

Town of Pine Level

Financial Statements

For the Fiscal Year Ended June 30, 2019

Town Board Members

Jeff Holt, Mayor

Karen Anderson, Commissioner of Parks and Recreation

Greg Baker, Commissioner of Streets

Jimmy Garner, Commissioner of Police

Phil Pittman, Commissioner of Water and Sewer

Administrative and Financial Staff

Sharon Thompson, Town Clerk

Town of Pine Level, North Carolina
Table of Contents
June 30, 2019

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditor's Report	1
	Management's Discussion and Analysis	4
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	15
2	Statement of Activities	16
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	17
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
5	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	21
6	Statement of Fund Net Position - Proprietary Fund	22
7	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	23
8	Statement of Cash Flows - Proprietary Funds	24
8	Reconciliation of the Statement of Cash Flows – Proprietary Funds	25
	Notes to the Financial Statements	26

Required Supplemental Financial Data:

Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System	53
Schedule of Contributions to Local Government Employees' Retirement System	54
Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance	55
Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance	56

Individual Fund Statements and Schedules:

Schedule of Revenues, Expenditures, and Changes in Fund Balances Balances - Budget and Actual - General Fund	57
Combining Balance Sheet Nonmajor Governmental Funds	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	62
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Water and Sewer Fund	63

Other Schedules:

Schedule of Ad Valorem Taxes Receivable	66
Analysis of Current Tax Levy	67
Water and Sewer Fund's Schedule of Net Position by Function	68
Water and Sewer Fund's Schedule of Revenues, Expenses, and Changes in Fund Net Position by Function	69
Water and Sewer Fund's Schedule of Cash Flows by Function	70

Compliance Section:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	72
Schedule of Findings and Responses	74
Corrective Action Plan	76
Prior Year Audit Findings	77

Financial Section

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pine Level, North Carolina, as of and for the year ended June 30, 2019, which collectively comprise the Town of Pine Level' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

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

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pine Level, North Carolina as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity 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 4 through 13, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 53 and 54, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 55 and 56 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 my opinion, the individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 20, 2020 on my consideration of Town of Pine Level' internal control over financial reporting and on my test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of this report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Pine Level' internal control over financial reporting and compliance.

Andrew Harris, CPA PLLC

*Farmville, North Carolina
February 20, 2020*

Management's Discussion and Analysis

**Town of Pine Level, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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

Financial Highlights

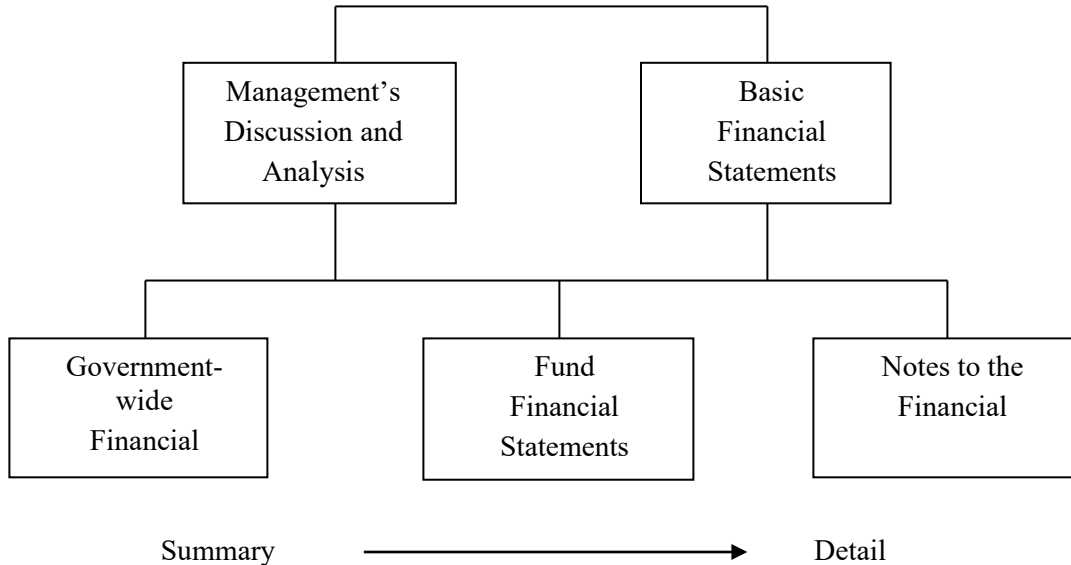
- The assets and deferred outflows of resources of the Town of Pine Level exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,900,939 (net position).
- The government's total net position increased a total of \$146,619, primarily due to decreases in the governmental and business-type activities net position.
- At the close of the current fiscal year, the Town of Pine Level's governmental funds reported combined ending fund balances of \$969,664, a decrease of \$28,839 in comparison with the prior year. Approximately 20.23 percent of this total amount, or \$196,148, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$719,481, or 59.51 percent of total general fund expenditures for the fiscal year.
- The Town of Pine Level's total debt increased by \$306 (0.02%) during the current fiscal year. The key factor in the increase is increase in net pension liability and total pension liability.

Overview of the Financial Statements

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

**Town of Pine Level, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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



Basic Financial Statements

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

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

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The

**Town of Pine Level, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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 inflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gage the Town's financial condition.

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

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

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Pine Level, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Pine Level 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 of Pine Level's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Pine Level 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

**Town of Pine Level, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds. Town of Pine Level has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Pine Level uses enterprise funds to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 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. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

**Town of Pine Level, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

**Government-wide Financial Analysis
Town of Pine Level's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 999,490	\$ 1,028,931	\$ 722,313	\$ 729,449	\$ 1,721,803	\$ 1,758,380
Capital assets	969,018	1,029,413	2,139,489	2,237,891	3,108,507	3,267,304
Deferred outflows of resources	106,181	70,606	47,636	29,897	153,817	100,503
Total Assets and Deferred Outflows of Resources	<u>\$2,074,689</u>	<u>\$2,128,950</u>	<u>\$2,909,438</u>	<u>\$2,997,237</u>	<u>\$4,984,127</u>	<u>\$5,126,187</u>
Long-term liabilities outstanding	\$ 906,124	\$ 874,927	\$ 955,534	\$ 960,659	\$ 1,861,658	\$ 1,835,586
Other liabilities	74,828	77,166	140,226	159,803	215,054	236,969
Deferred inflows of resources	6,103	4,689	483	1,384	6,586	6,073
Total Liabilities and Deferred Inflows of Resources	<u>\$ 987,055</u>	<u>\$ 956,782</u>	<u>\$1,096,243</u>	<u>\$1,121,846</u>	<u>\$2,083,298</u>	<u>\$2,072,555</u>
Net position:						
Net investments in capital assets	\$ 296,654	\$ 339,419	\$1,212,328	\$1,261,263	\$1,508,982	\$1,600,682
Restricted	219,085	338,326	37,818	34,042	256,903	372,368
Unrestricted	571,895	494,423	563,159	580,086	1,135,054	1,074,509
Total Net Position	<u>\$1,087,634</u>	<u>\$1,172,168</u>	<u>\$1,813,305</u>	<u>\$1,875,391</u>	<u>\$2,900,939</u>	<u>\$3,047,559</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Pine Level exceeded liabilities and deferred inflows by \$2,900,939 as of June 30, 2019. The Town's net position decreased by \$146,729 for the fiscal year ended June 30, 2019. However, the largest portion (52.02%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Pine Level uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pine Level's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Pine Level's net position, \$256,903 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,135,054 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.86%, which is comparable to the statewide average.

**Town of Pine Level, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

**Town of Pine Level'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	\$ 278,957	\$ 251,885	\$ 875,674	\$ 820,322	\$ 1,154,631	\$ 1,072,207
Operating grants and contributions	52,226	68,361	-	-	52,226	68,361
General Revenues:						
Property taxes	519,495	509,680	-	-	519,495	509,680
Grants and contributions not restricted to specific programs	318,394	299,189	-	-	318,394	299,189
Other	11,915	26,451	431	396	12,346	26,847
Total Revenues	\$ 1,180,987	\$ 1,155,566	\$ 876,105	\$ 820,718	\$ 2,057,092	\$ 1,976,284
Expenses:						
General government	\$ 349,903	\$ 333,964	\$ -	\$ -	\$ 349,903	\$ 333,964
Public safety	308,154	311,116	-	-	308,154	311,116
Highways/streets	372,774	173,273	-	-	372,774	173,273
Sanitation	80,129	73,103	-	-	80,129	73,103
Cultural and recreation	129,373	137,841	-	-	129,373	137,841
Interest on long-term debt	25,187	25,553	-	-	25,187	25,553
Water and sewer	-	-	938,191	796,489	938,191	796,489
Total Expenses	\$ 1,265,520	\$ 1,054,850	\$ 938,191	\$ 796,489	\$ 2,203,711	\$ 1,851,339
Increase (Decrease) in Net Position	\$ (84,533)	\$ 100,716	\$ (62,086)	\$ 24,229	\$ (146,619)	\$ 124,945
Net position, July 1, restated	1,172,167	1,071,451	1,875,391	1,851,162	3,047,558	2,922,613
Net Position, June 30	\$ 1,087,634	\$ 1,172,167	\$ 1,813,305	\$ 1,875,391	\$ 2,900,939	\$ 3,047,558

Governmental activities. Governmental activities decreased the Town of Pine Level's net position by \$84,533, thereby accounting for 57.66% of the total increase in the net position of the Town. Key elements of this increase are governmental standard operations and expenses.

Business-type activities. Business-type activities decreased the Town of Pine Level's net position by \$62,086, accounting for 42.34% of the total decrease in the government's net position. Key elements of this increase are water and sewer operations and expenses.

Financial Analysis of the Town's Funds

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

**Town of Pine Level, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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

The general fund is the chief operating fund of the Town of Pine Level. At the end of the current fiscal year, the Town of Pine Level's fund balance available in the General Fund was \$719,481, while total fund balance reached \$969,664. The Town currently has an available fund balance of 59.51 percent of General Fund expenditures, while total fund balance represents 80.20% percent of the same amount.

At June 30, 2019, the governmental funds of Town of Pine Level reported a combined fund balance of \$969,664, a 2.89 percent decrease over last year.

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

Proprietary Funds. The Town of Pine Level's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$563,159. The total decrease in net position for the fund was \$62,086. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Pine Level's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$3,108,508 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions:

- Purchase of various types of equipment such as computers and ice machine.

**Town of Pine Level, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

**Town of Pine Level's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 67,200	\$ 67,200	\$ 39,115	\$ 39,115	\$ 106,315	\$ 106,315
Buildings and systems	725,159	748,416	-	-	725,159	748,416
Plant and distribution systems	-	-	2,096,741	2,195,460	2,096,741	2,195,460
Equipment and vehicles	52,699	71,255	3,634	3,316	56,333	74,571
Recreation park and equipment	43,435	51,951	-	-	43,435	51,951
Infrastructure	80,525	90,591	-	-	80,525	90,591
Total	\$ 969,018	\$ 1,029,413	\$ 2,139,490	\$ 2,237,891	\$ 3,108,508	\$ 3,267,304

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

Long-term Debt. As of June 30, 2019, the Town of Pine Level had total bonded debt outstanding of \$882,000. This represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment purchase note	\$ 672,364	\$ 689,994	\$ 45,161	\$ 78,628	\$ 717,525	\$ 768,622
Revenue bonds	-	-	882,000	898,000	882,000	898,000
Pension related debt (LGERS)	110,582	70,540	53,584	33,498	164,166	104,038
Pension related debt (LEO)	141,173	132,388	-	-	141,173	132,388
Compensated absences	29,397	30,397	17,256	17,766	46,653	48,163
Total	\$ 953,516	\$ 923,319	\$ 998,001	\$ 1,027,892	\$ 1,951,517	\$ 1,951,211

Town of Pine Level's Outstanding Debt

**Town of Pine Level, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

The Town of Pine Level's total debt increased by \$306 (0.02%) during the past fiscal year, primarily due to increases in net pension liability and total pension liability.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Pine Level is \$8,869,704. The Town has no bonds authorized but unissued at June 30, 2019.

Additional information regarding the Town of Pine Level's long-term debt can be found in Notes to the Financial Statements.

Budget Highlights for the Fiscal Year Ending June 30, 2020

General Fund. The tax base for the Town of Pine Level for the 2018-2019 fiscal year was estimated at \$109,000,000. The tax rate is \$.46 per hundred. That resulted in tax revenues of \$500,000, or 40% of the general fund budget total of \$1,242,050. Motor vehicle taxes accounted for another \$62,000, or 5% of the general fund budget. Tax related revenues therefore accounted for \$562,000, or 45% of the general fund budget.

Intergovernmental revenues/refunds accounted for \$329,000, or 26% of the general fund budget. That included \$52,000 in Powell Bill funds, \$10,000 in ABC revenues, \$204,000 in NC Sales and Use Tax and \$63,000 in franchise taxes and related items. Recreation fees accounted for another \$36,200 of the general fund budget. That total consisted primarily of sports registration fees. Garbage fees added yet another \$249,300, or 11% of the general fund budget total.

Expenditures by function for the General Fund are as follows: General Government \$440,599, Public Safety \$382,399, Transportation \$290,803, and Cultural and Recreation \$128,249.

Water Fund. Revenues in the water fund totaled \$360,600. That represented 16% of the town's entire budget. \$307,000 came from water charges, which amounted to 85% of the water fund budget. Another \$8,000 came from water line connection fees, and \$10,000 from disconnection fees. Late penalties accounted for \$23,000, with impact fees coming in at \$10,000 and service fees at \$2,000.

Salaries in the water fund added up to \$132,298. Salary related items added another \$43,970. Professional services amounted to \$12,000, and utilities took another \$12,000. Maintenance and repair on equipment took \$6,367, and software support took another \$1,300. An annual maintenance contract on the water tank took \$14,275 and \$8,500 was set aside for vehicle expense. Chemicals for water treatment added up to \$5,500, water testing came in at \$6,000.

\$17,000 was set aside to purchase water from Johnston County, and \$13,000 for insurance purposes. Water line maintenance and repair took another \$15,000. Principal and interest on the Davis Mill waterline added up to \$10,238. Payment on the water tank, for principal, interest and the reserve account, added up to \$51,352.

Sewer Fund. Sewer fund revenues totaled \$586,525, for 2019-2020. 97% of that amount, or \$570,000,

**Town of Pine Level, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

came from sewer user fees. Impact fees added \$8,000 and service fees added another \$2,000. Salaries made up \$53,711 in the sewer fund, or 9% of the sewer budget, and salary related items totaled \$31,691. Professional services took another \$22,000, office supplies, \$1,500, and Utilities added up to \$16,000. Maintenance and repair of equipment added \$15,200; and software annual support took another \$1,300 of the sewer budget. Postage came in at \$2,600, and \$8,500 went toward vehicle expense.

Sewer chemicals took another \$9,000 and \$13,000 was included for insurance needs. Treatment charges increased to \$385,000, or 66% of the sewer budget. Maintenance and repair of the sewer lines accounted for \$12,000.

Altogether, the town's proposed budget came in at a total of \$2,189,175.

Business-type Activities. Extensions of water and sewer service are continuing.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk during regular working hours Monday through Friday, telephone (919) 965-2284, Post Office Box 328, Pine Level, NC 27568, e-mail: depclerk@pinelevel.org.

Basic Financial Statements

Town of Pine Level, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 771,917	\$ 464,780	\$ 1,236,697
Investments	26,140	-	26,140
Taxes receivables (net)	2,390	-	2,390
Accounts receivable (net)	105,253	105,097	210,350
Inventories	-	3,641	3,641
Prepaid items	6,098	6,280	12,378
Restricted cash and cash equivalents	87,692	142,515	230,207
Total Current Assets	\$ 999,490	\$ 722,313	\$ 1,721,803
Non-current Assets:			
Capital assets (Note 4):			
Land, non-depreciable improvements, and construction in progress	\$ 67,200	\$ 39,115	\$ 106,315
Other capital assets, net of depreciation	901,818	2,100,374	3,002,192
Total Capital Assets	\$ 969,018	\$ 2,139,489	\$ 3,108,507
Total Assets	\$ 1,968,508	\$ 2,861,802	\$ 4,830,310
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	\$ 28,457	\$ 13,789	\$ 42,246
Pension deferrals	77,724	33,129	110,853
Total Deferred Outflows of Resources	\$ 106,181	\$ 46,918	\$ 153,099
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 27,436	\$ 29,802	\$ 57,238
Accrued interest payable	-	2,661	2,661
Customer deposits	-	64,475	64,475
Current portion of long-term debt	47,392	43,288	90,680
Total Current Liabilities	\$ 74,828	\$ 140,226	\$ 215,054
Long-term Liabilities:			
Net pension liability	\$ 110,582	\$ 53,584	\$ 164,166
Total pension liability	141,173	-	141,173
Installment purchase agreements - noncurrent (net)	654,369	36,129	690,498
Revenue bond payable - noncurrent	-	865,000	865,000
Total Noncurrent Liabilities	\$ 906,124	\$ 954,713	\$ 1,860,837
Total Liabilities	\$ 980,952	\$ 1,094,939	\$ 2,075,891
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	\$ 6,103	\$ 476	\$ 6,579
NET POSITION			
Net investment in capital assets	\$ 296,654	\$ 1,212,328	\$ 1,508,982
Restricted for:			
Debt service	27,342	37,818	65,160
Streets	57,455	-	57,455
Stabilization by State Statute	105,253	-	105,253
Culture and Recreation	29,035	-	29,035
Unrestricted	571,895	563,159	1,135,054
Total Net Position	\$ 1,087,634	\$ 1,813,305	\$ 2,900,939

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

**Town of Pine Level, North Carolina
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 349,903	\$ 1,600	\$ -	\$ -	\$ (348,303)	\$ -	\$ (348,303)
Public safety	308,154	2,240	-	-	(305,914)	-	(305,914)
Transportation	372,774	-	52,226	-	(320,548)	-	(320,548)
Environmental protection	80,129	234,528	-	-	154,399	-	154,399
Cultural and recreation	129,373	40,589	-	-	(88,784)	-	(88,784)
Interest on long-term debt	25,187	-	-	-	(25,187)	-	(25,187)
Total Governmental Activities (See Note 1)	<u>\$ 1,265,520</u>	<u>\$ 278,957</u>	<u>\$ 52,226</u>	<u>\$ -</u>	<u>\$ (934,337)</u>	<u>\$ -</u>	<u>\$ (934,337)</u>
Business-type Activities:							
Water and sewer	\$ 938,191	\$ 875,674	\$ -	\$ -	\$ -	\$ (62,517)	\$ (62,517)
Total Business-type Activities	<u>\$ 938,191</u>	<u>\$ 875,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (62,517)</u>	<u>\$ (62,517)</u>
Total Primary Government	<u>\$ 2,203,711</u>	<u>\$ 1,154,631</u>	<u>\$ 52,226</u>	<u>\$ -</u>	<u>\$ (934,337)</u>	<u>\$ (62,517)</u>	<u>\$ (996,854)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					\$ 519,495	\$ -	\$ 519,495
Grants and contributions not restricted to specific programs					318,394	-	318,394
Unrestricted investment earnings					(989)	431	(558)
Miscellaneous					12,904	-	12,904
Total General Revenues					<u>\$ 849,804</u>	<u>\$ 431</u>	<u>\$ 850,235</u>
Change in Net Position					(84,533)	(62,086)	(146,619)
Net Position, beginning as restated					1,172,167	1,875,391	3,047,558
Net Position, ending					<u>\$ 1,087,634</u>	<u>\$ 1,813,305</u>	<u>\$ 2,900,939</u>

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

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

	<u>Major Fund</u>		<u>Total</u>		<u>Total</u>
	<u>General Fund</u>		<u>Non-Major</u>		<u>Governmental</u>
			<u>Funds</u>		<u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 771,917	\$	-	\$	771,917
Investments	-		26,140		26,140
Restricted cash	84,797		2,895		87,692
Receivables, net:					
Taxes	2,390		-		2,390
Accounts	105,253		-		105,253
Prepaid expenses	6,098		-		6,098
Total Assets	<u>\$ 970,455</u>	<u>\$</u>	<u>29,035</u>	<u>\$</u>	<u>999,490</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 27,436	\$	-	\$	27,436
Total Liabilities	<u>\$ 27,436</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>27,436</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	\$ 2,390	\$	-	\$	2,390
Total Deferred Inflows of Resources	<u>\$ 2,390</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>2,390</u>
FUND BALANCES					
Non-spendable:					
Prepaid expenses	6,098		-		6,098
Restricted:					
Stabilization by State Statute	105,253		-		105,253
Streets	57,455		-		57,455
Debt services	27,342		-		27,342
Economic development	-		29,035		29,035
Assigned					
Subsequent year's expenditures	25,000		-		25,000
Unassigned	719,481		-		719,481
Total Fund Balances	<u>\$ 940,629</u>	<u>\$</u>	<u>29,035</u>	<u>\$</u>	<u>969,664</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 970,455</u>	<u>\$</u>	<u>29,035</u>		

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

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

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.	969,018
Net pension liability	(110,582)
Total pension liability	(141,173)
Deferred outflows of resources related to pensions are not reported in the funds	106,181
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	2,390
Pension related deferrals	(6,103)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(701,761)
Net Position of Governmental Activities	<u>\$ 1,087,634</u>

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

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

	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 518,759	\$ -	\$ 518,759
Unrestricted intergovernmental	318,393	-	318,393
Restricted intergovernmental	52,226	-	52,226
Permits and fees	3,840	-	3,840
Sales and services	275,117	-	275,117
Investment earnings	549	(1,538)	(989)
Miscellaneous	12,905	-	12,905
Total Revenues	<u>\$ 1,181,789</u>	<u>\$ (1,538)</u>	<u>\$ 1,180,251</u>
EXPENDITURES			
Current:			
General government	\$ 239,272	\$ -	\$ 239,272
Public safety	377,652	-	377,652
Transportation	363,554	-	363,554
Environmental protection	69,806	-	69,806
Culture and recreation	123,527	-	123,527
Debt Service:			
Principal	10,092	-	10,092
Interest and other charges	25,187	-	25,187
Total Expenditures	<u>\$ 1,209,090</u>	<u>\$ -</u>	<u>\$ 1,209,090</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(27,301)</u>	<u>(1,538)</u>	<u>(28,839)</u>
Net Change in Fund Balance	\$ (27,301)	\$ (1,538)	\$ (28,839)
Fund balances, beginning	967,930	30,573	998,503
Fund Balances, ending	<u>\$ 940,629</u>	<u>\$ 29,035</u>	<u>\$ 969,664</u>

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

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

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

Net changes in fund balances - total governmental funds		\$ (28,839)
---	--	-------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period

Capital outlay expenditures which were capitalized	9,361	
Depreciation expense for governmental assets	<u>(69,756)</u>	\$ (60,395)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	<u>736</u>	736
--	------------	-----

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	<u>17,630</u>	\$ 17,630
--------------------------------------	---------------	-----------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	\$ 1,000	
Pension expense	<u>(14,665)</u>	<u>\$ (13,665)</u>

Total changes in net position of governmental activities		<u><u>\$ (84,533)</u></u>
--	--	---------------------------

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

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 491,700	\$ 518,857	\$ 518,759	\$ (98)
Unrestricted intergovernmental	287,240	315,027	318,393	3,366
Restricted intergovernmental	52,000	52,226	52,226	-
Permits and fees	2,500	3,840	3,840	-
Sales and services	266,700	275,186	275,117	(69)
Investment earnings	300	550	549	(1)
Miscellaneous	14,200	12,406	12,905	499
Total revenues	<u>\$ 1,114,640</u>	<u>\$ 1,178,092</u>	<u>\$ 1,181,789</u>	<u>\$ 3,697</u>
EXPENDITURES				
Current:				
General government	\$ 330,275	\$ 356,684	\$ 239,272	\$ 117,412
Public safety	400,065	400,065	377,652	22,413
Transportation	198,145	367,715	363,554	4,161
Environmental protection	67,213	69,980	69,806	174
Cultural and recreation	124,134	140,040	123,527	16,513
Debt service:				
Principal retirement	10,092	10,092	10,092	-
Interest and other charges	28,716	28,716	25,187	3,529
Contingency	4,000	4,000	-	4,000
Total expenditures	<u>\$ 1,162,640</u>	<u>\$ 1,377,292</u>	<u>\$ 1,209,090</u>	<u>\$ 168,202</u>
Revenues over (under) expenditures	\$ (48,000)	\$ (199,200)	\$ (27,301)	\$ 171,899
OTHER FINANCING SOURCES				
Fund balance appropriated	48,000	199,200	-	(199,200)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(27,301)</u>	<u>\$ (27,301)</u>
Fund balances, beginning			<u>967,930</u>	
Fund balances, ending			<u>\$ 940,629</u>	

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

Town of Pine Level, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	<u>Water and Sewer Fund</u>	<u>Total</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 464,780	\$ 464,780
Accounts receivable (net) - billed	105,097	105,097
Inventories	3,641	3,641
Prepaid items	6,280	6,280
Restricted cash and cash equivalents	142,515	142,515
Total Current Assets	<u>\$ 722,313</u>	<u>\$ 722,313</u>
Noncurrent Assets:		
Capital Assets:		
Land and other nondepreciable assets	\$ 39,115	39,115
Other capital assets, net of depreciation	2,100,374	2,100,374
Capital Assets	<u>\$ 2,139,489</u>	<u>\$ 2,139,489</u>
Total Noncurrent Assets	<u>\$ 2,139,489</u>	<u>\$ 2,139,489</u>
Total Assets	<u><u>\$ 2,861,802</u></u>	<u><u>\$ 2,861,802</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan	\$ 13,789	13,789
Pension deferrals	33,129	33,129
Total Deferred Outflows of Resources	<u>\$ 46,918</u>	<u>46,918</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 32,463	\$ 32,463
Compensated absences - current	17,256	17,256
Revenue bond payable - current	17,000	17,000
Installment purchase contract - current	9,032	9,032
Liabilities payable from restricted assets:		
Customer deposits	64,475	64,475
Total Current Liabilities	<u>\$ 140,226</u>	<u>\$ 140,226</u>
Noncurrent Liabilities:		
Net pension liability	\$ 53,584	\$ 53,584
Revenue bond payable - noncurrent	865,000	865,000
Installment purchase payable - noncurrent	36,129	36,129
Total Noncurrent Liabilities	<u>\$ 954,713</u>	<u>\$ 954,713</u>
Total Liabilities	<u><u>\$ 1,094,939</u></u>	<u><u>\$ 1,094,939</u></u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	\$ 476	\$ 476
NET POSITION		
Net investment in capital assets	\$ 1,212,328	\$ 1,212,328
Restricted for loan payments	37,818	37,818
Unrestricted	563,159	563,159
Total Net Position	<u><u>\$ 1,813,305</u></u>	<u><u>\$ 1,813,305</u></u>
Net Position of Business-type Activities		<u><u>\$ 1,813,305</u></u>

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

Town of Pine Level, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 795,246	\$ 795,246
Water and sewer taps	11,963	11,963
Other operating revenues	68,465	68,465
Total Operating Revenues	\$ 875,674	\$ 875,674
OPERATING EXPENSES		
Administration	\$ 45,382	\$ 45,382
Water distribution	278,329	278,329
Waste collection and treatment	481,882	481,882
Depreciation	100,402	100,402
Total Operating Expenses	\$ 905,995	\$ 905,995
Operating Income (Loss)	\$ (30,321)	\$ (30,321)
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 431	\$ 431
Interest and other charges	(32,196)	(32,196)
Total Nonoperating Revenue (Expenses)	\$ (31,765)	\$ (31,765)
Change in Net Position	(62,086)	(62,086)
Total Net Position, beginning	\$ 1,875,391	1,875,391
Total Net Position, ending	\$ 1,813,305	\$ 1,813,305
Net Position - Business-type Activities		\$ 1,813,305

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

Town of Pine Level, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 804,552	\$ 804,552
Cash paid for goods and services	(563,323)	(563,323)
Cash paid for or on behalf of employees for services	(236,967)	(236,967)
Customer deposits returned	735	735
Other operating revenues	68,465	68,465
	\$ 73,462	\$ 73,462
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (2,000)	\$ (2,000)
Principal paid on bond maturities and equipment contracts	(49,467)	(49,467)
Interest paid on bond maturities and equipment contracts	(31,900)	(31,900)
	\$ (83,367)	\$ (83,367)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	\$ 431	431
Net Increase (Decrease) in Cash and Cash Equivalents	(9,474)	\$ (9,474)
Balances, beginning	616,769	616,769
Balances, ending	\$ 607,295	\$ 607,295
Cash and cash equivalents	\$ 464,780	\$ 464,780
Restricted Cash	142,515	142,515
	\$ 607,295	\$ 607,295

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

Town of Pine Level, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (30,321)	\$ (30,321)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	100,402	100,402
Changes in Assets and Liabilities:		
(Increase) decrease in accounts receivable	(2,657)	(2,657)
(Increase) decrease in prepaid items	23	23
Increase in deferred outflows of resources - pensions	(17,021)	(17,021)
Increase in net pension liability	20,086	20,086
Decrease in deferred inflows of resources - pensions	(908)	(908)
Increase (decrease) in accounts payable and accrued liabilities	3,633	3,633
Increase (decrease) in customer deposits	735	735
Increase (decrease) in compensated absences	(510)	(510)
Total Adjustments	\$ 103,783	\$ 103,783
Net Cash Provided by Operating Activities	\$ 73,462	\$ 73,462

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

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

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Pine Level is a municipal corporation that is governed by an elected mayor and a four-member board. The Town of Pine Level is located in the eastern area of the state and has a population of approximately 1,800. The Town maintains its Police Department and sanitation operations. The Town of Pine Level also operates water and sewer utilities for the incorporated area. The Town also has a volunteer Fire Department located within the corporate limits, which is independently operated by the local citizens. The Town makes an annual contribution to the Fire Department to help defray operating costs.

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. 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.

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

Town of Pine Level, North Carolina
Notes to the Financial Statements
For the Year Ended 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 public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental funds:

F H George Fund. This fund is used to account for the Town's investment income and expenditures for beautification of the Pine Level area.

The Town reports the following major enterprise funds:

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

Amounts reported as program revenues include; 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Town of Pine Level, North Carolina
Notes to the Financial Statements
For the Year Ended 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 beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Pine Level because the tax is levied by Johnston County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Town Hall Fund. The enterprise fund projects are consolidated with the operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC- registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT' s share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended bond proceeds of Water and Sewer Fund serial bonds issued by the Town are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. 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 it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136.41.4. P.H. George funds are restricted for the beautification of the Town of Pine Level.

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

Town of Pine Level Restricted Cash

Governmental Activities:

General Fund

F H George Fund	\$	2,895
Streets		57,455
Debt Services		27,342
Total Governmental Activities	\$	87,692

Business-type Activities:

Water and Sewer Fund

Customer deposits	\$	64,475
Water Tank Reserve		37,818
Total Business-type Activities	\$	102,293
Total Restricted Cash	\$	189,985

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, 2019.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

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

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

7. Capital Assets

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

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$1,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$500; infrastructure, \$2000; furniture and equipment, \$500 and vehicles and motorized equipment, \$1,000; computer software and computer equipment \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings	30
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3
Computer software	5
Other improvements	25

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - prepaid taxes and property taxes receivable.

9. Long-term Obligations

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

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

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

The Town's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since 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.

11. Net Position/Fund Balances

a. Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted and unrestricted. Restricted net position 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.

b. 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:

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

Non-spendable 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.

Inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not spendable resources.

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

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

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

F. H. George Funds are restricted for beautification of the Pine Level area.

Committed Fund Balance - portion of fund balance that can be used for specific purposes imposed by the majority vote by quorum of the Town of Pine Level' governing board. 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. Any changes or removal of specific purposes requires majority action by the governing body.

Assigned Fund Balance – portion of fund balance that the Town of Pine Level 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; however, the budget ordinance authorizes the manager to modify the appropriations by the resource or appropriation within funds up to \$2,500.

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

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

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

The Town of Pine Level has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Defined Benefit Cost-Sharing Plans

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

13. Subsequent Events

The Town evaluated the effect subsequent events would have on the financial statements through February 20, 2020, which is the date the financial statements were available to be issued.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

The Town's investment is not in accordance with State law [G.S. 15-30]. The securities previously owned in the P.T. George Fund were Citigroup Inc preferred shares. G.S. 159-33 establishes a nine-month time frame within the securities must be sold. The investment continues to be held by the Town as of June 30, 2019; therefore, it is a statutory violation.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's Water Fund exceeded the authorized appropriations made by the governing board for water treatment and distribution by \$12,682. This over-expenditure occurred because of management oversight on the accrual of salaries and benefits. Management and the Board will more closely review the budget reports to ensure compliance in future years.

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

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$1,466,904 and a bank balance of \$1,530,810. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2018, the Town's petty cash fund totaled \$690.

2. Investments

F H George Fund has invested with Citigroup 6.3% preferred shares. The securities have a purchased amount of \$26,326 with a current market value of \$26,140. Principal amount is restricted and earnings are disbursed to the local beautification committee as expenditures are presented for reimbursement.

At June 30, 2019, the Town's investment balances were as follows:

This investment was created by a contribution from the F. H. George Beautification Endowment Fund in the amount of \$23,147 by James P. George on June 30, 2014 and is restricted for use for the beautification of the Town of Pine Level.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Citigroup Inc.	\$ 26,140	6/14/2046	N/A
Stifel Bank and Trust	2,895	N/A	N/A

3. Capital Assets

Capital asset activity for the Primary Government 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	\$ 67,200	\$ -	\$ -	\$ 67,200
Total Capital Assets Not Being Depreciated	<u>\$ 67,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,200</u>
Capital Assets Being Depreciated:				
Buildings	\$ 930,296	\$ -	\$ -	\$ 930,296
Equipment and vehicles	892,815	9,361	-	902,176
Recreation park and equipment	328,407	-	-	328,407
Infrastructure	201,316	-	-	201,316
Total Capital Assets Being Depreciated	<u>\$2,352,834</u>	<u>\$ 9,361</u>	<u>\$ -</u>	<u>\$2,362,195</u>
Less accumulated depreciation for:				
Buildings	\$ 181,880	\$ 23,257	\$ -	\$ 205,137
Equipment and vehicles	821,560	27,917	-	849,477
Recreation park and equipment	276,456	8,516	-	284,972
Infrastructure	110,725	10,066	-	120,791
Total accumulated depreciation	<u>\$1,390,621</u>	<u>\$ 69,756</u>	<u>\$ -</u>	<u>\$1,460,377</u>
Total Capital Assets Being Depreciated, Net	<u>962,213</u>			<u>901,818</u>
Governmental Activity Capital Assets, Net	<u>\$1,029,413</u>			<u>\$ 969,018</u>

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

General government	\$ 24,828
Public safety	15,884
Transportation	10,186
Environmental protection	10,029
Cultural and recreational	8,829
Total Depreciation Expense	<u>\$ 69,756</u>

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

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Business-type Activities:				
Water and Sewer Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 39,115	\$ -	\$ -	\$ 39,115
Total Capital Assets Not Being Depreciated	<u>\$ 39,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,115</u>
Capital Assets Being Depreciated:				
Plant and distribution systems	\$4,636,862	\$ -	\$ -	\$4,636,862
Furniture and maintenance equipment	134,057	2,000	-	136,057
Vehicles	46,891	-	-	46,891
Total Capital Assets Being Depreciated	<u>\$4,817,810</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$4,819,810</u>
Less accumulated depreciation for:				
Plant and distribution systems	\$2,441,402	\$ 98,719	\$ -	\$2,540,121
Furniture and maintenance equipment	130,741	1,682	-	132,423
Vehicles	46,891	-	-	46,891
Total Accumulated Depreciation	<u>\$2,619,034</u>	<u>\$ 100,401</u>	<u>\$ -</u>	<u>\$2,719,435</u>
Total Capital Assets Being Depreciated, Net	<u>\$2,198,776</u>			<u>\$2,100,375</u>
Water and Sewer Fund Capital Assets, Net	<u>\$2,237,891</u>			<u>\$2,139,490</u>
Business-type Activities Capital Assets, Net	<u>\$2,237,891</u>			<u>\$2,139,490</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Pine Level is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Pine Level employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Pine Level's contractually required contribution rate for the year ended June 30, 2019, was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Pine Level were \$42,246 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, 2018, the Town reported a liability of \$164,166 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

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

was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00692%, which was an increase of 0.00011% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$48,645. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	25,327	850
Changes of assumptions	43,563	-
Net difference between projected and actual earnings on pension plan investments	22,535	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,072	610
Town contributions subsequent to the measurement date	42,247	-
Total	\$ 143,744	\$ 1,460

\$42,246 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 ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 46,502
2020	31,689
2021	7,103
2022	14,744
2023	-
Thereafter	-
	\$ 100,038

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:

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability	\$ 394,341	\$ 164,166	\$ (28,172)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Pine Level administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

All full-time Town law enforcement officers are covered by the Separation Allowance.

At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	5
Total	5

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

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

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

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

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

4. Contributions.

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

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

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

At June 30, 2019, the Town reported a total pension liability of \$141,173. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$10,423.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,798	\$ -
Changes of assumptions	4,558	5,120
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to the measurement date	-	-
Total	<u>\$ 9,356</u>	<u>\$ 5,120</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 1,030
2020	1,030
2021	1,030
2022	1,219
2023	(73)
Thereafter	-
	<u>\$ 4,236</u>

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

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 150,804	\$ 141,173	\$ 132,260

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

	2019
Beginning balance	\$ 132,388
Service Cost	5,210
Interest on the total pension liability	4,183
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	3,923
Changes of assumptions or other inputs	(4,531)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 141,173

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

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

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

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

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

	LGERs	LEOSSA	Total
Pension Expense	\$ 48,645	\$ 10,423	\$ 59,068
Pension Liability	164,166	141,173	305,339
Proportionate share of the net pension liability	0.00692%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	25,327	4,798	30,125
Changes of assumptions	43,563	4,558	48,121
Net difference between projected and actual earnings on plan investments	22,535	-	22,535
Changes in proportion and differences between contributions and proportionate share of contributions	10,072	-	10,072
Benefit payments and administrative costs paid subsequent to the measurement date	42,246	-	42,246
 Deferred of Inflows of Resources			
Differences between expected and actual experience	850	-	850
Changes of assumptions	-	5,120	5,120
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	650	-	650

c. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment

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

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

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 42,247
Differences between expected and actual experience	30,125
Changes of assumptions	48,121
Net difference between projected and actual earnings on pension plan investments	22,535
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,071
Total	\$ 153,099

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 2,390
Differences between expected and actual experience	850	-
Changes of assumptions	5,120	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	610	-
Total	\$ 6,580	\$ 2,390

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per

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

occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town of Pine Level does not carry flood insurance.

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

4. Long-term Obligations

a. Installment Purchase

Annual debt service payments of the installment purchases as of June 30, 2019 including interest of \$534,071 are as follows:

On February 8, 2010 the Town of Pine Level entered into a direct placement contract with USDA to finance the refurbishment of the Town Hall for \$725,000 with an interest rate of 3.75%. The property is pledged as collateral for the debt while the debt is outstanding.

Installment purchase agreement on November 5, 2015 to purchase a 2016 Chevrolet Impala police car for \$18,968 with 1.90% interest due annually on November 5th, with five annual payments.

Installment purchase agreement on June 10, 2014 to purchase a 2014 Chevrolet Impala police car for \$20,550 with 1.90% interest due annually on July 18th, with five annual payments.

Note payable in the amount of \$117,418 in the water and sewer fund with Johnston County for water main line purchase of \$9,032 due on October 1st each year. Payments are due October 1 (interest only) at 2.66% with principal and interest payments due on April 1st for seventeen years.

The future payments of the installment notes for the year ending June 30, 2019 are as follows:

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

Year Ending June 30	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2020	\$ 18,374	\$ 25,031	9,032	1,201
2021	14,656	24,489	9,032	960
2022	11,270	24,009	9,032	721
2023	11,693	23,586	9,032	601
2024	12,131	23,148	9,033	240
2025-2029	67,830	108,565	-	-
2030-2034	81,538	94,857	-	-
2035-2039	98,017	78,378	-	-
2040-2044	117,826	58,569	-	-
2045-2049	141,639	34,756	-	-
2050-2052	97,025	7,460	-	-
Total	\$ 671,999	\$ 502,848	\$ 45,161	\$ 3,723

b. Revenue Bond

\$998,000 Water and Sewer Revenue Bond issued for the construction of a water tank. Principal installments are due annually for forty years on June 1st, at an annual interest rate of 3.375%.

The future payments of the revenue bond for the year ending June 30, 2019 are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	17,000	29,768
2021	17,000	29,194
2022	18,000	28,620
2023	18,000	28,013
2024	19,000	27,405
2025-2029	105,000	126,934
2030-2034	124,000	108,000
2035-2039	145,000	85,725
2040-2044	172,000	59,535
2045-2049	203,000	28,418
2050	44,000	1,485
Total	\$ 882,000	553,097

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

The Town has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 704 of the Bond Order, authorizing the issuance of Water and Sewer Revenues Bonds, Series 1993, since its adoption in 1993 until last year. Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2019, is as follows:

Operating revenues	\$ 875,674
Operating expenses*	805,702
Operating income (loss)	69,972
Non-operating revenues (expense)**	431
Income available for debt service	\$ 70,403
Debt service, principal and interest paid (Revenue bond only)	\$ 46,308
Debt service coverage ratio	152%

*Per rate covenants, this does not include the depreciation expense of \$100,402.

**Per rate covenants, this does not include the revenue bond interest paid of \$46,308.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$998,000 in water tank improvement bonds issued in January 2010. Proceeds from the bonds provide financing for new water tank. The bonds are payable solely from water and sewer customer net revenues and are payable through 2049. Annual principal and interest payments on the bonds are expected to require less than 14% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,435,097. Principal and interest paid for the current year and total customer net revenues were \$46,308 and \$875,674.

At June 30, 2019, the Town of Pine Level had no bonds authorized but unissued and a legal debt margin of \$8,364,775.

c. Changes in Long-term Liabilities

Compensated absences typically have been liquidated in the general fund.

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

	Beginning			Ending	Current
	Balance	Increases	Decreases	Balance	Portion of
					Balance
Governmental activities:					
Installment purchase	\$ 689,994	\$ -	\$ 17,630	\$ 672,364	\$ 17,995
Net pension liability	70,540	40,042	-	110,582	-
Total pension liability	132,388	8,785	-	141,173	-
Compensated absences	30,397	-	1,000	29,397	29,397
Governmental Activity Long-term Liabilities	\$ 923,319	\$ 48,827	\$ 18,630	\$ 953,516	\$ 47,392
Business-type activities:					
Revenue bonds	\$ 898,000	\$ -	\$ 16,000	\$ 882,000	\$ 17,000
Installment purchase	78,628	-	33,467	45,161	9,032
Net pension liability	33,498	20,907	-	54,405	-
Compensated absences	17,766	-	510	17,256	17,256
Business-type Activity Long-term Liabilities	\$ 1,027,892	\$ 20,907	\$ 49,977	\$ 998,822	\$ 43,288

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

C. Net Investments in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 969,018	\$ 2,139,490
Less: Long-term debt	672,364	927,161
Net investments in capital asset	\$ 296,654	\$ 1,212,329

D. Fund Balance

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

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

Total Fund Balance - General Fund	\$ 940,629
Less:	
Prepays	6,098
Stabilization by State Statute	105,253
Streets - Powell Bill	57,455
Appropriated Fund Balance in 2020 Budget	25,000
Debt Service	27,342
Remaining Fund Balance	\$ 719,481

IV. 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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Required Supplementary Financial Data

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

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

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

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pine Level's proportion of the net pension liability (asset) (%)	0.00692%	0.00681%	0.00748%	0.0008%	0.0008%	0.0008%
Pine Level's proportion of the net pension liability (asset) (\$)	\$ 104,038	\$ 104,038	\$ 158,750	\$ 44,251	\$ (48,064)	\$ 98,841
Pine Level's covered-employee payroll	\$ 527,215	\$ 531,559	\$ 509,981	\$ 587,823	\$ 505,283	\$ 499,936
Pine Level's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.73%	19.57%	31.13%	7.53%	(9.51%)	19.77%
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 ending June 30.

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

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

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 42,246	\$ 41,273	\$ 38,407	\$ 39,941	\$ 34,942	\$ 34,417
Contributions in relation to the contractually required contribution	42,246	41,273	38,407	39,941	34,942	34,417
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pine Level's covered-employee payroll	\$ 527,215	\$ 531,559	\$ 509,981	\$ 587,823	\$ 485,836	\$ 481,547
Contributions as a percentage of covered-employee payroll	8.01%	7.76%	7.53%	6.79%	7.19%	7.14%

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

	2019	2018	2017
Beginning balance	\$ 132,388	\$ 114,409	\$ 108,867
Service Cost	5,210	4,385	4,214
Interest on the total pension liability	4,183	4,416	3,887
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	3,923	2,342	-
Changes of assumptions or other inputs	(4,531)	6,836	(2,559)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 141,173</u>	<u>\$ 132,388</u>	<u>\$ 114,409</u>

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

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

	2019	2018	2017
Beginning balance	\$ 132,388	\$ 114,409	\$ 108,867
Service Cost	5,210	4,385	4,214
Interest on the total pension liability	4,183	4,416	3,887
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	3,923	2,342	-
Changes of assumptions or other inputs	(4,531)	6,836	(2,559)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 141,173</u>	<u>\$ 132,388</u>	<u>\$ 114,409</u>

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

Town of Pine Level, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad Valorem Taxes:			
Taxes	\$ 518,174	\$ 518,076	\$ (98)
Interest	683	683	-
Total	<u>\$ 518,857</u>	<u>\$ 518,759</u>	<u>\$ (98)</u>
Unrestricted Intergovernmental:			
Local option sales taxes	\$ 212,686	\$ 215,238	\$ 2,552
Telecommunications sales tax	7,146	7,146	-
Utilities sales tax	66,878	67,606	728
Piped natural gas sales tax	31	31	-
Video franchise fee	5,672	5,672	-
Beer and wine tax	8,006	8,006	-
Solid waste disposal tax	1,292	1,377	85
ABC profit distribution	13,316	13,317	1
Total	<u>\$ 315,027</u>	<u>\$ 318,393</u>	<u>\$ 3,365</u>
Restricted Intergovernmental:			
Powell Bill allocation	\$ 52,226	\$ 52,226	\$ -
Total	<u>\$ 52,226</u>	<u>\$ 52,226</u>	<u>\$ -</u>
Permits and Fees:			
Zoning permits	\$ 2,240	\$ 2,240	\$ -
Subdivision fees	1,600	1,600	-
Total	<u>\$ 3,840</u>	<u>\$ 3,840</u>	<u>\$ -</u>
Sales and Services:			
Garbage fees	\$ 234,597	\$ 234,528	\$ (69)
Recreation department fees	40,589	40,589	-
Total	<u>\$ 275,186</u>	<u>\$ 275,117</u>	<u>\$ (69)</u>
Investment earnings	<u>550</u>	<u>549</u>	<u>(1)</u>
Miscellaneous:			
Gas tax refund	\$ 4,665	\$ 4,646	\$ (19)
Miscellaneous	7,455	7,972	517
Insurance refunds	286	287	1
Total	<u>\$ 12,406</u>	<u>\$ 12,905</u>	<u>\$ 499</u>
Total Revenues	<u>\$ 1,178,092</u>	<u>\$ 1,181,789</u>	<u>\$ 3,696</u>

Town of Pine Level, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
EXPENDITURES			
General Government:			
Salaries and employee benefits	\$ 66,340	\$ 61,631	\$ 4,709
Salaries - mayor and commissioners	5,040	3,617	1,423
Employee Insurance Pool	66,000	52,093	13,907
Professional services	20,000	18,964	1,036
Advertising	3,000	1,532	1,468
Dues and subscriptions	3,200	1,639	1,561
Other operating expenditures	1,600	-	1,600
Capital reserve	79,239	-	79,239
Total	<u>\$ 244,419</u>	<u>\$ 139,476</u>	<u>\$ 104,943</u>
Administration:			
Telephone	\$ 3,000	\$ 2,897	\$ 103
Office supplies	2,500	1,907	593
Maintenance and repair equipment	3,500	3,256	244
Postage and meter rental	2,500	1,291	1,209
Vehicles expenses	100	20	80
Insurance	26,500	23,988	2,512
Supplies	2,200	1,311	889
Copier lease	2,000	1,775	225
July 4th activities	11,000	10,200	800
Software support	1,300	1,283	17
Miscellaneous	18,800	18,738	62
Capital outlay	4,865	4,776	89
Total	<u>\$ 78,265</u>	<u>\$ 71,442</u>	<u>\$ 6,823</u>
Taxes:			
Collection fees	\$ 10,000	\$ 9,107	\$ 893
Total	<u>\$ 10,000</u>	<u>\$ 9,107</u>	<u>\$ 893</u>
Public Buildings:			
Utilities	\$ 9,000	\$ 7,701	\$ 1,299
Maintenance and repairs	15,000	11,546	3,454
Total	<u>\$ 24,000</u>	<u>\$ 19,247</u>	<u>\$ 4,753</u>
Total General Government	<u>\$ 356,684</u>	<u>\$ 239,272</u>	<u>\$ 117,412</u>

Town of Pine Level, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Public Safety:			
Police:			
Salaries and employee benefits	\$ 254,065	\$ 242,162	\$ 11,903
Maintenance equipment	9,000	7,947	1,053
Vehicle expense	12,000	11,081	919
Training expense	2,000	235	1,765
Police copier lease	2,000	1,759	241
Communication equipment	6,000	5,149	851
Office supplies	1,500	229	1,271
Supplies	7,000	5,401	1,599
Computer maintenance	6,000	4,706	1,294
Other operating expenditures	1,000	821	179
Capital outlay	12,500	11,162	1,338
Total	<u>\$ 313,065</u>	<u>\$ 290,652</u>	<u>\$ 22,413</u>
Fire:			
Other operating expenditures	\$ 87,000	\$ 87,000	\$ -
Total	<u>\$ 87,000</u>	<u>\$ 87,000</u>	<u>\$ -</u>
Total Public Safety	<u>\$ 400,065</u>	<u>\$ 377,652</u>	<u>\$ 22,413</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	\$ 75,645	\$ 74,497	\$ 1,148
Maintenance streets	196,200	196,200	-
Maintenance equipment	38,500	38,243	257
Vehicle expense	11,000	10,916	84
Street lights	34,000	32,671	1,329
Chemicals	1,500	560	940
Supplies	2,600	2,576	24
Uniforms	5,555	5,551	4
Communication equipment	2,200	1,828	372
Office supplies	515	512	3
Total	<u>\$ 367,715</u>	<u>\$ 363,554</u>	<u>\$ 4,161</u>
Environmental Protection:			
Solid Waste:			
Salaries and employee benefits	\$ 21,410	\$ 21,390	\$ 20
Landfill fees	40,500	40,442	58
Other operating expenditures	3,700	3,605	95
Capital outlay	4,370	4,369	1
Total	<u>\$ 69,980</u>	<u>\$ 69,806</u>	<u>\$ 174</u>

Town of Pine Level, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and Recreation:			
Parks and Recreation:			
Salaries and employee benefits	\$ 40,340	\$ 40,336	\$ 4
Communication equipment	1,200	958	242
Maintenance - equipment	4,000	2,117	1,883
Maintenance - buildings and grounds	10,000	8,080	1,920
Utilities	15,500	15,474	26
Portables rental	3,500	2,491	1,009
Supplies	1,800	1,751	49
Sports uniforms	18,000	17,289	711
Sports equipment	15,000	12,044	2,956
Concession supplies	6,000	3,723	2,277
Sports officiating	12,000	8,492	3,508
Sports league dues	1,200	400	800
Recreation program insurance	1,000	905	95
Miscellaneous	2,000	1,731	269
Senior program	500	500	-
Reverse raffle expenses	8,000	7,236	764
Total	<u>\$ 140,040</u>	<u>\$ 123,527</u>	<u>\$ 16,513</u>
Debt Service			
Principal retirement	\$ 10,092	\$ 10,092	\$ -
Interest and other charges	28,716	25,187	3,529
Total	<u>\$ 38,808</u>	<u>\$ 35,279</u>	<u>\$ 3,529</u>
Contingency	4,000	-	4,000
Total Expenditures	<u>\$ 1,377,292</u>	<u>\$ 1,209,090</u>	<u>\$ 145,789</u>
Revenues Over (Under) Expenditures	<u>\$ (199,200)</u>	<u>\$ (27,301)</u>	<u>\$ 171,899</u>
OTHER FINANCING SOURCES (USES)			
Fund balance appropriation	\$ 199,200	\$ -	\$ (199,200)
Total Other Financing Sources (Uses)	<u>\$ 199,200</u>	<u>\$ -</u>	<u>\$ (199,200)</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (27,301)</u>	<u>\$ (27,301)</u>
Fund Balances, beginning		967,930	
Fund Balances, ending		<u>\$ 940,629</u>	

**Town of Pine Level, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019**

	PT George Endowment Fund	Total Nonmajor Funds
ASSETS		
Restricted cash	\$ 2,895	\$ 2,895
Investments	26,140	26,140
Total Assets	\$ 29,035	\$ 29,035
FUND BALANCES		
Beautification	29,035	29,035
Total Fund Balances	29,035	29,035
Total Liabilities and Fund Balances	\$ 29,035	\$ 29,035

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

	PT George Endowment Fund	Total Nonmajor Governmental Funds
REVENUES		
Investment losses	\$ (1,538)	\$ (1,538)
Total Revenues	(1,538)	(1,538)
EXPENDITURES		
Beautification	-	-
Total Expenditures	-	-
Revenues Over (Under) Expenditures	(1,538)	(1,538)
Fund Balances, beginning as restated	30,573	30,573
Fund Balances, ending	\$ 29,035	\$ 29,035

Town of Pine Level, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Water Sales:			
Water sales	\$ 308,238	\$ 307,110	\$ (1,128)
Total	<u>\$ 308,238</u>	<u>\$ 307,110</u>	<u>\$ (1,128)</u>
Sewer Charges:			
Sewer sales	\$ 488,723	\$ 488,136	\$ (587)
Total	<u>\$ 488,723</u>	<u>\$ 488,136</u>	<u>\$ (587)</u>
Water and sewer taps	\$ 11,963	\$ 11,963	\$ -
Other operating revenues	\$ 66,624	\$ 68,464	\$ 1,840
Total Operating Revenues	<u>\$ 875,548</u>	<u>\$ 875,673</u>	<u>\$ 125</u>
Nonoperating Revenues:			
Interest earnings	\$ 430	\$ 431	\$ 1
Total Revenues	<u>\$ 875,978</u>	<u>\$ 876,104</u>	<u>\$ 126</u>
EXPENDITURES			
Water and Sewer Administration:			
Salaries and employee benefits	\$ 17,021	\$ 17,017	\$ 4
Office supplies	2,500	1,618	882
Professional services	21,932	19,247	2,685
Postage and meter rental	5,200	4,688	512
Telephone	-	-	-
Software support	2,600	2,564	36
Total	<u>\$ 49,253</u>	<u>\$ 45,134</u>	<u>\$ 4,119</u>
Water Distribution:			
Water Treatment Plant:			
Salaries and employee benefits	\$ 40,110	\$ 40,108	\$ 2
Vehicle	8,000	6,222	1,778
Chemicals	5,000	4,778	222
Maintenance	21,865	17,782	4,083
Utilities	11,662	11,140	522
Water testing	6,000	4,816	1,184
Insurance	13,000	12,257	743
Contingency	1,400	-	1,400
Other operating expenditures	1,000	754	246
Total	<u>\$ 108,037</u>	<u>\$ 97,857</u>	<u>\$ 10,180</u>

Town of Pine Level, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Water Distribution:			
Salaries and employee benefits	\$ 114,300	\$ 113,659	\$ 641
Permits, dues and subscriptions	3,000	2,815	185
County line water purchases	15,000	12,185	2,815
Maintenance - water lines	14,275	14,275	-
Maintenance - equipment	6,000	3,945	2,055
Maintenance - building and grounds	500	150	350
Other operating expenditures	1,000	29,908	(28,908)
Total	<u>\$ 154,075</u>	<u>\$ 176,937</u>	<u>\$ (22,862)</u>
Total Water Treatment and Distribution	<u>\$ 262,112</u>	<u>\$ 274,794</u>	<u>\$ (12,682)</u>
Waste Collection and Treatment:			
Sewage Collection System:			
Salaries and employee benefits	\$ 61,872	\$ 61,699	\$ 173
Vehicle	6,000	5,883	117
Chemicals	3,000	2,373	627
Supplies	500	324	176
Maintenance	26,060	26,051	9
Insurance	12,500	12,257	243
Utilities	15,000	14,673	327
Other operating expenditures	7,559	2,752	4,807
Contingency	1,000	-	1,000
Total	<u>\$ 133,491</u>	<u>\$ 126,012</u>	<u>\$ 7,479</u>
Primary Waste Treatment:			
Salaries and employee benefits	\$ 21,500	\$ 21,169	\$ 331
Treatment charges	319,000	318,534	466
Maintenance and repair	16,500	15,083	1,417
Total	<u>\$ 357,000</u>	<u>\$ 354,786</u>	<u>\$ 2,214</u>
Total Waste Collection and Treatment	<u>\$ 490,491</u>	<u>\$ 480,798</u>	<u>\$ 9,693</u>
Debt Service			
Interest and other charges	\$ 32,262	\$ 32,253	\$ 9
Principal retirement	49,483	49,365	118
Total	<u>\$ 81,745</u>	<u>\$ 81,618</u>	<u>\$ 127</u>
Capital Outlay:			
Water equipment	\$ 3,500	\$ 3,359	\$ 141
Sewer equipment	2,000	1,860	140
Total	<u>\$ 5,500</u>	<u>\$ 5,219</u>	<u>\$ 281</u>
Total Expenditures	<u>\$ 889,101</u>	<u>\$ 887,563</u>	<u>\$ 1,538</u>
Appropriated fund balance	<u>\$ 13,123</u>	<u>\$ -</u>	<u>\$ (13,123)</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (11,459)</u>	<u>\$ (11,459)</u>

Town of Pine Level, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

Reconciliation from Budgetary Basis (modified accrual) to Full Accrual:	
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ (11,459)
Reconciling Items:	
Principal retirement	49,466
Decrease in bond interest accrued	(45)
Increase in accrued vacation pay	511
Increase in deferred outflows of resources - pensions	17,021
Increase in net pension liability	(20,086)
Decrease in deferred inflows of resources - pensions	908
Capital outlay	2,000
Depreciation	(100,402)
Total Reconciling Items	<u>\$ (50,627)</u>
Change in Net Position	<u><u>\$ (62,086)</u></u>

Other Schedules

This section contains additional information on property taxes and USDA Requested Data.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Water and Sewer Fund's Schedule of Net Position by Function
- Water and Sewer Fund's Schedule of Revenues, Expenses, and Changes in Fund Net Position by Function
- Water and Sewer Fund's Schedule of Cash Flows by Function

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

<u>Fiscal Year</u>	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 520,021	\$ 519,274	\$ 747
2017-2018	-	196	196	-
2016-2017	10	22	22	10
2015-2016	134	21	21	133
2014-2015	-	-	-	-
2013-2014	272	-	5	267
2012-2013	453	-	1	452
2011-2012	274	-	5	269
2010-2011	187	-	-	187
2009-2010	325	-	-	325
	<u>\$ 1,655</u>	<u>520,260</u>	<u>\$ 519,524</u>	<u>\$ 2,390</u>
				Ad Valorem Taxes Receivable - Net
				<u>\$ 2,390</u>
				<u>Reconcilement with revenues:</u>
				Ad valorem taxes - General Fund
				\$ 518,759
				Reconciling Items:
				Releases
				442
				Adjustments
				1,006
				Interest collected
				(683)
				<u>Subtotal</u>
				<u>\$ 323</u>
				Total Collections and Credits
				<u>\$ 519,524</u>

Town of Pine Level, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2019

	Town - Wide		Total Levy		
	Property	Rate	Total	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Valuation		Levy		
Original Levy:					
Property taxed at current year's rate	\$ 112,987,391	0.46	\$ 519,742	\$ 453,737	\$ 66,005
Total	<u>\$ 112,987,391</u>		<u>\$ 519,742</u>	<u>\$ 453,737</u>	<u>\$ 66,005</u>
Discoveries	60,435	0.46	278	278	-
Abatements	96,087	0.46	442	442	-
Total Property Valuation	<u>\$ 112,951,739</u>				
Net Levy			\$ 519,578	\$ 453,573	\$ 66,005
Uncollected taxes at June 30, 2019			<u>747</u>	<u>747</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 518,831</u>	<u>\$ 452,826</u>	<u>\$ 66,005</u>
Current Levy Collection Percentage			<u>99.86%</u>	<u>99.84%</u>	<u>100.00%</u>

Town of Pine Level, North Carolina
Schedule of Net Position
Water and Sewer Fund by Function
June 30, 2019

	Water	Sewer	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 119,369	\$ 345,411	\$ 464,780
Accounts receivable (net) - billed	47,020	58,077	105,097
Inventories	3,137	504	3,641
Prepaid items	3,140	3,140	6,280
Restricted cash and cash equivalents	102,293	40,222	142,515
Total Current Assets	<u>\$ 274,959</u>	<u>\$ 447,354</u>	<u>\$ 722,313</u>
Noncurrent Assets:			
Capital Assets:			
Land and construction in progress	\$ 14,435	\$ 24,680	\$ 39,115
Other capital assets, net of depreciation	1,441,813	658,561	2,100,374
Total Capital Assets	<u>\$ 1,456,248</u>	<u>\$ 683,241</u>	<u>\$ 2,139,489</u>
Total Noncurrent Assets	<u>\$ 1,456,248</u>	<u>\$ 683,241</u>	<u>\$ 2,139,489</u>
Total Assets	<u>\$ 1,731,207</u>	<u>\$ 1,130,595</u>	<u>\$ 2,861,802</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	9,822	3,967	13,789
Pension deferrals	23,598	9,531	33,129
Total Deferred Outflows of Resources	<u>33,420</u>	<u>13,498</u>	<u>46,918</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 9,712	\$ 22,751	\$ 32,463
Compensated absences - current	12,782	4,474	17,256
Revenue bond payable - current	17,000	-	17,000
Installment purchase payable - current	9,032	-	9,032
Liabilities Payable from Restricted Assets:			
Customer deposits	24,253	40,222	64,475
Total Current Liabilities	<u>\$ 72,779</u>	<u>\$ 67,447</u>	<u>\$ 140,226</u>
Noncurrent Liabilities:			
Net pension liability	\$ 38,169	\$ 15,415	\$ 53,584
Revenue bond payable - noncurrent	865,000	-	865,000
Installment purchase payable - noncurrent	36,129	-	36,129
Total Noncurrent Liabilities	<u>\$ 939,298</u>	<u>\$ 15,415</u>	<u>\$ 954,713</u>
Total Liabilities	<u>\$ 1,012,077</u>	<u>\$ 82,862</u>	<u>\$ 1,094,939</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	\$ 339	\$ 137	\$ 476
NET POSITION			
Net investment in capital assets	\$ 529,087	\$ 683,241	\$ 1,212,328
Restricted for loan payments	37,818	-	37,818
Unrestricted	185,306	377,853	563,159
Total Net Position	<u>\$ 752,211</u>	<u>\$ 1,061,094</u>	<u>\$ 1,813,305</u>

Town of Pine Level, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Water and Sewer Fund by Function
For the Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 307,110	\$ 488,136	\$ 795,246
Water and sewer taps	11,963	-	11,963
Other operating revenues	49,045	19,420	68,465
Total Operating Revenues	<u>\$ 368,118</u>	<u>\$ 507,556</u>	<u>\$ 875,674</u>
OPERATING EXPENSES			
Administration	\$ 30,110	\$ 15,272	\$ 45,382
Water treatment and distribution	278,329	-	278,329
Waste collection and treatment	-	481,882	481,882
Depreciation	50,636	49,766	100,402
Total Operating Expenses	<u>\$ 359,075</u>	<u>\$ 546,920</u>	<u>\$ 905,995</u>
Operating Income (Loss)	<u>\$ 9,043</u>	<u>\$ (39,364)</u>	<u>\$ (30,321)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	\$ 150	\$ 281	\$ 431
Interest and other charges	(32,047)	(149)	(32,196)
Total Nonoperating Revenue (Expenses)	<u>\$ (31,897)</u>	<u>\$ 132</u>	<u>\$ (31,765)</u>
Income (loss) before contributions and transfers	(22,854)	(39,232)	(62,086)
Change in Net Position	(22,854)	(39,232)	(62,086)
Total Net Position, beginning	775,065	1,100,326	1,875,391
Total Net Position, ending	<u><u>\$ 752,211</u></u>	<u><u>\$ 1,061,094</u></u>	<u><u>\$ 1,813,305</u></u>

Town of Pine Level, North Carolina
Statement of Cash Flows
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2019

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 317,462	\$ 487,090	\$ 804,552
Cash paid for goods and services	(151,798)	(411,525)	(563,323)
Cash paid for or on behalf of employees for services	(153,767)	(83,200)	(236,967)
Customer deposits received, net	277	458	735
Other operating revenues	49,045	19,420	68,465
Net Cash Provided (Used) by Operating Activities	\$ 61,219	\$ 12,243	\$ 73,462
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (1,000)	\$ (1,000)	\$ (2,000)
Principal paid on bond maturities and equipment contracts	(33,079)	(16,388)	(49,467)
Interest paid on bond maturities and equipment contracts	(31,751)	(149)	(31,900)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (65,830)	\$ (17,537)	\$ (83,367)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	150	281	431
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (4,461)	\$ (5,013)	\$ (9,474)
Balances, beginning	226,123	390,646	616,769
Balances, ending	\$ 221,662	\$ 385,633	\$ 607,295

Town of Pine Level, North Carolina
Statement of Cash Flows
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2019

	Water	Sewer	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 9,043	\$ (39,364)	\$ (30,321)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	50,636	49,766	100,402
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(1,611)	(1,046)	(2,657)
(Increase) decrease in prepaid items	12	11	23
(Increase) decrease in deferred outflows of resources - pensions	(12,264)	(4,757)	(17,021)
Increase (decrease) in net pension liability	14,465	5,621	20,086
Increase (decrease) in deferred inflows of resources - pensions	(640)	(268)	(908)
Increase (decrease) in accounts payable and accrued liabilities	1,436	2,197	3,633
Increase (decrease) in customer deposits	277	458	735
Increase (decrease) in accrued vacation pay	(135)	(375)	(510)
Total Adjustments	\$ 52,176	\$ 51,607	\$ 103,783
Net Cash Provided by Operating Activities	\$ 61,219	\$ 12,243	\$ 73,462

Compliance Section

Andrew Harris, CPA PLLC
3722 N. Main St.
Farmville, NC 27828
Phone (252) 753-2636
E-mail andrew@andrewharriscpa.com

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Honorable Mayor and Town Council
Town of Pine Level, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Town of Pine Level, 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 of Pine Level' basic financial statements and have issued my report thereon dated February 20, 2020.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Pine Level' financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, Finding 2019-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pine Level' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Finding 2019-1.

Town of Pine Level' Response to Findings

The Town's response to the finding identified in my audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Farmville, North Carolina
February 20, 2020

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified that are not considered to be material weaknesses yes none reported

- Noncompliance material to financial statements noted yes no

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

Section II - Financial Statement Findings

Significant Deficiency

Finding: 2019 – 1 Budget Violation

- Criteria: The Town should budget revenues, expenditures, and other financing sources (uses) in each fund.
- Condition: There were expenditures that were not properly budgeted in the water fund for water distribution, in the amount of \$12,682, respectively.
- Effect: Budget violations (Excess of Expenditures over Appropriations) may occur.
- Cause: Budget Amendments did not occur during the year for certain transactions.
- Recommendation: Internal control over financial reporting should be expanded to include monthly reconciliation of the general ledger to supporting documentation. Record all noncash transactions such as capital outlay and loan proceeds and make the properly budget ordinance amendment.

Views of responsible officials:

The Town agrees with this finding. Management will monitor budget appropriations and expenditures to ensure compliance in future years.

The Town agrees with this finding and will adhere to the corrective action plan on page 76 in this report.

Mayor
Jeff Holt

Mayor Pro-Tem
Greg Baker

Board of Commissioners
Jimmy Garner
Phil Pittman
Bill Radford



Deputy Clerk
Connie N. Capps

Police Chief
Ashley Woodard

Public Works Supt.
Ray Stuckey

Rec. Coordinator
Scottie Hayes

**Town of Pine Level, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2019**

Section II - Financial Statement Findings

Significant Deficiency

Finding: 2019-1

Segregation of Duties

Name of contact person:

Connie Capps, Deputy Town Clerk

Corrective Action:

The Town will record the appropriate budget amendments when significant transactions occur during the year. The board will approve budget amendments prior to June 30 of each fiscal year.

Proposed Completion Date:

The board will implement the above procedure immediately.

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

NONE