132
2011-2012	896	-	42	854
2010-2011	805	-	29	776
2009-2010	432	-	-	432
2008-2009	347	-	347	-
	<u>\$ 14,494</u>	<u>\$ 57,094</u>	<u>\$ 57,746</u>	<u>\$ 13,842</u>

Reconcilement with revenues:

Ad Valorem Taxes - General Fund	\$ 58,318
Reconciling items:	
Interest collected	(919)
Taxes written off	<u>347</u>
Total collections and credits	<u>\$ 57,746</u>

TOWN OF PEACHLAND, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
For the Year Ended June 30, 2019

Exhibit C-2

	Town-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 19,031,364	\$ 0.30	\$ 57,094	\$ 48,851	\$ 8,243
Penalties and adjustments	-		-	-	-
Total	19,031,364		57,094	48,851	8,243
Discoveries:					
Current year taxes	-	0.30	-	-	-
Releases	-		-	-	-
Total property valuation	<u>\$ 19,031,364</u>				
Net levy			57,094	48,851	8,243
Unpaid (by taxpayer) taxes at June 30, 2019			(2,485)	(2,485)	-
Current year's taxes collected			<u>\$ 54,609</u>	<u>\$ 46,366</u>	<u>\$ 8,243</u>
Current levy collection percentage			<u>95.65%</u>	<u>94.91%</u>	<u>100.00%</u>

TOWN OF PEACHLAND, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Grant Funds Expended		
			Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
State Awards:					
Cash Assistance:					
<u>N.C. Dept. of Transportation</u>					
Powell Bill			\$ -	\$ 19,943	\$ -

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Peachland under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. Because the SEFSA presents only a select portion of the operations of Town of Peachland, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of Town of Peachland.

Note 2: Summary of Significant Accounting Policies

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