

***TOWN OF PELETIER,
NORTH CAROLINA***

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

TOWN OF PELETIER, NORTH CAROLINA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

MAYOR

Dale Sowers

COMMISSIONERS

David Bragg

Alice H. Dunn

William M. Norris, III

Larry Rhue

Dan Taylor

TOWN OF PELETIER, NORTH CAROLINA

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FINANCIAL SECTION

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Financial Statements



WILLIAMS · SCARBOROUGH · GRAY, LLP
Certified Public Accountants

Christopher K. Williams, CPA
Steven N. Scarborough, CPA
W. Randall Gray, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Peletier, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Peletier, North Carolina, as of June 30, 2020, 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 accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The individual fund financial statements and 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, the individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Williams • Scarborough • Gray, LLP

Williams • Scarborough • Gray, LLP
Jacksonville, North Carolina
January 15, 2021

TOWN OF PELETIER, NC
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

As management of the Town of Peletier, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. The information presented here in conjunction with additional information that we have furnished in the Town's financial statements.

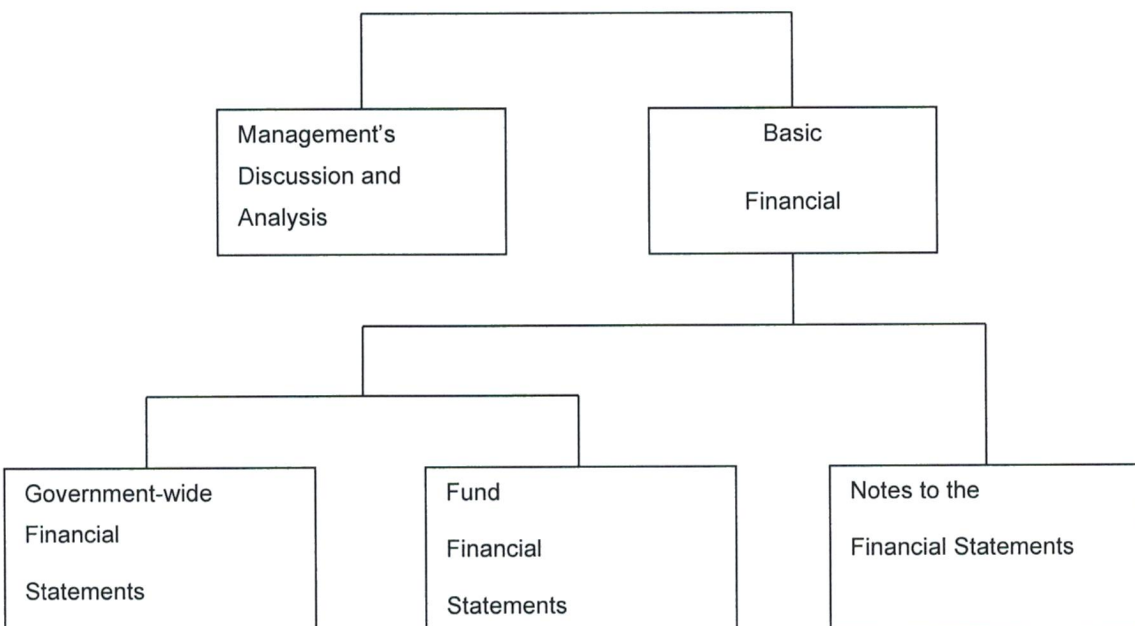
Financial Highlights

- The assets of the Town of Peletier exceeded its liabilities at the close of the fiscal year by \$607,113 (net position), which was an increase for the year of \$84,614.
- As of the close of the fiscal year, the Town's governmental funds reported ending fund balances of \$344,978, which was an increase of \$69,230 from the previous year end. Of this amount, \$235,275, or 68% of the fund balance is available for spending at the government's discretion (unassigned fund balance).
- The Town paid \$35,900 for community cleanup after Hurricane Florence in September 2018; and expenditure that was not anticipated or budgeted. A reimbursement from FEMA in the amount of \$29,920 was received in the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Peletier'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 Peletier.

Required Components of Annual Financial Report – Figure 1



Basic Financial Statements

The first two statements in the basic financial statements (Statements A and B) are the Government-Wide Financial Statements. They provide both short and long-term information about the Town's financial status.

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

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

Government-Wide Financial Statements

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

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

Government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The Town only has the first of these three categories, governmental activities, which includes the Town's basic services, such as public safety and general administration. Property taxes and state grant funds finance most of these activities.

The government-wide financial statements are Statements A and B of this report.

Fund Financial Statements

The fund financial statements 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 Peletier, 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. In many municipalities, these funds can be broken down into two categories: governmental and proprietary funds. The Town of Peletier has one governmental fund.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Town's basic services are accounted for in the governmental fund. 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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities, reported in the Statement of Net Position and the Statement of Activities, and governmental funds is presented in a reconciliation that is a part of the fund financial statements.

The Town of Peletier 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 of Commissioners about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance 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 three columns: 1) the original/final budget as adopted by the board; 2) the actual resources, charges to appropriations, and ending balances in the General Fund; and 3) 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 15.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Town's property taxes and prior year revenues and expenses. Supplementary information can be found beginning on page 24.

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

Government-Wide Financial Analysis

Exhibit 2 Town of Peletier - Net Position At June 30

	2020	2019	2018	2017
Current assets	\$ 351,226	\$ 283,132	\$ 291,280	\$ 313,553
Capital assets	<u>312,070</u>	<u>312,600</u>	<u>299,443</u>	<u>251,283</u>
Total assets	<u>663,296</u>	<u>595,732</u>	<u>590,723</u>	<u>564,836</u>
Current liabilities	19,725	19,233	18,613	18,018
Long-term liabilities	<u>36,458</u>	<u>54,000</u>	<u>71,099</u>	<u>87,018</u>
Total liabilities	<u>56,183</u>	<u>73,233</u>	<u>89,712</u>	<u>105,784</u>
Net position:				
Net investment in capital assets	258,070	241,501	211,677	147,270
Restricted	79,857	72,219	66,377	57,408
Unrestricted	<u>269,186</u>	<u>208,779</u>	<u>222,957</u>	<u>253,374</u>
Total net position	<u>\$ 607,113</u>	<u>\$ 522,499</u>	<u>\$ 501,011</u>	<u>\$ 459,052</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Peletier exceeded liabilities by \$607,113 as of June 30, 2020. The Town's net position increased by \$84,614 during the year; in part because of a FEMA reimbursement of \$29,920 for Hurricane Florence clean up, and also due to conservative spending. \$79,857 of the year end net position is subject to external restrictions, and \$269,186, or approximately 44% is unrestricted. The Town has a net investment in capital assets of \$258,070 as of June 30, 2020. Resources needed to repay the long-term debt used for acquisition of the Town Hall must be provided by other sources since capital assets cannot be use to liquidate this debt.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position: 1) continued diligence in the collection of property taxes by the Carteret County Tax Department, and 2) conservative budgeting of revenues and expenses for the year.

Exhibit 3
Town of Peletier - Changes in Net Position
At June 30

	2020	2019	2018	2017
Revenues:				
Program revenues:				
Charges for services	\$ 2,845	\$ 2,695	\$ 2,318	\$ 3,131
Operating grants	50,114	19,672	18,964	19,016
General revenues:				
Property taxes	49,913	48,304	44,674	42,923
Other taxes	64,711	64,574	62,365	62,179
Other	<u>1,162</u>	<u>1,177</u>	<u>1,001</u>	<u>1,080</u>
Total revenues	<u>168,745</u>	<u>136,422</u>	<u>129,322</u>	<u>128,329</u>
Program expenses:				
General government	75,850	102,686	67,510	71,333
Transportation	6,440	9,975	17,159	52,863
Interest on long-term debt	<u>1,841</u>	<u>2,273</u>	<u>2,694</u>	<u>3,104</u>
Total program expenses	<u>84,131</u>	<u>114,934</u>	<u>87,363</u>	<u>127,300</u>
Change in net position	<u>\$ 84,614</u>	<u>\$ 21,488</u>	<u>\$ 41,959</u>	<u>\$ 1,029</u>

Governmental activities increased the Town's net position by \$84,614 for the year ended June 30, 2019. The Board of Commissioners continues to monitor expenses to maintain a healthy net position.

Financial Analysis of the Town's Funds

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

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

The General Fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance was \$235,275, with a total fund balance of \$344,978. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund expenditures. Unassigned fund balance represents 234% of total General Fund expenditures for the year.

General Fund Budgetary Highlights – During the fiscal year the Town maintained a property tax rate of 5.5 cents.

Capital Assets: The Town of Peletier's investment in capital assets for its governmental activities as of June 30, 2020 totals \$312,070, net of accumulated depreciation. The primary asset is the land and building bought in June 2013 and renovated to be Town Hall.

Exhibit 4
Town of Peletier - Capital Assets
(Net of accumulated depreciation)
At June 30

	2020	2019	2018	2017
Computers	\$ 865	\$ 1,229	\$ 1,608	\$ 634
Equipment & fixtures	269	514	758	1,033
Building & improvements	103,375	106,804	110,234	113,663
Construction in progress	72,604	68,764	51,223	-
Land	125,563	125,563	125,563	125,563
Infrastructure	<u>9,394</u>	<u>9,726</u>	<u>10,057</u>	<u>10,390</u>
Totals	<u>\$ 312,070</u>	<u>\$ 312,600</u>	<u>\$ 299,443</u>	<u>\$ 251,283</u>

Additional information about the Town's capital assets can be found in Note 5 of the financial statements.

Economic Factors and Next Year's Budget and Rates

The Town of Peletier expects property tax values to remain essentially the same for the near future. In recent years the town has experienced slow, but steady growth.

Budget Highlights for the Fiscal Year Ending June 30, 2021

A conservative budget approach was taken for the budgeted revenues and expenditures due to the uncertainty of the economy. The Town has maintained a low tax rate of 5.5 cents per hundred dollars of valuation.

Accounting and Audit Assistance

Due to professional standards regarding accounting and auditing, the Town utilizes the services of a CPA firm to assist with some bookkeeping and accounting matters during the year and at year end. A separate CPA firm conducts the audit of the Town's annual financial statements.

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, Town of Peletier, 1603 Highway 58, Peletier, NC 28584

TOWN OF PELETIER, NC
STATEMENT OF NET POSITION
JUNE 30, 2020

Statement A

	<u>Governmental Activities</u>
Assets:	
Current Assets:	
Cash	\$ 215,099
Certificates of deposit	52,205
Ad valorem taxes receivable (net)	4,065
Accounts receivable - other	16,007
Prepaid expenses	1,392
Restricted cash	62,458
Total Current Assets	<u>351,226</u>
Non-Current Assets:	
Capital Assets:	
Land and construction in progress	198,167
Other capital assets, net of depreciation	113,903
Total Capital Assets	<u>312,070</u>
Total Assets	<u>663,296</u>
Liabilities:	
Current Liabilities:	
Accounts payable and accrued expenses	2,183
Current portion of long-term liability	17,542
Total Current Liabilities	<u>19,725</u>
Long-term Liabilities:	
Installment loan - due in more than one year	36,458
Total Liabilities	<u>56,183</u>
Net Position:	
Net investment in capital assets	258,070
Restricted for:	
Streets	62,458
Stabilization by State Statute	17,399
Unrestricted	269,186
Total Net Position	<u>\$ 607,113</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF PELETIER, NC
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Statement B

	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	<u>Net Expenses</u> <u>and Change</u> <u>in Net</u> <u>Position</u>
Functions:				
Governmental Activities:				
General Government:	\$ 75,850	\$ 2,845	\$ 29,920	\$ (43,085)
Transportation	6,440	-	20,194	13,754
Interest on long-term debt	1,841	-	-	(1,841)
Total Governmental Activities	<u>\$ 84,131</u>	<u>\$ 2,845</u>	<u>\$ 50,114</u>	<u>(31,172)</u>
General Revenues:				
Taxes:				
Property taxes levied for general purposes				49,913
Other taxes				64,711
Miscellaneous				1,140
Investment earnings				<u>22</u>
Total General Revenues				<u>115,786</u>
Change in Net Position				84,614
Net Position - Beginning				<u>522,499</u>
Net Position - Ending				<u>\$ 607,113</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF PELETIER, NC
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2020

Statement C

	<u>General Fund</u>
Assets:	
Cash	\$ 215,099
Certificates of deposit	52,205
Restricted cash	62,458
Ad valorem taxes receivable (net)	4,065
Accounts receivable - other	16,007
Prepaid expenses	<u>1,392</u>
Total Assets	<u>\$ 351,226</u>
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 2,183</u>
Deferred Inflows of Resources:	
Property taxes receivable	<u>4,065</u>
Fund Balances:	
Restricted:	
Streets	62,458
Stabilization by State Statute	17,399
Assigned:	
Community building	24,846
Subsequent year's expenditures	5,000
Unassigned	<u>235,275</u>
Total Fund Balances	<u>344,978</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 351,226</u>
Amounts reported for governmental activities in the Statement of Net Position (Statement A) are different because:	
Total Fund Balances, Governmental Funds	\$ 344,978
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	312,070
Liabilities for earned revenues considered deferred inflows of resources in fund statements	4,065
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	<u>(54,000)</u>
Net Position of Governmental Activities	<u>\$ 607,113</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF PELETIER, NC
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2020

Statement D
Page 1 of 2

	<u>General Fund</u>
Revenues:	
Ad valorem taxes	\$ 51,098
Unrestricted intergovernmental	64,711
Restricted intergovernmental	50,114
Other	3,985
Interest	<u>22</u>
Total Revenues	<u>169,930</u>
Expenditures:	
Current:	
Administration	75,320
Streets	6,440
Debt Service:	
Principal	17,099
Interest	<u>1,841</u>
Total Expenditures	<u>100,700</u>
Revenues in Excess of Expenditures	<u>69,230</u>
Fund Balances - Beginning of Year	<u>275,748</u>
Fund Balances - End of Year	<u>\$ 344,978</u>

The accompanying notes are an integral part of the financial statements.

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

Net changes in fund balances - total governmental funds	\$ 69,230
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Governmental funds report capital outlay as expenditures.

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

Capital outlay expenditures that were capitalized	3,840
Depreciation expense for governmental assets	(4,370)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements:

Change in deferred revenues	(1,185)
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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 affect on net position. This amount is the net effect of these differences in the treatment of long-term debt

Principal payments on long-term debt	<u>17,099</u>
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Total Changes in Net Position of Governmental Activities	<u><u>\$ 84,614</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF PELETIER, NC
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

Statement E

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues:			
Ad valorem taxes	\$ 42,500	\$ 51,098	\$ 8,598
Unrestricted intergovernmental	57,900	64,711	6,811
Restricted intergovernmental	24,000	50,114	26,114
Other taxes and fees	2,400	3,985	1,585
Interest	50	22	(28)
Total Revenues	<u>126,850</u>	<u>169,930</u>	<u>43,080</u>
Expenditures:			
Current:			
Administration	93,909	75,320	18,589
Streets	24,000	6,440	17,560
Debt Service:			
Principal	17,100	17,099	1
Interest	1,841	1,841	-
Total Expenditures	<u>136,850</u>	<u>100,700</u>	<u>36,150</u>
Revenues Over/(Under) Expenditures	(10,000)	69,230	79,230
Other Financing Source:			
Appropriated fund balance	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>69,230</u>	<u>\$ 69,230</u>
Fund Balance - Beginning of Year		<u>275,748</u>	
Fund Balance - End of Year		<u>\$ 344,978</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF PELETIER, NC
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Peletier is a municipal corporation established in November 1996 that is governed by a five-member board of commissioners and mayor. As required by generally accepted accounting principles, these financial statements present the town only.

B. Basis of Presentation - Fund Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the financial activities of the overall government. These statements distinguish between the governmental and business-type activities. 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 Town of Peletier does not have any 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The town reports one major governmental fund; the General Fund which 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 street maintenance and administrative services.

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 applications for goods, services, or privileges provided, and 2) operating grants. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. 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 because the tax is levied by Carteret County and then remitted to and distributed by the State of North Carolina. Most intergovernmental revenues are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Data

Budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at fiscal year end. The budget is prepared using the modified accrual basis of accounting, which is consistent with the accounting system used for presentation of financial statements.

Expenditures may not legally exceed appropriations at the departmental level. The board of commissioners must approve any revisions that alter total expenditures in any department. There were no budget amendments during the year.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust.

Cash and Cash Equivalents

All of the town's money is in demand deposits and all is considered cash. Certificates of deposit have original maturity dates more than 90 days after the end of the year and are reported separate from cash equivalents.

Restricted Asset

Powell Bill funds on hand at year end are classified as restricted cash because it can be expended only for purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per NC General Statute 136-41.1 through 136-41.4.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019. The town's ad valorem taxes are billed and collected and forwarded to the town by the Carteret County Tax Office.

Allowance for Doubtful Accounts

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

Prepaid Item

Certain payments to vendors reflect costs applicable to the following accounting period are recorded as a prepaid item and will be expensed when used.

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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Computer equipment.....	5 - 7
Equipment and fixtures.....	7
Building.....	40
Infrastructure	40

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 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. In addition to liabilities, the statement of financial position will sometimes report a section for deferred inflows of resources. This separate financial statement element 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 one element that meets the criterion for this category – property taxes receivable.

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 fund, 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 has no obligation for accumulated sick leave until it is actually taken, so no accrual for sick leave has been made.

Net Position

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

Fund Balances

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

The governmental fund types classify balances as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town has none at June 30, 2020.

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

Stabilization by State Statute – The portion of fund balance that is restricted by State Statute 159-8(a).

Streets – The portion of fund balance that is unexpended Powell Bill funds which are restricted by revenue source for street construction and maintenance expenditures.

Committed – The portion of fund balance that can only be used for specific purposes imposed by majority vote of the Town's governing body. The Town has none at June 30, 2020.

Assigned – The portion of fund balance that the Town intends to use for specific purposes.

Community Building – The portion of fund balance that is to be used for future development of a Community Building.

Subsequent year's expenditures – The portion of fund balance that is appropriated in the next year's budget.

Unassigned – The portion of fund balance that has not been restricted, committed, or assigned.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Subsequent Events

Management has evaluated subsequent events through January 15, 2021, the date the financial statements were available to be issued.

2. Deposits

All of the town's deposits are either insured or collateralized using the Pooling Method. Under this 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 their agents 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 with the escrow agent.

Because of the inability to measure the exact amount of collateral pledged for the town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the town's deposits had a carrying amount of \$277,557 and a bank balance of \$277,902. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

3. Receivables

Accounts receivable at the government-wide and governmental fund level at June 30, 2020 consist of the following amounts that are due primarily from other governments:

Ad valorem taxes.....	\$ 965
Utilities franchise tax.....	8,793
Local option sales tax.....	5,919
Refundable sales tax.....	330
Total.....	<u>\$ 16,007</u>

4. Allowance for Doubtful Accounts

Ad valorem taxes receivable at the government-wide and governmental fund level are reported net of allowance for uncollectible accounts of \$1,269.

5. Capital Assets

A summary of changes in capital assets follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 125,563	\$ -	\$ -	\$ 125,563
Construction in progress	<u>68,764</u>	<u>3,840</u>	<u>-</u>	<u>72,604</u>
Total	<u>194,327</u>	<u>3,840</u>	<u>-</u>	<u>198,167</u>
Capital assets being depreciated:				
Computer equipment	2,583	-	-	2,583
Furniture & equipment	3,803	-	-	3,803
Building & improvements	125,179	-	-	125,179
Infrastructure	<u>13,300</u>	<u>-</u>	<u>-</u>	<u>13,300</u>
Total capital assets being depreciated	<u>144,865</u>	<u>-</u>	<u>-</u>	<u>144,865</u>
Less accumulated depreciation:				
Computer equipment	1,354	364	-	1,718
Furniture & equipment	3,289	245	-	3,534
Building & improvements	18,375	3,429	-	21,804
Infrastructure	<u>3,574</u>	<u>332</u>	<u>-</u>	<u>3,906</u>
Total accum. depreciation	<u>26,592</u>	<u>4,370</u>	<u>-</u>	<u>30,962</u>
Total capital assets being depreciated (net)	<u>118,273</u>			<u>113,903</u>
Capital assets, net	<u>\$ 312,600</u>			<u>\$ 312,070</u>

Depreciation expense was charged to the governmental functions as follows:

General government	<u>\$ 4,370</u>
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Additions to capital assets during the year were comprised entirely of capital outlay.

6. Accounts Payable

Accounts payable at the government-wide level consist of amounts due to vendors and employees.

7. Deferred Inflows of Resources

The balance in deferred inflows of resources at year-end is composed of \$4,065 for ad valorem taxes.

8. Long-term Obligation

A. Installment Purchase

In June 2013, the Town entered into an installment agreement in the amount of \$165,000, due to a financial institution for the purchase of land and a building. The note is secured by the property, which had a book value of \$228,938 at June 30, 2020. Payments are scheduled for a 10 year amortization with annual payments of \$18,940 each which consist of principal and interest at 2.59% per annum. Principal and interest requirements are appropriated when due.

Annual debt service requirements for the installment loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021.....	\$ 17,542	\$ 1,399
2022.....	17,996	944
2023.....	<u>18,462</u>	<u>478</u>
	<u>\$ 54,000</u>	<u>\$ 2,821</u>

B. Changes in Long-term Obligation

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<i>By Type:</i>					
Note payable	<u>\$ 71,099</u>	<u>\$ -</u>	<u>\$ 17,099</u>	<u>\$ 54,000</u>	<u>\$ 17,542</u>

9. Risk Management

The town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The town carries commercial coverage for these risks of loss. The pool is self-sustaining through member premiums and provides coverage for workers' compensation up to statutory limits. The pool has reinsured through commercial companies for claims in excess of \$300,000 per occurrence up to statutory limits. There have been no significant reductions in insurance coverage in prior years, and settled claims resulting from these risks have not exceeded coverage in any of the past three years.

Other risks are insured through commercial insurance companies with nominal deductibles for exclusions of coverage. The town does not have flood coverage.

In accordance with North Carolina G.S. 159-29, the town's employees that have access to \$100 or more at any given time of the town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

10. Fund Balance

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

Total fund balance – General Fund	\$ 344,978
Less:	
Stabilization by State Statute	17,399
Streets – Powell Bill	62,458
Assigned to Community Building	24,846
Appropriated fund balance in 2021 budget	5,000
Available for appropriation	235,725

11. Related Party Transactions

During the year ended June 30, 2020, the Town contracted with Carolina Horticultural Services and paid \$12,956 for maintenance and improvements of Town property. The company is owned and operated by David Bragg, who is a Town of Peletier Commissioner.

GENERAL FUND

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

TOWN OF PELETIER, NC
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

Schedule 1
Page 1 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 42,500	\$ 47,814	\$ 5,314
Prior years	-	2,633	2,633
Penalties and interest	-	651	651
Total	<u>42,500</u>	<u>51,098</u>	<u>8,598</u>
Unrestricted intergovernmental:			
Beer and wine tax	2,900	3,187	287
Local option sales tax	15,000	21,628	6,628
Utilities franchise tax	40,000	39,896	(104)
Total	<u>57,900</u>	<u>64,711</u>	<u>6,811</u>
Restricted intergovernmental:			
FEMA reimbursement	-	29,920	29,920
Powell Bill allocation	24,000	20,194	(3,806)
Total	<u>24,000</u>	<u>50,114</u>	<u>26,114</u>
Other:			
Service fees	1,500	2,845	1,345
Rent	900	1,140	240
Total	<u>2,400</u>	<u>3,985</u>	<u>1,585</u>
Investment earnings	50	22	(28)
Total Revenues	<u>126,850</u>	<u>169,930</u>	<u>43,080</u>

TOWN OF PELETIER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

Schedule 1
Page 2 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Administration:			
Advertising		\$ 360	
Capital outlay		3,840	
Election expense		1,102	
Insurance - property/liability		6,399	
Miscellaneous		3,677	
Office supplies and expense		3,262	
Professional fees/acct. & audit		11,485	
Repairs and maintenance		7,302	
Salaries and payroll taxes		25,866	
Street lights		4,724	
Tax collection fees		1,117	
Telephone and internet		3,181	
Utilities	-	3,005	-
Total Administration	<u>93,909</u>	<u>75,320</u>	<u>18,589</u>
Streets:			
Street repairs and maintenance	<u>24,000</u>	<u>6,440</u>	<u>17,560</u>
Debt Service:			
Principal retirement	-	17,099	
Interest	-	1,841	-
Total Debt Service	<u>18,941</u>	<u>18,940</u>	<u>1</u>
Total Expenditures	<u>136,850</u>	<u>100,700</u>	<u>36,150</u>
Revenues Over/(Under) Expenditures	(10,000)	69,230	59,230
Other Financing Source:			
Appropriated fund balance	<u>10,000</u>	-	<u>10,000</u>
Net Change in Fund Balances	<u>\$ -</u>	69,230	<u>\$ 69,230</u>
Fund Balances - Beginning of Year		<u>275,748</u>	
Fund Balances - End of Year		<u>\$ 344,978</u>	

OTHER SCHEDULES

Schedule of Ad Valorem Taxes Receivable

Schedule of Current Year Tax Levy

TOWN OF PELETIER, NC
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2020

Schedule 2

<u>Fiscal Year</u>	<u>Uncollected Balance at June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance at June 30, 2020</u>
2019/20	\$ -	\$ 49,494	\$ 47,984	\$ 1,510
2018/19	1,734	-	809	925
2017/18	1,276	-	480	796
2016/17	1,114	-	427	687
2015/16	1,001	-	558	443
2014/15	698	-	409	289
2013/14	312	-	88	224
2012/13	228	-	39	189
2011/12	250	-	39	211
2010/11	138	-	78	60
	<u>\$ 6,751</u>	<u>\$ 49,494</u>	<u>\$ 50,911</u>	5,334
Less: allowance for uncollectible accounts				<u>(1,269)</u>
Ad valorem taxes receivable - net				<u>\$ 4,065</u>

Reconciliation with Revenues:

Ad valorem taxes	\$ 51,098
Abatements	464
Penalties and interest collected	<u>(651)</u>
Total collections	<u>\$ 50,911</u>

TOWN OF PELETIER, NC
SCHEDULE OF CURRENT YEAR TAX LEVY
For the Year Ended June 30, 2020

Schedule 3

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax Levy	\$ 89,989,091	\$ 0.055	\$ 49,494	\$ 46,207	\$ 3,287
Abatements	<u>(309,091)</u>	0.055	<u>(170)</u>	<u>(170)</u>	<u>-</u>
Totals	<u>\$ 89,680,000</u>		49,324	46,037	3,287
Less - uncollected tax at June 30, 2020			<u>(1,510)</u>	<u>(1,510)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 47,814</u>	<u>\$ 44,527</u>	<u>\$ 3,287</u>
Percentage of current year's taxes collected			96.94%	96.72%	100.00%