

FINANCIAL STATEMENTS
TOWN OF PINETOPS
PINETOPS, NORTH CAROLINA
FOR THE YEAR ENDED
JUNE 30, 2019

BOARD OF COMMISSIONERS

**BRENDA HARRELL
MAYOR**

**REVEREND FLORENCE PENDER
MAYOR PRO-TEM**

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COMMISSIONER**

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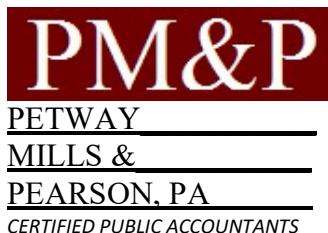
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FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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, the business-type activities and each major fund, of the Town of Pinetops, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, 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 8 through 17, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension

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Accountants

Medical Group
Management
Association

Asset and Contributions on pages 52 through 53, respectively, the Law Enforcement Officers' Special Separation Allowance Schedules in Total Pension Liability as a Percentage of Covered Payroll on pages 54 and 55, respectively and the Other Postemployment Benefits' Schedules of Funding Progress and Schedule of Employer Contributions, on page 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated February 14, 2020, on our consideration of the Town of Pinetops' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pinetops' internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

February 14, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis FY 2019

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

Financial Highlights

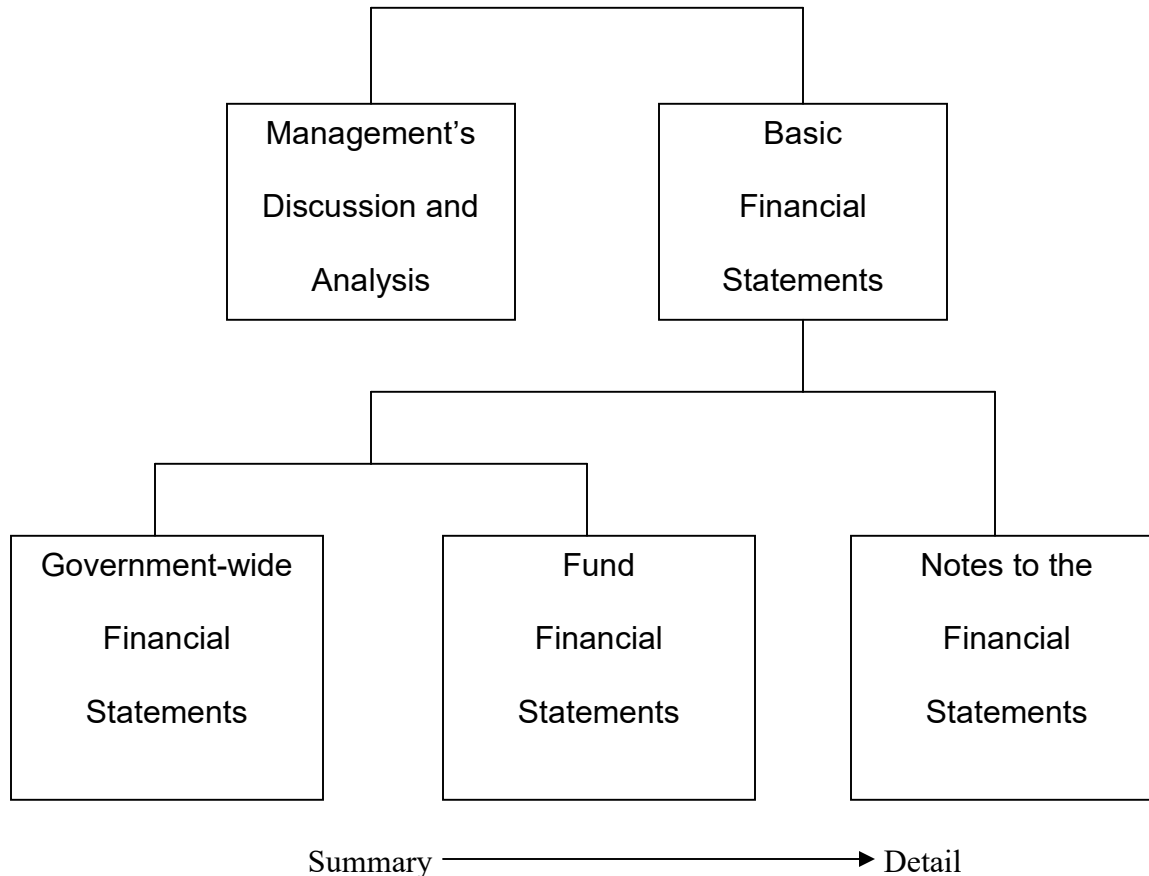
- The assets of the Town of Pinetops exceeded its liabilities at the close of the fiscal year by \$6,949,635 (net position).
- The government's total net position decreased by \$26,716 due to an increase in the business-type activities net position of \$249,543 and a decrease of \$276,259 in governmental activities net position.
- As of the close of the current fiscal year, the Town of Pinetops' governmental funds reported combined ending fund balances of \$472,862 a decrease of \$193,643 in comparison with the prior year. Approximately 62.55 % of this total amount, or \$295,785 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$969,602 or 68.28% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Pinetop'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 Pinetops.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town's individual funds.

Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The 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 they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

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

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Pinetops, 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 Pinetops can be divided into two categories: governmental funds and proprietary funds.

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

Town of Pinetops

The Town of Pinetops adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28 to 40 of this report.

Government-Wide Financial Analysis**The Town of Pinetops****Net position****Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 546,277	\$ 744,145	\$ 1,244,465	\$ 1,156,187	\$ 1,790,742	\$ 1,900,332
Capital assets	822,209	912,184	5,000,534	5,001,436	5,822,743	5,913,620
Deferred Outflow of Resources	146,171	90,055	120,167	76,143		
Total assets	1,514,657	1,746,384	6,365,166	6,233,766	7,613,485	7,813,952
Current liabilities	73,881	76,130	185,294	346,392	259,175	422,522
Long term liabilities	441,899	407,827	180,127	150,782	622,026	558,609
Deferred Inflows of Resources	29,275	16,566	19,712	9,100		
Total liabilities	545,055	500,523	385,133	506,274	881,201	981,131
Net position:						
Net investment in capital assets	586,825	663,625	4,964,028	4,958,327	5,550,853	5,621,952
Restricted	177,077	217,000	-	-	177,077	217,000
Unrestricted	205,700	365,236	1,016,005	772,163	1,221,705	1,137,399
Total net position	\$ 969,602	\$ 1,245,861	\$ 5,980,033	\$ 5,730,490	\$ 6,949,635	\$ 6,976,351

Town of Pinetops

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 Pinetops exceeded liabilities by \$6,949,635 as of June 30, 2019. The Town's net position decreased by \$26,716 for the fiscal year ended June 30, 2019. However, \$5,550,853 or 79.87% reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Pinetops uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pinetops' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Pinetops' net position, \$177,077 or 2.50% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 1,221,705 (17.63%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a high tax collection percentage when vehicle taxes are excluded. An improved system for determining resources allocated to local street maintenance allowed the Town to use restricted funds for this purpose.

Management Discussion and Analysis-FY 2019
Town of Pinetops

Town of Pinetops'
Changes in Net Position
Figure 3

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 108,091	\$ 134,746	\$ 3,438,750	\$ 3,416,336	\$ 3,546,841	\$ 3,551,082
Operating grants and contributions	78,710	46,858	-	-	78,710	46,858
Capital grants and contributions	-	69,383	286,522	-	286,522	69,383
General revenues:						
Property taxes	202,657	197,605	-	-	202,657	197,605
Other taxes	8,146	12,814	-	-	8,146	12,814
Other	500,016	387,499	85	97	500,101	387,596
Total revenues	897,620	848,905	3,725,357	3,416,433	4,622,977	4,265,338
Expenses:						
General government	321,002	385,627	-	-	321,002	385,627
Public safety	680,835	720,139	-	-	680,835	720,139
Transportation	270,503	310,499	-	-	270,503	310,499
Environmental protection	139,231	89,583	-	-	139,231	89,583
Interest on long-term debt	8,346	8,819	-	-	8,346	8,819
Water and sewer	-	-	981,259	630,313	981,259	630,313
Electric	-	-	2,248,517	2,659,251	2,248,517	2,659,251
Total expenses	1,419,917	1,514,667	3,229,776	3,289,564	4,649,693	4,804,231
Transfers	246,038	602,000	(246,038)	(602,000)	-	-
Increase in net position	(276,259)	(63,762)	249,543	(475,131)	(26,716)	(538,893)
Net position, beginning	1,245,861	1,309,623	5,730,490	6,205,621	6,976,351	7,515,244
Net position, ending	\$ 969,602	\$ 1,245,861	\$ 5,980,033	\$ 5,730,490	\$ 6,949,635	\$ 6,976,351

Governmental activities: Governmental activities decreased the Town's net position by \$522,297 before transfers.

Business-type activities: Business-type activities increased the Town of Pinetops net position by \$495,581 before transfers.

Financial Analysis of the Town Funds

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

Governmental Funds. The focus of the Town of Pinetops' 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. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Pinetops. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$205,700 while total fund balance reached \$969,602. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.45% of total General Fund expenditures.

At June 30, 2019, the governmental funds of Pinetops reported a combined fund balance of \$472,862 a 29% percent decrease over last year.

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

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$241,513 and those for the Electric Fund amounted to \$774,492. The change in net position for was a decrease in the Water and Sewer Fund of \$251,275 and an increase of \$500,818 for the Electric Fund. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Pinetops' investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$5,822,743 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Pinetops's
Capital Assets**

Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 47,300	\$ 47,300	\$ 37,100	\$ 37,100	\$ 84,400	\$ 84,400
Construction in progress	137,022	137,022	108,520	-	108,520	137,022
Buildings	381,284	392,046	-	-	381,284	392,046
Equipment and furniture	80,236	94,145	-	-	80,236	94,145
Plant & Distribution System	-	-	4,675,884	4,683,466	4,675,884	4,683,466
Vehicles and equipment	176,367	241,671	179,030	280,870	355,397	522,541
Total	\$ 822,209	\$ 912,184	\$ 5,000,534	\$ 5,001,436	\$ 5,685,721	\$ 5,913,620

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

Long-term Debt.

The Town of Pinetops' total debt decreased by \$19,778 during the past fiscal year.

**Town of Pinetops
Outstanding Debt
Note Payable**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment debt	\$ 235,384	\$ 248,559	\$ 36,506	\$ 43,109	\$ 271,890	\$ 291,668
	-	-	-	-	-	-
Total long term obligations	\$ 235,384	\$ 248,559	\$ 36,506	\$ 43,109	\$ 271,890	\$ 291,668

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Pinetops is \$4,518,158.

Additional information regarding the Town of Pinetops' long-term debt can be found in note III.B.6.b beginning on page 48 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- ABB is adding a significant number of employees to its operations which will increase utility collections

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: Property tax rates are stable while the staff has been very active in improving collections. The Town anticipates improved collections of prior years taxes. Budget expenditures are being held in check in order to improve the fund balance. The 2020 budget anticipates only requires expenditures during the year.

Business – type Activities: The overall water and sewer basic rates have no proposed increase. The electric rate has no proposed increase. The budgeted electric revenues and expenditures will increase slightly. The budgeted water and sewer revenues and expenditures will remain steady.

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 Natalie W. Bess, Town Administrator, Town of Pinetops, Post Office Drawer C, Pinetops, NC 27864. The town administrator can also be reached at (252) 827-4435, visit the town's website at www.pinetopsnc.com or send an email to town@pinetopsnc.com for more information.

BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 206,590	\$ 702,237	\$ 908,827
Restricted cash	149,467	128,906	278,373
Investments	114,836	-	114,836
Taxes receivable	47,774	-	47,774
Accrued interest receivable	42,756	-	42,756
Accounts receivable - trade	12,109	305,741	317,850
Internal balances	(32,062)	32,062	-
Due from other governments	4,807	20,708	25,515
Prepaid insurance	-	-	-
Inventory	-	54,811	54,811
Total Current Assets	546,277	1,244,465	1,790,742
Non-current Assets:			
Land, non-depreciable improvements, and construction in progress	184,322	145,620	329,942
Other capital assets, net of depreciation	637,887	4,854,914	5,492,801
Total Capital Assets	822,209	5,000,534	5,822,743
Total Assets	1,368,486	6,244,999	7,613,485
Deferred Outflows of Resources			
Contribution to pension plan in current fiscal year	31,945	28,329	60,274
Contribution to OPEB plan in current fiscal year	9,656	8,563	18,219
Contribution to LEO pension plan in current fiscal year	6,787	-	1,008
Pension deferrals	88,433	78,422	166,855
OPEB deferrals	5,472	4,853	10,325
LEO pension deferrals	3,878	-	3,878
Total Deferred Outflows of Resources	146,171	120,167	266,559
Liabilities:			
Current Liabilities:			
Accounts payable - trade	25,641	39,217	64,858
Customer deposits	-	128,906	128,906
Current portion of long-term debt	13,583	6,863	20,446
Compensated absences payable	34,657	10,308	44,965
Long Term Liabilities:			
Net pension liability	153,396	136,030	289,426
Total LEO pension liability	50,403	-	50,403
Net OPEB liability	16,299	14,454	30,753
Due in more than one year	221,801	29,643	251,444
Total Liabilities	515,780	365,421	881,201
Deferred Inflows of Resources			
Pension deferrals	4,436	3,933	8,369
OPEB deferrals	17,794	15,779	33,573
LEO pension deferrals	7,045	-	7,045
Total Deferred Inflows of Resources	29,275	19,712	48,987
Net Position:			
Net investment in capital assets	586,825	4,964,028	5,550,853
Restricted for:			
Stabilization by State Statute	27,610	-	27,610
Streets	149,467	-	149,467
Unrestricted	205,700	1,016,005	1,221,705
Total Net Position	\$ 969,602	\$ 5,980,033	\$ 6,949,635

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 321,002	\$ 500	\$ -	\$ -	\$ (320,502)	\$ -	\$ (320,502)
Public safety	680,835	-	35,418	-	(645,417)	-	(645,417)
Transportation	270,503	-	43,292	-	(227,211)	-	(227,211)
Environmental protection	139,231	107,591	-	-	(31,640)	-	(31,640)
Interest on long-term debt	8,346	-	-	-	(8,346)	-	(8,346)
Total Governmental Activities	1,419,917	108,091	78,710	-	(1,233,116)	-	(1,233,116)
Business-type Activities:							
Water and Sewer	981,259	657,025	-	286,522	-	(37,712)	(37,712)
Electric	2,248,517	2,781,725	-	-	-	533,208	533,208
Total Business-type Activities	3,229,776	3,438,750	-	286,522	-	495,496	495,496
Total Primary Government	\$ 4,649,693	\$ 3,546,841	\$ 78,710	\$ 286,522	(1,233,116)	495,496	(737,620)
General Revenues:							
Ad valorem taxes					202,657	-	202,657
Other taxes and licenses					8,146	-	8,146
Unrestricted intergovernmental					310,542	-	310,542
Unrestricted investment earnings					6,011	85	6,096
Miscellaneous					183,463	-	183,463
Transfers					246,038	(246,038)	-
Total General Revenues and Transfers					956,857	(245,953)	710,904
Change in net position					(276,259)	249,543	(26,716)
Net position, beginning,					1,245,861	5,730,490	6,976,351
Net position, ending					\$ 969,602	\$ 5,980,033	\$ 6,949,635

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

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

	Major Fund
	General Fund
Assets:	
Cash and cash equivalents	\$ 206,590
Restricted cash	149,467
Investments	114,836
Taxes receivable	47,774
Accrued interest receivable	12,109
Accounts receivable - trade	42,756
Due from other governments	4,807
Prepaid insurance	-
Total Assets	578,339
Liabilities:	
Accounts payable - trade and accrued liabilities	25,641
Due to from other funds	32,062
Total Liabilities	57,703
Deferred Inflows of Resources:	
Property taxes receivable	47,774
Total Deferred Inflows of Resources	47,774
Fund Balances:	
Non-spendable:	
Prepaid expenses	-
Restricted:	
Stabilization by State Statute	27,610
Streets	149,467
Unassigned	295,785
Total Fund Balances	472,862
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 578,339
Fund balances as reported in the balance sheet above:	\$ 472,862
Amounts reported for governmental activities in the statement of net position are different because:	
Contributions to the pension and OPEB plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	48,388
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	822,209
Pension related deferrals	68,508
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	47,774
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Compensated absences payable	(34,657)
Net Pension Liability	(153,396)
Total LEO pension liability	(50,403)
OPEB Liability	(16,299)
Notes payable	(235,384)
Net position of governmental activities	\$ 969,602

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

Exhibit 4

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

	<u>Major Fund</u>
	<u>General Fund</u>
Revenues:	
Ad valorem taxes	\$ 190,814
Unrestricted intergovernmental	314,172
Restricted intergovernmental	79,298
Sales and services	109,406
Investment earnings	5,327
Miscellaneous	186,764
Total Revenues	<u>885,781</u>
Expenditures:	
General government	288,279
Public safety	668,266
Transportation	208,165
Environmental protection	139,231
Debt Service:	
Principal	12,711
Interest	8,810
Capital Outlay	-
Total Expenditures	<u>1,325,462</u>
Revenues Over (Under) Expenditures	(439,681)
Other Financing Sources:	
Operating transfers in (out):	
Electric Fund	32,475
Water and Sewer Fund	213,563
Proceeds from sale of fixed assets	-
Total other financing sources	<u>246,038</u>
Net Change in Fund Balances	(193,643)
Fund Balances, Beginning of year	666,505
Fund Balances, End of year	<u><u>\$ 472,862</u></u>

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

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

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

Net change in fund balances - governmental funds	\$ (193,643)
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 depreciation exceeds capital outlays in the current period.	(89,975)
Revenues in the Statement of Activities that do not provide current financial resource are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	11,843
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	48,388
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	12,711
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.	
OPEB expenses	(3,131)
Pension expenses	(49,042)
Compensated absences	(13,410)
Total Change in Net Position of Governmental Activities	\$ (276,259)

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

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 214,925	\$ 214,925	\$ 190,814	\$ (24,111)
Unrestricted intergovernmental	285,475	285,475	314,172	28,697
Restricted intergovernmental	84,275	84,275	79,298	(4,977)
Sales and services	141,450	141,450	109,406	(32,044)
Investment earnings	2,700	2,700	5,327	2,627
Miscellaneous	35,425	35,425	186,764	151,339
Total Revenues	764,250	764,250	885,781	121,531
Expenditures:				
General Government	251,675	251,675	288,279	(36,604)
Public Safety	571,291	571,291	668,266	(96,975)
Transportation	149,708	149,708	208,165	(58,457)
Environmental Protection	50,750	50,750	139,231	(88,481)
Debt Service:				
Principal	12,745	12,711	12,711	-
Interest	8,819	8,853	8,810	43
Capital Outlay	-	-	-	-
Total Expenditures	1,044,988	1,044,988	1,325,462	(280,474)
Revenues Over (Under) Expenditures	(280,738)	(280,738)	(439,681)	(158,943)
Other Financing Sources (Uses):				
Operating transfers in (out)	246,038	246,038	246,038	-
Sale of capital assets	-	-	-	-
Appropriated fund balances	34,700	34,700	-	(34,700)
Total Other Sources (Uses)	280,738	280,738	246,038	(34,700)
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(193,643)</u>	<u>\$ (193,643)</u>
Fund Balances, Beginning of year			<u>666,505</u>	
Fund Balances, End of year			<u>\$ 472,862</u>	

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

Town of Pinetops, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

	Electric Fund	Water and Sewer Fund	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 626,582	\$ 75,655	\$ 702,237
Restricted cash	80,886	48,020	128,906
Due from other funds	32,062	-	32,062
Accounts receivable (net) - trade	162,639	143,102	305,741
Due from other governments	3,764	16,944	20,708
Prepaid insurance	-	-	-
Inventory	33,482	21,329	54,811
Total Current Assets	<u>939,415</u>	<u>305,050</u>	<u>1,244,465</u>
Noncurrent Assets:			
Capital Assets:			
Land and other non-depreciable assets	11,600	134,020	145,620
Other capital assets	1,454,713	10,169,173	11,623,886
Less: accumulated depreciation	(1,178,581)	(5,590,391)	(6,768,972)
Capital Assets (Net)	<u>287,732</u>	<u>4,712,802</u>	<u>5,000,534</u>
Total Noncurrent Assets	<u>287,732</u>	<u>4,712,802</u>	<u>5,000,534</u>
Total Assets	<u><u>\$ 1,227,147</u></u>	<u><u>\$ 5,017,852</u></u>	<u><u>\$ 6,244,999</u></u>
Deferred Outflows of Resources			
Contributions to pension plan	\$ 21,813	\$ 6,516	\$ 28,329
Contributions to OPEB plan	6,422	2,141	8,563
Pension deferrals	60,385	18,037	78,422
OPEB deferrals	3,640	1,213	4,853
Total deferred outflows of resources	<u>92,260</u>	<u>27,907</u>	<u>120,167</u>
Liabilities			
Current Liabilities:			
Accounts payable - trade	35,248	3,969	39,217
Due to other funds	-	-	-
Customer deposits	80,886	48,020	128,906
Compensated absences	10,308	-	10,308
Notes payable - current	6,863	-	6,863
Total Current Liabilities	<u>133,305</u>	<u>51,989</u>	<u>185,294</u>
Other Liabilities:			
Net Pension Liability	104,743	31,287	136,030
Net OPEB Liability	11,136	3,318	14,454
Notes payable - more than one year	29,643	-	29,643
Total Other Liabilities	<u>145,522</u>	<u>34,605</u>	<u>180,127</u>
Total Liabilities	<u>278,827</u>	<u>86,594</u>	<u>365,421</u>
Deferred Inflows of Resources			
Pension deferrals	3,028	905	3,933
OPEB deferrals	11,834	3,945	15,779
Total deferred inflows of resources	<u>14,862</u>	<u>4,850</u>	<u>19,712</u>
Net Position			
Net investment in capital assets	251,226	4,712,802	4,964,028
Unrestricted	774,492	241,513	1,016,005
Total Net Position	<u><u>\$ 1,025,718</u></u>	<u><u>\$ 4,954,315</u></u>	<u><u>\$ 5,980,033</u></u>

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

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

	Electric Fund	Water and Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 2,676,927	\$ 655,522	\$ 3,332,449
Other operating revenues	104,798	1,503	106,301
Total Operating Revenues	<u>2,781,725</u>	<u>657,025</u>	<u>3,438,750</u>
Operating Expenses:			
Administration and operations	812,108	705,641	1,517,749
Electrical power purchases	1,347,928	-	1,347,928
Water Sewer Sales	-	75,173	75,173
Depreciation	86,983	200,445	287,428
Total Operating Expenses	<u>2,247,019</u>	<u>981,259</u>	<u>3,228,278</u>
Operating Income (Loss)	<u>534,706</u>	<u>(324,234)</u>	<u>210,472</u>
Non-operating Revenues (Expenses):			
Interest on investments	85	-	85
Interest on long-term debt	(1,498)	-	(1,498)
Other	-	-	-
Total Non-operating Revenues (Expenses)	<u>(1,413)</u>	<u>-</u>	<u>(1,413)</u>
Income (Loss) before Contributions and Transfers	533,293	(324,234)	209,059
Grants	-	286,522	286,522
Transfers (to) from other funds	(32,475)	(213,563)	(246,038)
Total Contributions and Transfers	<u>(32,475)</u>	<u>72,959</u>	<u>40,484</u>
Change in Net Position	500,818	(251,275)	249,543
Net Position:			
Beginning of Year	524,900	5,205,590	5,730,490
End of Year	<u>\$ 1,025,718</u>	<u>\$ 4,954,315</u>	<u>\$ 5,980,033</u>

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

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

	Electric Fund	Water and Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 2,771,876	\$ 715,211	\$ 3,487,087
Cash paid for goods and services	(1,831,575)	(765,031)	(2,596,606)
Cash paid to or on behalf of employees	(444,584)	(156,002)	(600,586)
Customer deposits received (net)	(5,707)	(2,173)	(7,880)
Other operating revenues	104,798	1,503	106,301
Net Cash Provided (Used) By Operating Activities	<u>594,808</u>	<u>(206,492)</u>	<u>388,316</u>
Cash Flows from Non-Capital Financing Activities:			
Interfund activity	5,707	3,473	9,180
Transfers (to) from other funds	(32,475)	(213,563)	(246,038)
Net Cash Used By Non-Capital Financing Activities	<u>(26,768)</u>	<u>(210,090)</u>	<u>(236,858)</u>
Cash Flows from Capital and Related Financing Activities:			
Grants and other income	-	(286,522)	(286,522)
Proceeds from long-term debt	-	-	-
Principal paid on long-term debt	-	-	-
Interest paid on long-term debt	(1,498)	-	(1,498)
Acquisition of capital assets	-	286,522	286,522
Net Cash Used By Capital and Related Financing Activities	<u>(1,498)</u>	<u>-</u>	<u>(1,498)</u>
Cash Flows from Investing Activities:			
Interest earned on investments	85	-	85
Net Increase (Decrease) In Cash	566,627	(416,582)	150,045
Cash at Beginning of Year	140,841	540,257	681,098
Cash at End of Year	<u>\$ 707,468</u>	<u>\$ 123,675</u>	<u>\$ 831,143</u>

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

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

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating Income (Loss)	\$ 534,706	\$ (324,234)	\$ 210,472
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	86,983	200,445	287,428
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	119,502	(59,662)	59,840
(Increase) decrease in due from other governments	3,513	(8,694)	(5,181)
(Increase) decrease in inventory	-	-	-
(Increase) decrease in prepaids	-	-	-
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in deferred outflows of resources - pensions	(30,034)	(8,763)	(38,797)
Increase (decrease) in net pension liability	38,305	10,987	49,292
Increase (decrease) in deferred inflows of resources - pensions	(3,004)	(938)	(3,942)
Increase (decrease) in accounts payable and accrued liabilities	(144,260)	(14,376)	(158,636)
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in notes payable	(6,603)	-	(6,603)
Increase (decrease) in customer deposits	5,707	2,173	7,880
(Increase) decrease in deferred outflows of resources - OPEB	494	51	545
Increase (decrease) in deferred inflows of resources - OPEB	10,896	3,658	14,554
Increase (decrease) in net OPEB liability	(9,958)	(3,128)	(13,086)
Increase (decrease) in compensated absences	(11,439)	(4,011)	(15,450)
Total adjustments	<u>60,102</u>	<u>117,742</u>	<u>177,844</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 594,808</u></u>	<u><u>\$ (206,492)</u></u>	<u><u>\$ 388,316</u></u>

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

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Pinetops 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 Pinetops is a municipal corporation, which is governed by an elected mayor and local board. The Town has no component units (legally separate entities for which the Town is financially accountable).

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

Electric Fund – This fund is used to account for all the Town's electric fund operations.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special 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.

The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred inflows of resources at June 30, 2019 because they are intended to finance the Town's operations during the 2019 fiscal year.

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 because the tax is levied by Edgecombe County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Water and Sewer Fund and the Electric Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund which is consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$500. All amendments must be approved by the governing board. The budget ordinance must be

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

adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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-Cash 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. The NCCMTTerm Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

Restricted Cash

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

3. 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, 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.

4. Inventories and Prepaid Items

The inventories of the Town's enterprise funds are valued at cost (first-in, first-out) and consist of materials and supplies held for subsequent use, which approximates market.

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

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

5. 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 cost policies were established at \$5,000. 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. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	25 – 50
Buildings	30
Improvements	20 – 30
Vehicles	5 – 7
Furniture and equipment	5 – 10
Computer equipment	5

6. 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 four items that meet this criterion, contributions made to the pension plan in the 2019 fiscal year, pension deferrals, OPEB deferrals, and LEO pension deferrals. 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 four items that meets the criterion for this category – property taxes receivable, OPEB deferrals, LEO pension deferrals, and deferrals of pension expense that result from the implementation of GASB Statement 68.

7. Long-Term Obligations

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

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

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

8. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and 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 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 policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balances are composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balances 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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Town of Pinetops, North Carolina
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For the Year Ended June 30, 2019

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

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

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

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

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

10. Pensions

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

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. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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

None.

C. Excess of Expenditures over Appropriations

Town of Pinetops, North Carolina
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For the fiscal year ended June 30, 2019, the Town had expenditures in the General Fund exceed budgeted amounts by \$36,604 in general government, \$96,975 in public safety, \$58,457 in transportation and \$88,401 in environmental protection and in administration and operations in the Water fund by \$377,233. These excess expenditures were the result of the Town not properly amending their budget. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits and Investments

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, 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 policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,185,545 and a bank balance of \$1,211,361. Of the bank balance, \$309,833 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining \$901,509 was covered by collateral held under the pooling method. The Town's petty cash totaled \$1,654 at June 30, 2019.

2. Investments

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

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2019	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	Amortized Cost	\$114,836	N/A	AAA

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

3. Receivables - Allowances for Doubtful Accounts

Town of Pinetops, North Carolina
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The amounts presented in the Balance Sheet and the Statement of Net Position, are net of the following allowances for doubtful accounts:

Fund	June 30, 2019
General Fund	\$ 26,400
Electric	53,300
Water and Sewer	3,400
	<u>\$ 83,100</u>

4. Capital Assets

Primary Government

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

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 47,300	\$ -	\$ -	\$ 47,300
Construction in progress	137,022	-	-	137,022
Total capital assets not being depreciated	184,322	-	-	184,322
Capital assets being depreciated:				
Buildings and streets	664,959	-	-	664,959
Vehicles and motorized equipment	1,188,592	-	-	1,188,592
Equipment	258,910	12,380	-	271,290
Total capital assets being depreciated	2,112,461	12,380	-	2,124,841
Less accumulated depreciation for				
Buildings and streets	272,913	10,762	-	283,675
Vehicles and motorized equipment	946,921	65,304	-	1,012,225
Equipment	164,765	26,289	-	191,054
Total accumulated depreciation	1,384,599	\$ 102,355	\$ -	1,486,954
Total capital assets being depreciated, net	727,862			637,887
Governmental activity capital assets, net	<u>\$ 912,184</u>			<u>\$ 822,209</u>

Depreciation expense was charged to functions/programs of the governmental unit as follows:

General government	\$ 12,283
Transportation	74,719
Environmental protection	-
Public safety	15,353
Total	<u>\$ 102,355</u>

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Capital asset activity for the Town's business-type activities for the year ended June 30, 2019, was as follows:

Business-type activities:	Beginning Balances	Increases	Decreases	Ending Balances
Electric Fund:				
Capital assets not being depreciated				
Land	\$ 11,600	\$ -	\$ -	\$ 11,600
Capital assets being depreciated				
Plant and distributions systems	579,253	-	-	579,253
Vehicles and equipment	875,460	-	-	875,460
Total capital assets being depreciated	1,454,713	-	-	1,454,713
Less accumulated depreciation for				
Plant and distributions systems	470,690	9,145	-	479,835
Vehicles and equipment	620,908	77,838	-	698,746
Total accumulated depreciation	1,091,598	\$ 86,983	\$ -	1,178,581
Total capital assets being depreciated, net	363,115			276,132
Electric capital assets, net	\$ 374,715			\$ 287,732

	Beginning Balances	Increases	Decreases	Ending Balances
Water and Sewer Fund:				
Capital assets not being depreciated				
Land	\$ 25,500	\$ -	\$ -	\$ 25,500
Construction in progress	-	108,520	-	108,520
Total capital assets not being depreciated	25,500	108,520	-	134,020
Capital assets being depreciated				
Plant and distribution systems	9,867,587	178,002	-	10,045,589
Vehicles and equipment	123,583	-	-	123,583
Capital assets being depreciated	9,991,170	178,002	-	10,169,172
Less accumulated depreciation for				
Plant and distribution systems	5,269,536	199,587	-	5,469,123
Vehicles and equipment	120,409	858	-	121,267
Accumulated depreciation	5,389,945	\$ 200,445	\$ -	5,590,390
Capital assets being depreciated, net	4,601,225			4,578,782
Water and Sewer Fund capital assets, net	\$ 4,626,725			\$ 4,712,802

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Pinetops 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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 2 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only the North Carolina General Assembly. The Town 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's contractually required contribution rate for the year ended June 30, 2019 was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$60,274 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 \$289,426 for its proportionate share of the net pension liability. The new 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 asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative

Town of Pinetops, North Carolina
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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 0.01220%, which was a decrease of 0.00012% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$80,156. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,652	\$ 1,498
Changes of assumptions	76,802	-
Net difference between projected and actual earnings on pension plan investments	39,730	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,671	6,870
Employer contributions subsequent to the measurement date	60,274	-
Total	<u>\$ 227,129</u>	<u>\$ 8,368</u>

\$60,274 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Future amortization:

Year Ended June 30:

2020	\$ 74,587
2021	50,405
2022	9,103
2023	24,392
2024	-
Thereafter	-
	<u>\$ 158,487</u>

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 measurements.

Inflation	3.0 percent
Salary increase	3.50 to 8.10 percent, including inflation and Productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

Town of Pinetops, North Carolina
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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 measurements.

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 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 adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, an investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real 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:

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	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 695,226	\$ 289,426	\$ (49,667)

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. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Pinetops administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service.

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

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

Retirees receiving benefits	-
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	6
Total	<u>6</u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies*

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

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

3. *Actuarial Assumptions*

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

Inflation	3.00 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factors
Discount rate	3.16 percent

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

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

4. Contributions.

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

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

At June 30, 2019 the Town reported a total pension liability of \$50,403. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$6,871.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,265	\$ 4,445
Changes of assumptions	2,613	2,600
Benefit payments and administrative expenses subsequent to the measurement date	11,314	-
	<u>\$ 15,192</u>	<u>\$ 7,045</u>

\$11,314 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows.

Year Ended June 30:

2020	\$ 801
2021	801
2022	801
2023	801
2024	564
Thereafter	110
	<u>\$ 3,878</u>

Sensitivity of the Town's total pension liability to changes in the discount rate.

The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

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	1% Decrease (2.64)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 55,133	\$ 50,403	\$ 46,063

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

	2019
Beginning balance	\$ 43,577
Service cost	6,173
Interest on the total pension liability	1,377
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	1,496
Changes of assumptions or other inputs	(2,220)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 50,403</u>

The plan currently uses mortality tables that vary by age and health status (i.e. disables 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.

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

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

Town of Pinetops, North Carolina
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	LGERS	LEOSSA	Total
Pension Expense	\$ 80,156	\$ 6,871	\$ 87,027
Pension Liability	289,426	50,403	339,829
Proportionate share of the net pension liability	0.01220%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	44,652	1,265	45,917
Changes of assumptions	76,802	2,613	79,415
Net difference between projected and actual earning on plan investments	39,730	-	39,730
Changes in proportion and differences between contributions and proportionate share of contributions	5,671	-	5,671
Benefit payments and administrative costs paid subsequent to the measurement date	60,274	11,814	72,088
Deferred Inflows of Resources			
Differences between expected and actual experience	1,498	4,445	5,943
Changes of assumptions	-	2,600	2,600
Net difference between projected and actual earning on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,870	-	6,870

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan, administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town's contributions for the year ended June 30, 2019 were \$21,130. The contributions from the law enforcement officers were \$14,915.

d. Other Post-Employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. Prior to August 1, 2011, retirees qualified for benefits similar to those of employees after a minimum of five years of creditable service with the Town. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Employees hired on or after August 1, 2011 who retire with a

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

minimum of 20 years of creditable service also have the option of purchasing coverage for themselves and dependents at the Town's group rate. Employees hired on or after August 1, 2011 who retire with less than 20 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	16
Total	16

Total OPEB Liability

The Town's total OPEB liability of \$30,753 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Medical – 5.5%
	Prescription – 7.50%
	Admin Expenses – 3.00%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability as of July 1, 2017	\$ 58,595
Changes for the year:	
Service cost	4,679
Interest	2,086
Changes of benefit terms	-
Differences between expected and actual experience	(35,691)
Changes in assumptions or other inputs	1,084
Benefit payments	-
Other	-
Net Changes	\$ (27,842)
Total OPEB Liability as of June 30, 2018	\$ 30,753

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

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 2017 through June 2018.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.89%)	1% Increase
Total OPEB Liability	\$ 27,340	\$ 30,753	\$ 34,594

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate (Medical – 5.5%, Prescription – 7.5%, Admin Expenses – 3.0%)	1% Increase
Total OPEB Liability	\$ 33,766	\$ 30,753	\$ 27,971

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$8,308. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,370	\$ 31,447
Changes of assumptions	955	2,126
Town benefit payments and plan administrative expenses made subsequent to the measurement date	18,219	-
Total	<u>\$ 28,544</u>	<u>\$ 33,573</u>

\$18,219 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:

2020	\$	2,480
2021		2,480
2022		2,480
2023		2,480
2024		3,411
Thereafter		9,917
	\$	<u>23,248</u>

f. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2019, the Town made contributions to the State for death benefits of \$3,132. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to the pension plan in the current fiscal year -	
LGERS/LEO	\$ 61,282
OPEB contributions to the plan in the current year	18,219
Pension deferrals - LGERS	166,855
Pension deferrals - LEO	3,878
OPEB deferrals	10,325
	<u>\$ 260,559</u>

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

General Fund:	
Taxes receivable	<u>\$ 47,774</u>
	<u>\$ 47,774</u>
Government-wide Activities:	
Pension deferrals - LGERS	\$ 8,369
Pension deferrals - LEO	7,045
OPEB deferrals	33,573
	<u>\$ 48,987</u>

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

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$50,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance for another \$5,000,000 of coverage per structure.

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

4. Long-Term Obligations

Governmental Activities

The Town entered into a direct borrowing agreement with the United States Department of Agriculture (USDA) for the purchase of a garbage/recycle truck in the amount of \$225,000 on April 7, 2017. The Town obtained a 20 year note with an interest rate of 3.375 percent. The Town will pay \$15,654 yearly with the final payment due on April 7, 2037. The Town made payments of \$8,332 for the year ended June 30, 2019.

The Town entered into a direct borrowing agreement with the United States Department of Agriculture (USDA) for the purchase of police vehicles in the amount of \$85,800 on May 5, 2017. This note is split between the General Fund (42%) and the Electric Fund (58%). The Town obtained a 7 year note with an interest rate of 3.375 percent. The Town will pay \$13,968 yearly with the final payment due on May 5, 2024. The Town made payments of \$11,446 for the year ended June 30, 2019.

At June 30, 2019, the Town of Pinetops has a legal debt margin of \$4,075,630.

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

a. Changes in Long-Term Liabilities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Governmental activities:					
Total LEO liability	\$ 43,577	\$ 6,826	\$ -	\$ 50,403	\$ -
Net OPEB liability	31,055	-	14,756	16,299	-
Net pension liability	97,811	55,585	-	153,396	-
Compensated absences	21,246	13,411	-	34,657	34,657
USDA installment purchases	248,559	-	13,175	235,384	13,583
Governmental activity long-term liabilities	<u>\$ 442,248</u>	<u>\$ 75,822</u>	<u>\$ 27,931</u>	<u>\$ 490,139</u>	<u>\$ 48,240</u>
Business-type activities:					
Electric Fund:					
OPEB liability	\$ 27,540	\$ -	\$ 16,404	\$ 11,136	\$ -
Net pension liability	66,438	38,305	-	104,743	-
Compensated absences	21,747	-	11,439	10,308	10,308
USDA installment purchase	43,109	-	6,603	36,506	6,603
Total Electric Fund	<u>158,834</u>	<u>38,305</u>	<u>34,446</u>	<u>162,693</u>	<u>16,911</u>
Water and Sewer Fund:					
Installment purchases	-	-	-	-	-
OPEB liability	6,446	-	3,128	3,318	-
Net pension liability	20,300	10,987	-	31,287	-
Compensated absences	4,011	-	4,011	-	-
Total Water and Sewer Fund	<u>30,757</u>	<u>10,987</u>	<u>7,139</u>	<u>34,605</u>	<u>-</u>
Total Business-type activities	<u>\$ 189,591</u>	<u>\$ 49,292</u>	<u>\$ 41,585</u>	<u>\$ 197,298</u>	<u>\$ 16,911</u>

Annual debt service requirements to maturity for long-term debt obligations are as follows:

Governmental Activities			
Year Ending June 30	Principal	Interest	Total
2019	\$ 13,175	\$ 8,389	\$ 21,564
2020	13,620	7,945	21,565
2021	14,079	7,485	21,564
2022	14,555	7,009	21,564
2023	15,046	6,518	21,564
2024-2028	58,331	25,854	84,185
2029-2033	62,115	16,155	78,270
2034-2038	57,638	4,978	62,616
	<u>\$ 248,559</u>	<u>\$ 84,333</u>	<u>\$ 332,892</u>
Business-Type Activities			
Year Ending June 30	Principal	Interest	Total
2019	\$ 6,603	\$ 1,455	\$ 8,058
2020	6,826	1,232	8,058
2021	7,056	1,002	8,058
2022	7,294	763	8,057
2023	7,540	517	8,057
2024-2028	7,790	269	8,059
	<u>\$ 43,109</u>	<u>\$ 5,238</u>	<u>\$ 48,347</u>

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

5. 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	\$ 472,862
Less:	
Nonspendable - prepaid expenses	-
Restricted - Stabilization by State Statute	27,610
Restricted - Streets	149,467
Remaining Fund Balance	\$ 295,785

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

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

V. Subsequent Events

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued, which is the date of the independent auditors' report. Subsequent events after that date have not been evaluated. The following subsequent event requires disclosure.

On July 31, 2019, the Town entered into a direct placement agreement with the State of North Carolina. The total amount owed under this agreement will be \$622,340. Annual principal payments and interest of \$31,117 are due beginning May 1, 2020.

VI. Related Party Transactions

During the year, Commissioner Joyce Tolson was paid \$300 per month to assist families with burial needs at Pineview Cemetery. Commissioner Tolson was paid \$3,600 during the year. These payments were voted on and approved by the Board on February 2, 2010.

VII. Transfers

During the year, the Electric Fund transferred \$32,475 and the Water & Sewer Fund transferred \$213,563 to the General Fund to finance operating expenses.

VIII. Internal Balances

The General Fund owes the Water and Sewer Fund Electric Fund \$32,062 for reimbursements of expenditures that were accrued at year-end.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of the Local Government Commission in North Carolina.

Schedule of Proportionate Share of the Net Pension Asset for the Local Government Employees' Retirement System

Schedule of Contributions for the Local Government Employees' Retirement System

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance

Schedule of Changes in the Total OPEB Liability

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

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Pinetops's proportion of the net pension liability (asset) (%)	0.01220%	0.01208%	0.01309%	0.01191%	0.01378%	0.01340%
Pinetops's proportion of the net pension liability (asset) (\$)	\$ 289,426	\$ 184,549	\$ 277,814	\$ 53,451	\$ (81,267)	\$ 40,622
Pinetops's covered-employee payroll	\$ 847,600	\$ 763,453	\$ 689,461	\$ 689,000	\$ 835,349	\$ 787,222
Pinetops's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.15%	24.17%	40.29%	7.76%	-9.73%	5.16%
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 Pinetops
Town of Pinetops's Contributions
Required Supplementary Information
Last Six Fiscal Years**

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 60,274	\$ 66,213	\$ 58,033	\$ 47,752	\$ 49,515	\$ 59,572
Contributions in relation to the contractually required contribution	60,274	66,213	58,033	47,752	49,515	59,572
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pinetops's covered-employee payroll	\$ 748,518	\$ 847,600	\$ 763,453	\$ 689,461	\$ 689,000	\$ 835,349
Contributions as a percentage of covered-employee payroll	8.05%	7.81%	7.60%	6.93%	7.19%	7.13%

Town of Pinetops
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 43,577	\$ 40,174	\$ 34,740
Service cost	6,173	4,486	5,415
Interest on the total pension liability	1,377	1,551	1,240
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of th			
total pension liability	1,496	(6,387)	-
Changes of assumptions or other inputs	(2,220)	3,753	(1,221)
Benefit payments	-	-	-
Other changes	-	-	-
Ending Balance of the Total Pension Liability	<u>\$ 50,403</u>	<u>\$ 43,577</u>	<u>\$ 40,174</u>

Town of Pinetops
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 50,403	\$ 43,577	\$ 40,174
Covered Payroll	248,585	232,940	292,079
Total Pension Liability as a Percentage of Covered Payroll	20.28%	18.71%	13.75%

Notes to the schedules:

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

Town of Pinetops
Schedule of Changes in Total OPEB Liability
Required Supplementary Information
For the Year Ended June 30, 2019

Total OPEB Liability	2019	2018
Service Cost	\$ 4,679	\$ 4,955
Interest	2,086	1,718
Changes of benefit terms	-	-
Difference between expected and actual experience	(35,691)	13,600
Changes of assumptions	1,084	(3,086)
Benefit payments	-	(31,103)
Other	-	-
Net change in Total OPEB Liability	<u>(27,842)</u>	<u>(13,916)</u>
Total OPEB Liability - Beginning	58,595	72,511
Total OPEB Liability - Ending	<u><u>\$ 30,753</u></u>	<u><u>\$ 58,595</u></u>

MAJOR FUNDS

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad Valorem Taxes:			
Current year	\$ -	\$ 155,987	
Prior years	-	34,447	
Penalties and interest	-	380	
Total Ad Valorem Taxes	<u>214,925</u>	<u>190,814</u>	<u>(24,111)</u>
Unrestricted Intergovernmental:			
Beer and wine tax	-	5,492	
Sales tax refunds	-	19,700	
Solid waste disposal tax	-	1,128	
Local option sales tax	-	265,886	
Utility sales tax	-	13,820	
Franchise tax	-	-	
ABC	-	8,146	
Total Unrestricted Intergovernmental	<u>285,475</u>	<u>314,172</u>	<u>28,697</u>
Restricted Intergovernmental:			
Powell Bill allocation	-	43,292	
NC Department of Highways	-	-	
Fire Department grant	-	30,662	
Police Department grant	-	3,000	
USDA grant	-	-	
Step Grant	-	2,344	
Total Restricted Intergovernmental	<u>84,275</u>	<u>79,298</u>	<u>(4,977)</u>
Sales, Services and Fees:			
Cemetery sales	-	500	
Business registration fee	-	-	
Garbage collection fee	-	107,591	
Other fees	-	1,315	
Total Sales, Services and Fees	<u>141,450</u>	<u>109,406</u>	<u>(32,044)</u>
Investment Earnings	<u>2,700</u>	<u>5,327</u>	<u>2,627</u>
Miscellaneous:			
District Court fees	-	326	
Other	-	186,438	
Total Miscellaneous	<u>35,425</u>	<u>186,764</u>	<u>151,339</u>
Total Revenues	<u>764,250</u>	<u>885,781</u>	<u>121,531</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	48,125	49,853	
Other operating expenses	7,000	6,534	
Total Governing Body	<u>55,125</u>	<u>56,387</u>	<u>(1,262)</u>
Administration:			
Salaries and employee benefits	15,922	20,801	
Capital Outlay	-	-	
Operating expenses	180,628	211,091	
Total Administration	<u>196,550</u>	<u>231,892</u>	<u>(35,342)</u>
Total General Government	<u>251,675</u>	<u>288,279</u>	<u>(36,604)</u>
Public Safety:			
Police Department:			
Salaries and employee benefits	413,355	507,778	
Other operating expenditures	69,936	76,293	
Capital outlay	-	-	
Total Police Department	<u>483,291</u>	<u>584,071</u>	<u>(100,780)</u>
Fire and Rescue:			
Operating expenses	88,000	84,195	
Capital outlay	-	-	
Total Fire and Rescue	<u>88,000</u>	<u>84,195</u>	<u>3,805</u>
Total Public Safety	<u>571,291</u>	<u>668,266</u>	<u>(96,975)</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	65,522	71,574	
Operating expenses	39,911	38,483	
Powell Bill expenditures	44,275	98,108	
Total Transportation	<u>149,708</u>	<u>208,165</u>	<u>(58,457)</u>
Environmental Protection:			
Sanitation and Landfill:			
Salaries and employee benefits	43,850	62,073	
Operating expenses	6,900	77,158	
Total Environmental Protection	<u>50,750</u>	<u>139,231</u>	<u>(88,481)</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Debt Service:			
Interest and fees	8,853	8,810	-
Debt principal	12,711	12,711	-
Total Debt Service	<u>21,564</u>	<u>21,521</u>	<u>43</u>
 Total Expenditures	 <u>1,044,988</u>	 <u>1,325,462</u>	 <u>(280,474)</u>
 Revenues Over (Under) Expenditures	 <u>(280,738)</u>	 <u>(439,681)</u>	 <u>(158,943)</u>
 Other Financing Sources (Uses):			
Operating Transfers In (Out):			
Electric fund	32,475	32,475	-
Water and Sewer fund	213,563	213,563	-
Loan Proceeds	-	-	-
Sale of capital assets	-	-	-
Appropriated fund balance	34,700	-	(34,700)
Total Other Financing Sources (Uses)	<u>280,738</u>	<u>246,038</u>	<u>(34,700)</u>
 Revenues and Other Financing Sources			
(Uses) Over (Under) Expenditures	<u><u>\$ -</u></u>	<u><u>(193,643)</u></u>	<u><u>\$ (193,643)</u></u>
 Fund Balances:			
Beginning of year, July 1		<u>666,505</u>	
 End of year, June 30		<u><u>\$ 472,862</u></u>	

Town of Pinetops, North Carolina
Electric Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Operating Revenues:			
Charges for Services:			
Electricity sales	\$ 2,500,000	\$ 2,676,927	
Other Operating Revenues:			
Resale tax refund	-	-	
Franchise tax	-	-	
Sales and use taxes	75,000	104,798	
Total Operating Revenues	<u>2,575,000</u>	<u>2,781,725</u>	<u>206,725</u>
Non-operating Revenues:			
Interest income	-	85	
Other	-	-	
Total Non-operating Revenues	<u>-</u>	<u>85</u>	<u>85</u>
Total Revenues	<u>2,575,000</u>	<u>2,781,810</u>	<u>206,810</u>
Expenditures:			
Administration and Operations:			
Salaries and employee benefits	487,545	433,145	
Office supplies	4,800	962	
Utility sales taxes	120,925	111,128	
Insurance	33,550	24,864	
Professional services	21,625	15,026	
Utilities	30,650	31,042	
Capital outlay	-	54,240	
Other operating expenditures	248,979	143,024	
Total Administration and Operations	<u>948,074</u>	<u>813,431</u>	<u>134,643</u>
Electrical Power Purchases	<u>1,586,393</u>	<u>1,347,928</u>	<u>238,465</u>
Debt Service:			
Interest and fees	-	1,498	-
Debt principal	8,058	-	-
Total Debt Service	<u>8,058</u>	<u>1,498</u>	<u>6,560</u>
Total Expenditures	<u>2,542,525</u>	<u>2,162,857</u>	<u>379,668</u>
Revenues Over (Under) Expenditures	<u>32,475</u>	<u>618,953</u>	<u>586,478</u>

Other Financing Sources (Uses):

Town of Pinetops, North Carolina
Electric Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Transfers In (Out):			
General Fund	(32,475)	(32,475)	-
Proceeds from installment agreements	-	-	-
Appropriated Fund Balance	-	-	-
Total Other Financing Sources (Uses)	<u>(32,475)</u>	<u>(32,475)</u>	<u>-</u>
Revenues and Other Financing Sources			
Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 586,478</u>	<u>\$ 586,478</u>

Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:

Revenues and Other Financing Sources	
Over Expenditures and Other Uses	<u>\$ 586,478</u>
Reconciling Items:	
Capital outlay	-
Principal repayment on long-term debt	6,063
Depreciation expense	(86,983)
Increase (Decrease) in deferred outflows of resources - pensions	(30,034)
(Increase) Decrease in net pension liability	38,305
(Increase) Decrease in deferred inflows of resources - pensions	(3,004)
(Increase) Decrease in compensated absences	(11,439)
Net effect of OPEB liability	1,432
Total Reconciling Items	<u>(85,660)</u>
Net Income (Loss)	<u>\$ 500,818</u>

Town of Pinetops, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Operating Revenues:			
Charges for Services:			
Water and sewer sales	\$ 615,000	\$ 655,522	
Other Operating Revenues:			
Tapping fees and other	-	1,503	
Total Operating Revenues	<u>615,000</u>	<u>657,025</u>	<u>42,025</u>
Total Revenues	<u>615,000</u>	<u>657,025</u>	<u>42,025</u>
Expenditures:			
Administration and Operations:			
Salaries and employee benefits	169,077	176,626	
Utilities	70,675	75,173	
Maintenance and supplies	45,340	67,954	
Other operating expenditures	116,345	458,917	
Total Administration and Operations	<u>401,437</u>	<u>778,670</u>	<u>(377,233)</u>
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:			
Interest and fees	-	-	
Debt principal	-	-	
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>401,437</u>	<u>778,670</u>	<u>(377,233)</u>
Revenues Over (Under) Expenditures	<u>213,563</u>	<u>(121,645)</u>	<u>(335,208)</u>
Other Financing Sources (Uses):			
NCDEQ Grant	-	-	-
Rural Economic Development Center Grant	-	-	-
Operating Transfers In (Out):			
General Fund	(213,563)	(213,563)	-
Appropriated Fund Balance	-	-	-
Total Other Financing Sources (Uses)	<u>(213,563)</u>	<u>(213,563)</u>	<u>-</u>
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (335,208)</u>	<u>\$ (335,208)</u>

Town of Pinetops, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Financing Sources (Uses)			
Over (Under) Expenditures and Other Uses		\$ (335,208)	
Reconciling Items:			
Capital outlay		286,522	
Depreciation expense		(200,445)	
(Increase) Decrease in compensated absences		(4,011)	
Increase (Decrease) in deferred outflows of resources - pensions		(8,763)	
(Increase) Decrease in net pension liability		10,987	
(Increase) Decrease in deferred inflows of resources - pensions		(938)	
Net effect of OPEB liability		581	
Total Reconciling Items		<u>83,933</u>	
Net Income (Loss)		<u><u>\$ (251,275)</u></u>	

Town of Pinetops
H-SRP-D-17-0072 Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019

	Actual				Variance
	Project Authorization	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Revenues:					
CDBG	\$ 757,100	\$ -	\$ 70,720	\$ 70,720	\$ 686,380
Expenditures:					
Construction	757,100	-	70,720	70,720	686,380
Total expenditures	757,100	-	70,720	70,720	686,380
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Pinetops
H-SRP-D-17-1043 Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019

	Actual				Variance
	Project Authorization	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Revenues:					
CDBG	\$ 950,000	\$ -	\$ 37,800	\$ 37,800	\$ 912,200
Expenditures:					
Construction	950,000	-	37,800	37,800	912,200
Total expenditures	950,000	-	37,800	37,800	912,200
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

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

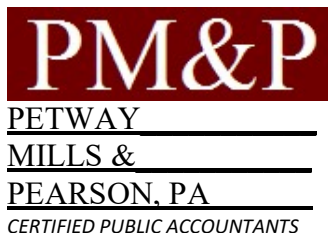
Year of Levy	Uncollected Balance July 1, 2018	Additions	Collections And Credits	Abatements/ Adjustments	Uncollected Balance June 30, 2019
2018	\$ -	\$ 204,467	\$ (180,179)	\$ -	\$ 24,288
2017	8,225	-	(2,503)	-	5,722
2016	7,157	-	(3,843)	-	3,314
2015	4,909	-	(2,332)	-	2,577
2014	4,666	-	(1,338)	-	3,328
2013	2,632	-	(901)	-	1,731
2012	1,658	-	(323)	-	1,335
2011	1,118	-	-	-	1,118
2010	1,581	-	(554)	-	1,027
2009	1,314	-	-	-	1,314
2008	2,230	-	(210)	-	2,020
Total	\$ 35,490	\$ 204,467	\$ (192,183)	\$ -	\$ 47,774

Reconcilement with Revenues:

Taxes - Ad Valorem (including penalties and interest)	\$ 190,814
Less penalties and interest	1,369
	<u>\$ 192,183</u>

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

	Total Property Valuation	Rate	Total	Property excluding Registered Vehicles	Registered Motor Vehicles
Original levy:					
Property tax at current rate	\$ 47,546,749	0.36	\$ 171,168	\$ 171,168	\$ -
Motor vehicles	8,930,224	0.36	33,299	-	33,299
Utilities	-	0.36	-	-	-
Senior Citizen Exemption	-	0.36	-	-	-
Total	56,476,973		204,467	171,168	33,299
Discoveries	-	0.36	-	-	-
Abatements & adjustments	-	0.36	-	-	-
Net Levy	<u>\$ 56,476,973</u>		204,467	171,168	33,299
Less uncollected taxes at June 30, 2019			(24,288)	(24,288)	-
Current year's taxes collected			<u>\$ 180,179</u>	<u>\$ 146,880</u>	<u>\$ 33,299</u>
Current levy collection percentage			<u>88.12%</u>	<u>85.81%</u>	<u>100.00%</u>



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Association

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

To the Honorable Mayor and Town Council
Town of Pinetops
Pinetops, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Pinetops, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Pinetops' basic financial statements, and have issued our report thereon dated February 14, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. Finding 2019-001.

Compliance and Other Matters

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

required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Finding 2019-01.

Town of Pinetop's Responses to findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

February 14, 2020

**Town of Pinetops, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2019**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

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

Noncompliance material to financial
statements noted? _____ yes X no

**Town of Pinetops, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2019**

Section I - Financial Statement Findings

Significant Deficiency

2019-001	Expenditures in Excess of Appropriations
Criteria:	North Carolina General Statutes require all moneys expended by a local government to be included in the budget.
Condition:	The Town's General Fund expenditures exceeded authorized appropriations made by the governing board for, General government by \$36,604, Public Safety by \$100,780, Transportation by \$58,457, Environmental Protection by \$88,481, and Water Administration and Operating by \$377,233.
Effect:	The Town did not comply with North Carolina General Statutes.
Cause:	The Town did not properly budget for expenses. This is mainly due to the Town not properly amending the budget for the above expenditures prior to year end.
Recommendation:	We recommend that the Town review budget to actual reports regularly and look more closely at expenditure accruals at year end to ensure that all expenditures related to the fiscal year are accounted for in the budget.
Views of responsible officials and planned	The Town agrees with this finding. The Town will review budget to actual reports regularly and look more closely at expenditure accruals at year end to ensure that all expenditures related to the fiscal year are accounted for in the budget.

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

Section I - Financial Statement Findings

Significant Deficiency

2019-001

Contact Person: Natalie Bess, Town Administrator

Corrective Action: The Town will review budget to actual reports regularly and look more closely at expenditure accruals at year end to ensure that all expenditures related to the fiscal year are accounted for in the budget.

Completion Date: June 30, 2020

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

There were no findings for the year ended June 30, 2018.

Town of Pinetops, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	CFDA Number	State / Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Total Expenditures
FEDERAL AWARDS					
U.S. Department of Housing and Urban Development					
Passed Through NC Department of Environmental Quality Division of Water Infrastructure					
Community Development Block Grant Program	14.228	H-SRP-D-17-0072	\$ 70,720	\$ -	\$ -
Community Development Block Grant Program	14.228	H-SRP-D-17-1043	37,800	-	-
TOTAL FEDERAL AWARDS			108,520	-	108,520
STATE AWARDS					
NC Department of Commerce					
Building Reuse Program		3184-F	-	178,002	178,002
NC Department of Transportation					
Powell Bill		DOT-4	-	98,108	98,108
TOTAL STATE AWARDS			-	276,110	384,630
TOTAL FEDERAL AND STATE AWARDS			\$ 108,520	\$ 276,110	\$ 384,630

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the Town under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. Because the Schedule presents only a selected portion of the operations of the Town of Pinetops, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Pinetops.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule of Expenditures of Federal and State Awards are reported on the modified accrual basis of accounting.

The Town of Pinetops has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.