

TOWN OF SUMMERFIELD, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2019

TOWN OF SUMMERFIELD, NORTH CAROLINA
JUNE 30, 2019

TOWN COUNCIL

Gail Dunham, Mayor
Dena Barnes, Mayor Pro-Tem
John O'Day
Teresa Pegram
Reece Walker
Dianne Laughlin

TOWN OFFICIALS

Gail Dunham, Mayor
Dena Barnes, Mayor Pro-Tem
Scott Whitaker, Town Manager
Dee Hall, Finance Officer
Cheryl Gore, Mgr Asst/Events Coordinator
Chris York, Planner
Lance Heater, Town Clerk
Jeff Goard, Parks & Rec Manager

Town of Summerfield North Carolina
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June 30, 2019

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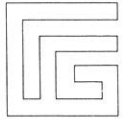
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Financial Section



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Summerfield, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 39 and 40, respectively 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, and the procedures performed as described above, the combining and 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.

Jackson + Company, P.A.

Winston-Salem, North Carolina

October 25, 2019

Management's Discussion and Analysis

Town of Summerfield Management's Discussion and Analysis

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

Overview of The Town of Summerfield

The Town of Summerfield was incorporated in 1996. The Town is governed by an elected mayor and five-member Town Council. Effective with the November 2005 election, the mayor is elected every two years directly by the voters. Council members serve four-year staggered terms. A voter referendum in 2007 changed the form of government from Mayor/Council to Council/Manager. In addition to the Town Council and staff, there are many volunteer committees that serve the Town.

Financial Highlights

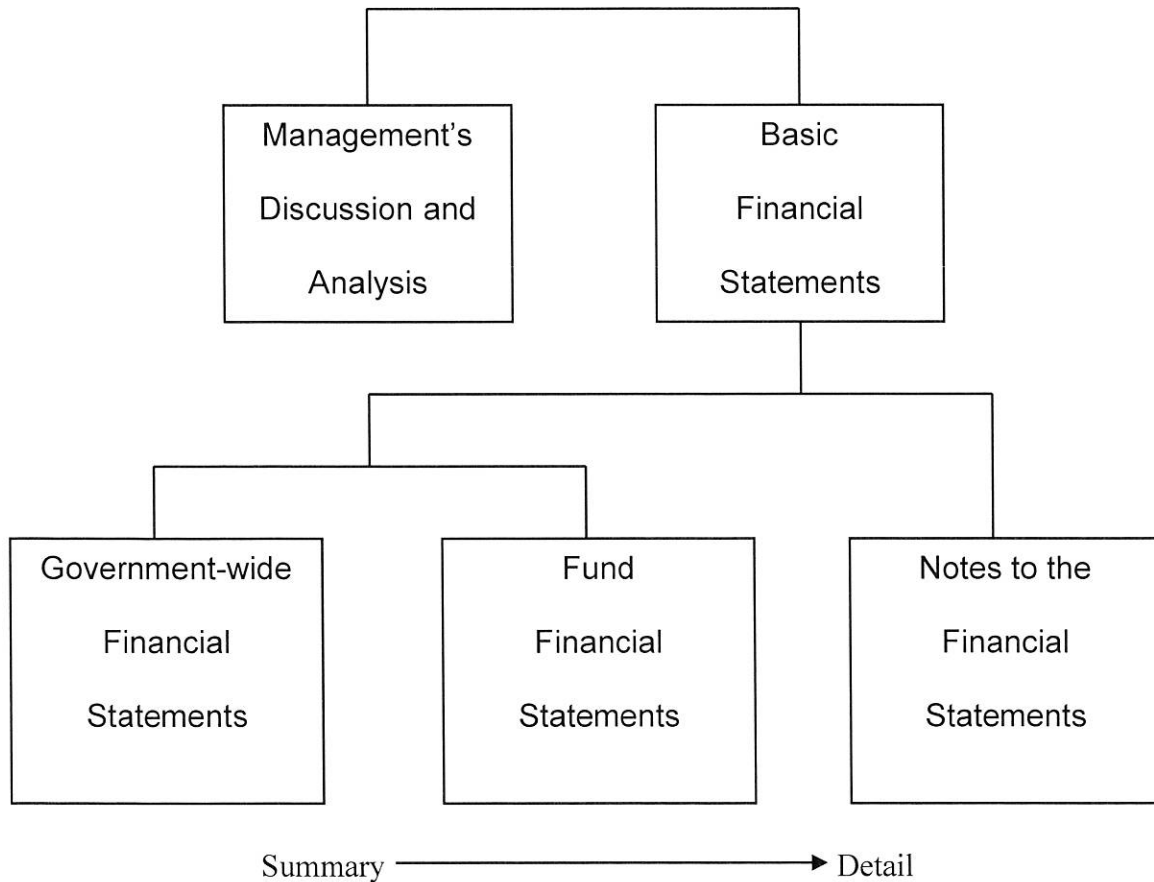
- The assets and deferred outflows of resources of the Town of Summerfield exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,289,241 (*net position*). At the end of the 2018-2019 fiscal year, the unrestricted net position was \$6,750,552.
- The government's total net position decreased by \$188,329, primarily due to depreciation expense.
- As of the close of the current fiscal year, the Town of Summerfield's governmental funds reported combined ending fund balances of \$7,009,115 with a net decrease of \$29,205 in fund balance. Approximately 2.40 percent of this total amount, or \$168,490, is non-spendable or restricted.
- At the end of the 2018-2019 fiscal year, unassigned fund balance for the general fund was \$6,427,559, or 464.97 percent of total general fund expenditures for the fiscal year. At the end of the 2018-2019 fiscal year, fund balance available for the general fund was \$7,005,090, or 506.75 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

The government-wide statements are summarized into one category: 1) governmental activities. The governmental activities include most of the Town's basic services such as public safety, street maintenance, sanitation, cultural and recreation and general administration. Property taxes and State and federal grant funds finance most of these activities.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Summerfield, 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 Summerfield can be summarized into one category: governmental funds.

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

Management's Discussion and Analysis

Town of Summerfield

Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the general fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the general fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Summerfield's progress in funding its obligation to provide pension benefits to its employees and the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 39 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.

Management's Discussion and Analysis
Town of Summerfield

Government-Wide Financial Analysis

Town of Summerfield's Net Position
Figure 2

		Governmental		Total	
		Activities			
		2019	2018	2019	2018
Current and other assets		\$ 7,133,625	\$ 7,155,694	\$ 7,133,625	\$ 7,155,694
Capital assets		6,374,224	6,504,004	6,374,224	6,504,004
Deferred outflows of resources		144,745	89,720	144,745	89,720
	Total assets and deferred outflows of resources	13,652,594	13,749,418	13,652,594	13,749,418
Long-term liabilities outstanding		189,313	106,635	189,313	106,635
Other liabilities		173,060	161,332	173,060	161,332
Deferred inflows of resources		980	3,881	980	3,881
	Total liabilities and deferred inflows of	363,353	271,848	363,353	271,848
Net position:					
Net investment in capital assets		6,374,224	6,504,004	6,374,224	6,504,004
Restricted		164,465	152,145	164,465	152,145
Unrestricted		6,750,552	6,821,421	6,750,552	6,821,421
	Total net position	\$ 13,289,241	\$ 13,477,570	\$ 13,289,241	\$ 13,477,570

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 Summerfield exceeded liabilities and deferred inflows by \$13,289,241 as of June 30, 2019. The Town's net position decreased by \$188,329 for the fiscal year ended June 30, 2019. However, a large portion (47.97%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Summerfield uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Summerfield's net position, \$164,465 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,750,552 is unrestricted.

Management's Discussion and Analysis

Town of Summerfield

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

- The Guilford County Tax Office is diligent in the collection of property taxes by maintaining a tax collection rate of 99.60%. The citizens and businesses of the Town of Summerfield are very prompt in paying their taxes and this certainly speaks favorably of them having such a high collection rate. The Town of Summerfield contracts with Guilford County to collect property taxes and they continue to do a very good job in the collection of taxes.

Management's Discussion and Analysis
Town of Summerfield

Town of Summerfield's Changes in Net Position
Figure 3

	Governmental Activities		Total	
	2019	2018	2019	2018
Revenues:				
Program revenues:				
Charges for services	\$ 68,256	\$ 97,883	\$ 68,256	\$ 97,883
Operating grants and contributions	750	500	750	500
Capital grants and contributions	-	-	-	-
General revenues:				
Property taxes	430,882	419,671	430,882	419,671
Unrestricted Intergovernmental	714,673	682,822	714,673	682,822
Investment Earnings	131,999	97,212	131,999	97,212
Miscellaneous	6,558	500	6,558	500
Total revenues	\$ 1,353,118	\$ 1,298,588	\$ 1,353,118	\$ 1,298,588
Expenses:				
General government	\$ 621,417	\$ 617,100	\$ 621,417	\$ 617,100
Public safety	41,418	42,108	41,418	42,108
Planning and zoning	187,750	236,967	187,750	236,967
Trails and Open Space	2,801	3,432	2,801	3,432
Board of Adjustments	300	-	300	-
Community Relations	-	25,190	-	25,190
Historical Commission	1,028	356	1,028	356
Culture and recreation	686,733	604,789	686,733	604,789
Total expenses	\$ 1,541,447	\$ 1,529,942	\$ 1,541,447	\$ 1,529,942
Increase (decrease) in net position before transfers	(188,329)	(231,354)	(188,329)	(231,354)
Transfers	-	-	-	-
Increase (decrease) in net position	(188,329)	(231,354)	(188,329)	(231,354)
Net position, beginning	13,477,570	13,708,924	13,477,570	13,708,924
Net position, ending	\$ 13,289,241	\$ 13,477,570	\$ 13,289,241	\$ 13,477,570

Governmental activities. Governmental activities decreased the Town's net position by \$188,329, thereby accounting for 100 percent of the total decline in the net position of the Town of Summerfield.

Management's Discussion and Analysis
Town of Summerfield

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Summerfield. At the end of the current fiscal year, Town of Summerfield's fund balance available in the general fund was \$6,427,559, while total fund balance reached \$7,009,115. The Town currently has an available fund balance of 464.97% of general fund expenditures, and total fund balance represents 507.04% of the same amount.

At June 30, 2019, the governmental funds of the Town of Summerfield reported a combined fund balance of \$7,009,115 with a net decrease in fund balance of \$29,205. Included in this change in fund balance is a decrease in the fund balance in the general fund.

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

Capital Asset

Capital assets. The Town of Summerfield's investment in capital assets for its governmental activities as of June 30, 2019, totals \$6,374,224 (net of accumulated depreciation). These assets include land, buildings, equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Construction Services in the amount of \$258,980
- Land Improvements in the amount of \$286,836
- Depreciation expense was \$397,731 for the year ended June 30, 2019

Management's Discussion and Analysis
Town of Summerfield

**Town of Summerfield's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Total	
	2019	2018	2019	2018
Land	\$ 2,249,048	\$ 2,249,048	\$ 2,249,048	\$ 2,249,048
Building and improvements	831,276	862,395	831,276	862,395
Land improvements	2,584,004	2,625,711	2,584,004	2,625,711
Vehicles	2,429	5,048	2,429	5,048
Office furniture and equipment	47,021	63,278	47,021	63,278
Construction in progress	660,446	698,524	660,446	698,524
	<u>\$ 6,374,224</u>	<u>\$ 6,504,004</u>	<u>\$ 6,374,224</u>	<u>\$ 6,504,004</u>

Additional information on the Town's capital assets can be found in Note II.A.4 of the Basic Financial Statements.

Town of Summerfield's Outstanding Long Term Liabilities

Town of Summerfield's Outstanding Liabilities

Figure 5

	Governmental Activities		Total	
	2019	2018	2019	2018
Compensated absences	\$ 49,723	\$ 45,164	\$ 49,723	\$ 45,164
Net pension liability (LGERS)	189,313	106,635	189,313	106,635
	<u>\$ 239,036</u>	<u>\$ 151,799</u>	<u>\$ 239,036</u>	<u>\$ 151,799</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Summerfield is \$124,966,012. Other than compensated absences and net pension liability, the Town had no other outstanding debt for fiscal year ended June 30, 2019.

Management's Discussion and Analysis
Town of Summerfield

Economic Factors and Next Year's Budgets and Rates

The following key economic indicator reflects the growth and prosperity of the Town:

- Town staff is comprised of professional personnel who participate in professional development.
- Consumer spending in Guilford County is expected to increase; therefore, the Town anticipates that sales tax collections will continue to increase.
- Although utilities franchise taxes are expected to decrease and interest rates are declining, alcoholic beverage taxes are expected to rise.
- The Town anticipates that ad valorem tax collections will continue on a steady climb due to construction and property value appreciation as well as a high collection rate.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities:

- The Town will use a combination of revenues and fund balances to finance programs currently in place to construct and repair Town facilities.
- The Town will levy a property tax of \$.0275 per \$100 of assessed value for the fiscal year ending June 30, 2020. The tax base is approximately \$1.556 billion.
- Budgeted expenditures in the General Fund are \$1,723,891 during the fiscal year ending June 30, 2020. Capital projects and larger committee expenses include: Complete Paving and Improvement Lake Parking Lot at Summerfield Community Park (\$81,600), Ongoing Design and Engineering of the A&Y Greenway (\$60,000), Complete US-220 Sidewalk from Tunnel to Summerfield Rd (\$57,825), Construct Town Signs at Scenic Corridors (\$50,000), Trails and Open Space Master Plan (\$40,000) and Historic Site Projects (\$22,910).

Requests for Information

This report is designed to provide an overview of the Town of Summerfield'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 by mail to the Town Manager, Town of Summerfield, PO Box 970, Summerfield, NC 27358, by telephone at (336) 643-8655, or by e-mail at swhitaker@summerfieldnc.gov.

Basic Financial Statements

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

	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and investments - unrestricted	\$ 6,963,962	\$ 6,963,962
Receivables:		
Taxes receivables (net)	1,173	1,173
Due from other governments	162,077	162,077
Prepaid items	4,025	4,025
Restricted cash	2,388	2,388
Total current assets	<u>7,133,625</u>	<u>7,133,625</u>
Non-current assets:		
Capital assets:		
Land and other non-depreciable assets	2,909,494	2,909,494
Other capital assets, net of depreciation	3,464,730	3,464,730
Total capital assets	<u>6,374,224</u>	<u>6,374,224</u>
Total assets	<u>13,507,849</u>	<u>13,507,849</u>
CURRENT OUTFLOWS OF RESOURCES		
Pension deferrals	144,745	144,745
Total deferred outflows of resources	<u>144,745</u>	<u>144,745</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	123,337	123,337
Current portion of long term debt	49,723	49,723
Total current liabilities	<u>173,060</u>	<u>173,060</u>
Long-term liabilities:		
Net pension liability	189,313	189,313
Total liabilities	<u>362,373</u>	<u>362,373</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	980	980
Total deferred inflows of resources	<u>980</u>	<u>980</u>
NET POSITION		
Net investment in capital assets	6,374,224	6,374,224
Restricted for:		
Stabilization by State Statute	162,077	162,077
Other	2,388	2,388
Unrestricted	6,750,552	6,750,552
Total net position	<u>\$ 13,289,241</u>	<u>\$ 13,289,241</u>

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

Exhibit 2

**Town of Summerfield, 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	Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 621,417	\$ -	\$ -	\$ -	\$ (621,417)	\$ (621,417)
Public safety	41,418	-	-	-	(41,418)	(41,418)
Planning and zoning	187,750	22,166	-	-	(165,584)	(165,584)
Trail and open spaces	2,801	37,864	750	-	35,813	35,813
Board of adjustments	300	-	-	-	(300)	(300)
Community relations	-	-	-	-	-	-
Historical commission	1,028	8,226	-	-	7,198	7,198
Cultural and recreation	686,733	-	-	-	(686,733)	(686,733)
Total governmental activities	1,541,447	68,256	750	-	(1,472,441)	(1,472,441)
Total primary government	\$ 1,541,447	\$ 68,256	\$ 750	\$ -	\$ (1,472,441)	\$ (1,472,441)
General revenues:						
Taxes:						
Property taxes, levied for general purpose					430,882	430,882
Unrestricted intergovernmental revenues					714,673	714,673
Investment earnings					131,999	131,999
Miscellaneous					6,558	6,558
Total general revenues not including transfers					1,284,112	1,284,112
Transfers					-	-
Total general revenues and transfers					1,284,112	1,284,112
Change in net position					(188,329)	(188,329)
Net position, beginning					13,477,570	13,477,570
Net position, ending					\$ 13,289,241	\$ 13,289,241

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

Exhibit 3

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

	Major Funds	
	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 6,963,962	\$ 6,963,962
Restricted cash	2,388	2,388
Receivables, net:		
Taxes	1,173	1,173
Due from other governments	162,077	162,077
Prepaid expenses	4,025	4,025
Total assets	<u>7,133,625</u>	<u>7,133,625</u>
LIABILITIES		
Accounts payable and accrued liabilities	<u>123,337</u>	<u>123,337</u>
Total liabilities	<u>123,337</u>	<u>123,337</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	<u>1,173</u>	<u>1,173</u>
Total deferred inflows of resources	<u>1,173</u>	<u>1,173</u>
FUND BALANCES		
Nonspendable		
Prepaid expenses	4,025	4,025
Restricted		
Stabilization by State Statute	162,077	162,077
Other	2,388	2,388
Assigned		
Subsequent year's expenditures	413,066	413,066
Unassigned	<u>6,427,559</u>	<u>6,427,559</u>
Total fund balances	<u>7,009,115</u>	<u>7,009,115</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,133,625</u>	

(cont)

Exhibit 3
(cont)

Town of Summerfield, 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:

Total fund balance, governmental funds		\$ 7,009,115
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 9,680,012	
Accumulated depreciation	<u>3,305,788</u>	6,374,224
Deferred outflows of resources related to pensions are not reported in the funds		144,745
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		1,173
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Net pension liability		(189,313)
Compensated Absences		(49,723)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(980)</u>
Net position of governmental activities		<u><u>\$ 13,289,241</u></u>

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

Exhibit 4

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

	Major Funds	
	General Fund	Total Governmental Funds
REVENUES		
Ad valorem taxes	\$ 430,917	\$ 430,917
Unrestricted intergovernmental	714,673	714,673
Investment earnings	131,999	131,999
Fees and permits	22,166	22,166
Park and recreation	37,864	37,864
Founder's Day	8,226	8,226
Donations	750	750
Miscellaneous revenue	3,408	3,408
Total revenues	<u>1,350,003</u>	<u>1,350,003</u>
EXPENDITURES		
Current:		
General government	589,583	589,583
Public safety	41,418	41,418
Planning and zoning	182,626	182,626
Trail and open spaces	2,801	2,801
Board of adjustments	300	300
Community relations	-	-
Historical commission	4,831	4,831
Cultural and recreation	560,799	560,799
Total expenditures	<u>1,382,358</u>	<u>1,382,358</u>
Excess (deficiency) of revenues over expenditures	<u>(32,355)</u>	<u>(32,355)</u>
OTHER FINANCING SOURCES (USES)		
Sale of capital asset	<u>3,150</u>	<u>3,150</u>
Net change in fund balance	(29,205)	(29,205)
Fund balances, beginning	<u>7,038,320</u>	
Fund balances, ending	<u>\$ 7,009,115</u>	

(cont)

Town of Summerfield, North Carolina
Statement of 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	\$ (29,205)
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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 outlay expense in the current period

Capital outlay expenditures which were capitalized	\$ 267,951	
Depreciation expense for governmental activities	(397,731)	
Proceeds from sales of capital assets	(3,150)	
Gain on disposals of capital assets	<u>3,150</u>	(129,780)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	31,124
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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	(33)
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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	(4,559)	
Pension expense	<u>(55,876)</u>	

Total changes in net position of governmental activities	<u><u>\$ (188,329)</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Summerfield, 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			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 426,000	\$ 426,000	\$ 430,917	\$ 4,917
Unrestricted intergovernmental	643,000	643,000	714,673	71,673
Investment earnings	90,000	90,000	131,999	41,999
Fees and permits	22,500	22,500	22,166	(334)
Parks and recreation	39,000	39,000	37,864	(1,136)
Founder's Day	2,175	2,175	8,226	6,051
Donations	500	500	750	250
Miscellaneous revenues	83,334	83,334	3,408	(79,926)
Total revenues	1,306,509	1,306,509	1,350,003	43,494
Expenditures:				
Current:				
General government	764,434	790,434	589,583	200,851
Public safety	48,300	48,300	41,418	6,882
Planning and zoning	265,650	261,225	182,626	78,599
Trail and open spaces	6,000	6,000	2,801	3,199
Board of adjustments	825	825	300	525
Community relations	21,850	-	-	-
Historical commission	9,050	9,050	4,831	4,219
Cultural and recreation	782,825	783,100	560,799	222,301
Total expenditures	1,898,934	1,898,934	1,382,358	516,576
Revenues over (under) expenditures	(592,425)	(592,425)	(32,355)	560,070
Other financing sources (uses)				
Sale of capital asset		-	3,150	3,150
Total other financing sources (uses)	-	-	3,150	3,150
Fund balance appropriated	592,425	592,425	-	(592,425)
Net change in fund balance	\$ -	\$ -	(29,205)	\$ (29,205)
Fund balances, beginning			7,038,320	
Fund balances, ending			<u>\$ 7,009,115</u>	

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

Notes to the Financial Statements

Town of Summerfield, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Summerfield 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 Summerfield is an incorporated Town which is governed by an elected mayor and a five-member council.

B. Basis of Presentation – Fund Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The Town of Summerfield has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods 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. Statements for the governmental fund category are presented. The emphasis of fund financial statements is on major governmental funds.

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 other

taxes and licenses. The primary expenditures are for cultural and recreational services, planning and zoning and general government.

C. Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and 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.

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 expenditure to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Summerfield because the tax is levied by Guilford 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 recorded as general revenue rather than program revenue. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost- reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net assets 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. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for multi-year funds. All amendments must be approved by the governing board and the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

Restricted assets are comprised as follows:

Brittain Building clock	\$ 1,324
Historical Committee	1,044
Welcome sign	<u>20</u>
Total restricted cash	<u>\$ 2,388</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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 expenses as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are set at \$1,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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
Land improvements, buildings, and infrastructure	15 to 50 years
Furniture, fixtures, equipment, heavy equipment, and vehicles	3 to 10 years
Computer equipment and software	3 to 5 years

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

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

In fund financial statements, 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. Any employee with more than 30 days of accumulated leave shall have the excess accumulation converted to sick leave so that only 30 days of vacation time is carried forward to January 1 of the next calendar year. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Net Position

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

Prepaid expenses – portion of fund balance that is not an available resource because it represents the year end balance of prepaid expenses, 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 Other – portion of fund balance that is restricted by revenue source for Town clock, parks and recreation, historical, and Town welcome sign expenditures.

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

Assigned Fund Balance – portion of fund balance that Town intends to use for specific purposes.

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

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

The Town of Summerfield has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: 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.

The Town 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 30% of General Fund budgeted expenditures.

12. Defined Benefit Cost Sharing Plans

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

Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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

At June 30, 2019, the Town's deposits had a carrying amount of \$6,347,208 and a bank balance of \$6,480,507. Of the bank balance, \$6,480,507 was covered by federal depository insurance. At June 30, 2019, the Town's petty cash fund totaled \$150 and undeposited funds totaled \$420.

2. Investments

At June 30, 2019 the Town of Summerfield had \$618,572 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has a credit risk policy which limits its investments to the following:

- A. Obligations of the United State or obligations fully guaranteed both as to principal and interest by the United States.
- B. Obligations of the State of North Carolina.
- C. Savings Certificates issued by any savings and loan association having its principal office in North Carolina; provided that any principal amount of such certificate in excess of the amount insured by the federal government or any agency thereof, or by a mutual domestic deposit guaranty association authorized by the Commissioner of Banks of the Department of Commerce of the State of North Carolina, be fully collateralized.
- D. Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest (A1, P1, F1) by any nationally recognized rating service which rates the particular obligation.
- E. Participating shares in a mutual fund for local government investment (such as the N.C. Cash Management Trust), which is certified by the N.C. Local Government Commission.

It is recognized that the Town may want to diversify its investments further by allowing other legally recognized investments to be utilized. The decision to add investment vehicle options to this policy shall be based on a recommendation from the Finance Officer and Finance Committee to the Town Council.

The combined total investment in commercial paper shall not exceed fifteen percent (15%) of the total portfolio and the investment in commercial paper of a single issuer shall not exceed the lesser of three hundred thousand dollars (\$300,000) or seven percent (7%) of the total portfolio at the time of investment.

No investment shall be made in any security with maturity greater than five (5) years from the date of purchase. No more than twenty-five percent (25%) of the total portfolio at the time of investment can be in any security with maturity greater than four (4) years.

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	<u>\$ 3,255</u>

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,249,048	\$ -	\$ -	\$ 2,249,048
Construction in progress	698,524	258,980	297,058	660,446
Total capital assets not being depreciated	<u>2,947,572</u>	<u>258,980</u>	<u>297,058</u>	<u>2,909,494</u>
Capital assets being depreciated:				
Buildings and improvements	1,156,687	10,995	-	1,167,682
Land improvements	4,946,874	286,836	-	5,233,710
Office furniture and equipment	333,988	8,198	6,475	335,711
Vehicles	38,415	-	5,000	33,415
Total capital assets being depreciated	<u>6,475,964</u>	<u>306,029</u>	<u>11,475</u>	<u>6,770,518</u>
Less accumulated depreciation for:				
Buildings and improvements	294,292	42,114	-	336,406
Land improvements	2,321,163	328,543	-	2,649,706
Office furniture and equipment	270,710	24,455	6,475	288,690
Vehicles	33,367	2,619	5,000	30,986
Total accumulated depreciation	<u>2,919,532</u>	<u>397,731</u>	<u>11,475</u>	<u>3,305,788</u>
Total capital assets being depreciated, net	<u>3,556,432</u>			<u>3,464,730</u>
Governmental activity capital assets, net	<u>\$ 6,504,004</u>			<u>\$ 6,374,224</u>

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

General government	\$ 17,265
Planning and zoning	1,386
Historical	720
Recreation	378,360
Total depreciation expense	<u>\$ 397,731</u>

Construction commitments

The Town has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Greenway	\$ 360,837	\$ 29,116
SCP parking lot	146,089	8,939
220 tunnel sidewalk	134,647	8,337
Sidewalk connection	24,500	6,000
SCP parking lot redesign	32,140	6,000
Total	<u>\$ 698,213</u>	<u>\$ 58,392</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Summerfield 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 Summerfield's contractually required contribution rate for the year ended June 30, 2019, was 7.75% for general employees actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Summerfield were \$31,124 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$189,313 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.00798%, which was an increase of 0.00100% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$55,876. 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	\$ 29,206	\$ 980
Changes in assumptions	50,236	-
Net difference between projected and actual earnings on pension plan investments	25,987	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,192	-
Town contributions subsequent to the measurement date	31,124	-
Total	<u>\$ 144,745</u>	<u>\$ 980</u>

\$31,124 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 outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 54,204
2021	35,001
2022	7,893
2023	15,543
2024	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 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 (asset)	\$ 454,746	\$ 189,313	\$ (32,487)

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

b. Supplemental Retirement Income Plan

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of the State Treasurer and a Board of Trustees. The Town matches three percent of employees' salaries. All employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$36,160 which consisted of \$12,083 from the Town and \$24,077 from the employees.

2. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources at year-end is comprised of the following:

Source	Amount
Differences between expected and actual experience	\$ 29,206
Changes of assumptions	50,236
Net difference between projected and actual earnings on pension plan investments	25,987
Changes in proportion and difference between employer contributions and proportionate share of contributions	8,192
Employer contributions subsequent to measurement date	31,124
Total	<u>\$ 144,745</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 1,173
Differences between expected and actual experience	980	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	<u>\$ 980</u>	<u>\$ 1,173</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Claims incurred have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through Interlock Risk Financial Fund of North Carolina. The Town is in an area of the State that has been mapped and designated an "X". The "X" flood rate zone is outside the 1% annual charge flood plain. The policy carries a coverage limit of \$5,000,000 and a \$50,000 deductible clause.

In accordance with G.S. 159-29, the finance officer is bonded for \$50,000. The remaining employees are covered under an employee dishonesty policy for \$10,000.

4. Long-Term Obligation

a. Changes in Long-Term Liabilities

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

	Beginning			Ending	Current
Governmental activities:	Balance	Increases	Decreases	Balance	Portion
					Of Balance
Compensated absences	\$ 45,164	\$ 4,559	\$ -	\$ 49,723	\$ 49,723
Net pension liability	106,635	82,678	-	189,313	-
Total	\$ 151,799	\$ 87,237	\$ -	\$ 239,036	\$ 49,723

At June 30, 2019, the Town had a legal debt margin of \$124,966,012.

C. Net Investment in Capital Assets

	<u>Governmental</u>
Capital assets	\$ 6,374,224
Less: long term liability	-
Net investment in capital assets	<u>\$ 6,374,224</u>

D. Fund Balance

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

Total Fund Balance – General Fund	\$ 7,009,115
Less:	
Prepaid	4,025
Stabilization by State Statute	162,077
Other Restricted Donations	2,388
Appropriated Fund Balance in 2020 Budget	413,066
Remaining Fund Balance	<u>6,427,559</u>

III. Jointly Governed Organization

The Town, in conjunction with 12 counties and 60 other municipalities established the Piedmont Triad Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$550 to the Council during the fiscal year ended June 30, 2019.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants in prior years. 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 will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Subsequent Events

Subsequent events have been evaluated through October 25, 2019, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

Local Governmental Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Summerfield's proportion of the net pension liability (asset) (%)	0.00798%	0.00698%	0.00550%	0.00511%	0.00418%	0.00460%
Summerfield's proportion of the net pension liability (asset) (\$)	\$ 189,313	\$ 106,635	\$ 116,728	\$ (22,933)	\$ (24,651)	\$ 55,448
Summerfield's covered payroll	\$ 432,410	\$ 370,550	\$ 317,025	\$ 313,777	\$ 243,581	\$ 235,695
Summerfield's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.78%	28.78%	36.82%	-7.31%	-10.12%	23.53%
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 Summerfield, North Carolina
Town of Summerfield's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Governmental Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 31,124	\$ 32,431	\$ 26,865	\$ 21,145	\$ 22,184	\$ 17,221
Contributions in relation to the contractually required contribution	<u>31,124</u>	<u>32,431</u>	<u>26,865</u>	<u>21,145</u>	<u>22,184</u>	<u>17,221</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Summerfield's covered payroll	\$ 401,289	\$ 432,410	\$ 370,550	\$ 317,025	\$ 313,777	\$ 243,581
Contributions as a percentage of covered payroll	7.76%	7.50%	7.25%	6.67%	7.07%	7.07%

Individual Fund Schedules

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 429,946	\$
Interest	-	971	
Total	<u>426,000</u>	<u>430,917</u>	<u>4,917</u>
 Unrestricted intergovernmental:			
Local option sales taxes		135,002	
Utilities franchise tax		419,604	
ABC Distribution		101,170	
Beer and wine tax		50,256	
Solid waste disposal tax		8,641	
Total	<u>643,000</u>	<u>714,673</u>	<u>71,673</u>
 Investment earnings	<u>90,000</u>	<u>131,999</u>	<u>41,999</u>
 Fees and permits:			
Planning fees	<u>22,500</u>	<u>22,166</u>	<u>(334)</u>
 Parks and recreation	<u>39,000</u>	<u>37,864</u>	<u>(1,136)</u>
 Founders Day	<u>2,175</u>	<u>8,226</u>	<u>6,051</u>
 Donations	<u>500</u>	<u>750</u>	<u>250</u>
 Miscellaneous revenue	<u>83,334</u>	<u>3,408</u>	<u>(79,926)</u>
Total revenues	<u>1,306,509</u>	<u>1,350,003</u>	<u>43,494</u>
			cont.

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

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body			
Salaries and employee benefits	16,212	15,503	709
Operating expenses	27,579	23,292	4,287
Miscellaneous services	5,000	42	4,958
Total	48,791	38,837	9,954
Professional Services			
Audit	14,250	14,250	-
Tax collection	2,233	2,232	1
Contract legal services	110,000	101,716	8,284
	126,483	118,198	8,285
Administration			
Salaries and employee benefits	280,500	274,065	6,435
Operating expenses	71,950	55,923	16,027
Services	5,300	1,151	4,149
Capital outlay	6,500	4,448	2,052
Total	364,250	335,587	28,663
Finance			
Salaries and employee benefits	74,935	69,727	5,208
Services	1,875	328	1,547
Total	76,810	70,055	6,755
Public Property/Buildings			
Operating expenses	36,100	26,906	9,194
Capital outlay	138,000	-	138,000
Total	174,100	26,906	147,194
Total General Government	790,434	589,583	200,851

cont.

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

	Budget	Actual	Variance Positive (Negative)
Public Safety:			
Services	48,300	41,418	6,882
Total public safety	48,300	41,418	6,882
Planning and zoning:			
Salaries and employee benefits	113,400	67,673	45,727
Operating expenses	20,125	9,849	10,276
Services	127,075	105,104	21,971
Capital outlay	625	-	625
Total planning and zoning	261,225	182,626	78,599
Trails and Open Space:			
Services	6,000	2,801	3,199
Total trails and open space	6,000	2,801	3,199
Board of Adjustments:			
Services	825	300	525
Total board of adjustments	825	300	525
Historical commission:			
Services	450	307	143
Capital outlay	8,600	4,524	4,076
Total historical commission	9,050	4,831	4,219
Cultural and recreation:			
Salaries and employment benefits	131,100	126,556	4,544
Services	2,500	2,470	30
Operating expenses	46,400	44,216	2,184
SAP operating expenses	93,750	82,136	11,614
Community events	54,350	46,441	7,909
Capital outlay	455,000	258,980	196,020
Total cultural and recreation	783,100	560,799	222,301
			cont.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total expenditures	<u>1,898,934</u>	<u>1,382,358</u>	<u>516,576</u>
Revenues over (under) expenditures	<u>(592,425)</u>	<u>(32,355)</u>	<u>560,070</u>
Other financing sources (uses):			
Sale of capital asset	<u>-</u>	<u>3,150</u>	<u>3,150</u>
Total other financing sources (uses)	<u>-</u>	<u>3,150</u>	<u>3,150</u>
Fund balance appropriated	592,425	-	(592,425)
Net change in fund balance	<u>\$ -</u>	(29,205)	<u>\$ (29,205)</u>
Fund balances, beginning		<u>7,038,320</u>	
Fund balances, ending		<u>\$ 7,009,115</u>	

Other Schedules

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

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$	\$ 429,571	\$ 427,846	\$ 1,725
2017-2018	1,752	-	1,276	476
2016-2017	449	-	207	242
2015-2016	237	-	70	167
2014-2015	206	-	72	134
2013-2014	382	-	87	295
2012-2013	404	-	48	356
2011-2012	497	-	53	444
2010-2011	222	-	15	207
2009-2010	84	-	1	83
2008-2009	302	-	3	299
2007-2008	329	-	329	-
	<u>\$ 4,864</u>	<u>\$ 429,571</u>	<u>\$ 430,007</u>	<u>4,428</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(3,255)</u>
Ad valorem taxes receivable - net				<u>\$ 1,173</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 430,917
Reconciling items:				
Interest collected				(971)
Adjustments				(268)
Taxes written off				329
Subtotal				<u>(910)</u>
Total collections and credits				<u>\$ 430,007</u>

Town of Summerfield, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2019

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 1,564,144,237	0.0275	\$ 430,140	\$ 390,482	\$ 39,658
Discoveries					
Current year taxes	10,094,545	0.0275	2,776	2,776	-
Releases	(12,163,636)	0.0275	(3,345)	(3,345)	-
Total property valuation	<u>\$ 1,562,075,146</u>				
Net levy			429,571	389,913	39,658
Unpaid (by taxpayer) taxes at June 30, 2019			<u>(1,725)</u>	<u>(1,725)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 427,846</u>	<u>\$ 388,188</u>	<u>\$ 39,658</u>
Current levy collection percentage			<u>99.60%</u>	<u>99.56%</u>	<u>100.00%</u>