

REVIEWED

By SLGFD at 10:15 am, Mar 28, 2022

FINANCIAL STATEMENTS

TOWN OF PIKEVILLE

PIKEVILLE, NORTH CAROLINA

JUNE 30, 2020

BOARD OF COMMISSIONERS

Charles Hooks, Mayor

James Gardner, commissioner

Stephen West, commissioner

Russell Carpenter, commissioner

Robert Hooks, commissioner

Lyman Galloway, commissioner

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Accountants

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Management
Association

Independent Auditors' Report

To the Honorable Mayor
and Members of the Board of Commissioners
Pikeville, 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 Pikeville, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Pikeville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Pikeville, North Carolina as of June

30, 2020, 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 9 through 19 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 51 and 52 ,respectively and the Law Enforcement Officer's Special Separation Allowance Schedule of Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll on pages 53 and 54 respectively, 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 Pikeville, North Carolina's basic financial statements. The budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2021 on our consideration of the Town of Pikeville, North Carolina's 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 and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pikeville, North Carolina's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

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

October 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

Financial Highlights

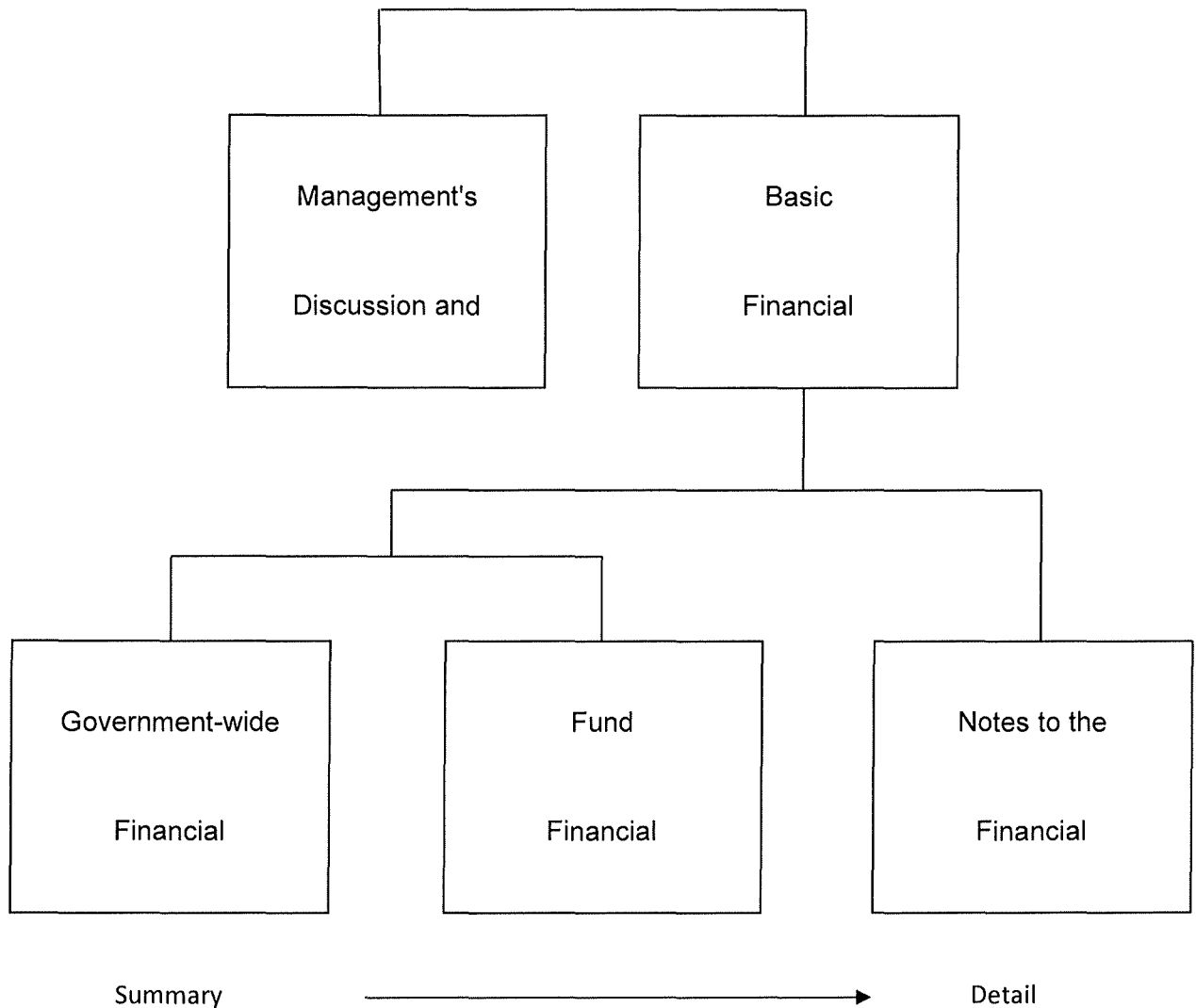
- The assets and deferred outflows of resources of the Town of Pikeville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,366,199 (*net position*).
- The government's total net position increased by \$1,900,777, primarily due to project grants of \$1,777,336.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$504,681, an increase of \$121,854 in comparison with the prior year. Approximately 40.28% of this total amount, or \$203,263, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$301,418 or 59.72% of total general fund expenditures for the fiscal year.
- The Town's total debt increased by \$1,268,357 (97.59%) during the current fiscal year due to capital project financing.

Overview of the Financial Statements

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

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.

Management Discussion and Analysis

Town of Pikeville

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental; 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 it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as 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.

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

Fund Financial Statements

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

Management Discussion and Analysis Town of Pikeville

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.

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

Proprietary Funds – The Town of Pikeville has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Pikeville uses an enterprise fund 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 begin on page 28 of this report.

Other Information – In addition to the basic financial statement and accompanying notes, this report includes certain required supplementary information concerning the Town of Pikeville's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 55.

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

Management Discussion and Analysis
Town of Pikeville

Government-Wide Financial Analysis

Town of Pikeville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 548,402	\$ 437,906	\$ 2,174,519	\$ 2,012,808	\$ 2,722,921	\$ 2,450,714
Capital assets	350,066	354,694	9,536,492	6,353,083	9,886,558	6,707,777
Deferred outflows of resources	64,903	91,932	59,267	38,168	124,170	130,100
Total assets and deferred outflows of resources	963,371	884,532	11,770,278	8,404,059	12,733,649	9,288,591
Long-term liabilities outstanding	194,232	188,326	2,788,730	1,351,417	2,982,962	1,539,743
Other liabilities	30,017	37,181	331,740	367,815	361,757	404,996
Deferred inflows of resources	20,456	20,459	2,275	4,258	22,731	24,717
Total liabilities and deferred inflows of resources	244,705	245,966	3,122,745	1,723,490	3,367,450	1,969,456
Net position:						
Net investment in capital assets	350,066	354,694	6,961,205	5,051,939	7,311,271	5,406,633
Restricted	203,263	345,797	-	232,401	203,263	578,198
Unrestricted	165,337	(61,925)	1,686,328	1,396,229	1,851,665	1,334,304
Total net position	\$ 718,666	\$ 638,566	\$ 8,647,533	\$ 6,680,569	\$ 9,366,199	\$ 7,319,135

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Pikeville exceeded liabilities and deferred inflows by \$9,366,199 as of June 30, 2020. The Town of Pikeville's net position increased by \$1,900,777 for the fiscal year ended June 30, 2020. However, the largest portion (78.06%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Pikeville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pikeville's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Pikeville's net position, \$203,263, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,851,665 is unrestricted.

Management Discussion and Analysis
Town of Pikeville

Town of Pikeville Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program revenues:						
Charges for services	\$ 105,552	\$ 92,435	\$ 1,685,235	\$ 1,601,281	\$ 1,790,787	\$ 1,693,716
Operating grants and contributions	77,090	64,073	139,001	-	216,091	64,073
Capital grants and contributions	-	-	1,777,336	-	1,777,336	-
General revenues:						
Property taxes	319,814	311,498	-	-	319,814	311,498
Other taxes	249,408	242,320	-	-	249,408	242,320
Grants and contributions not restricted to specific programs	-	-	-	353,648	-	353,648
Other	20,204	12,831	117,416	104,494	137,620	117,325
Total revenue	772,068	723,157	3,718,988	2,059,423	4,491,056	2,782,580
Expenses:						
General government	146,814	297,589	-	-	146,814	297,589
Public safety	360,165	279,374	-	-	360,165	279,374
Transportation	50,571	81,105	-	-	50,571	81,105
Economic and physical development	-	-	-	-	-	-
Environmental protection	84,434	79,594	-	-	84,434	79,594
Cultural and recreational	49,984	86,216	-	-	49,984	86,216
Electric	-	-	1,136,720	1,159,035	1,136,720	1,159,035
Water and Sewer	-	-	761,591	779,195	761,591	779,195
Total expenses	691,968	823,878	1,898,311	1,938,230	2,590,279	2,762,108
Increase/(decrease) in net position before transfers	80,100	(100,721)	1,820,677	121,193	1,900,777	20,472
Transfers	-	-	-	-	-	-
Increase/(decrease) in net position	80,100	(100,721)	1,820,677	121,193	1,900,777	20,472
Net position, July 1	638,566	739,287	-	6,559,376	638,566	7,298,663
Net position, beginning, restated	-	-	6,826,856	-	6,826,856	-
Net position, June 30	\$ 718,666	\$ 638,566	\$ 8,647,533	\$ 6,680,569	\$ 9,366,199	\$ 7,319,135

Governmental activities. Governmental activities decreased the Town's net position by \$80,100, thereby accounting for 4.21% of the total change in net position of the Town of Pikeville. Though a pandemic affected the Town, the increase in net position was the result of a concerted effort to control cost and manage expenditures to minimize the impact of the pandemic on its citizens. Town management reduced non-essential programs to a minimum and implemented cost saving strategies across Town departments. Certain nonrecurring expenses were either postponed or

Management Discussion and Analysis Town of Pikeville

renegotiated in an attempt to maintain a healthy net position. Increased efforts to maximize tax collections also contributed to the favorable net position. Though many of the Town's residents were hit hard by the pandemic, tax revenue did not appreciably decline in the current year. Town management acknowledges that 2020 was a more successful year and plans on continuing upon these approaches as a long-term strategy to realize continued fiscal health.

Business-type activities: Business-type activities increased the Town of Pikeville's net position by \$1,820,677.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Pikeville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Pikeville's financing requirements.

The general fund is the chief operating fund of the Town of Pikeville. At the end of the current fiscal year, Town of Pikeville's fund balance available in the General Fund was \$301,418, while total fund balance reached \$504,681. The Governing Body of Town of Pikeville has determined that the Town should maintain an available fund balance of 10.00% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 45.96% of general fund expenditures, while total fund balance represents 76.95% of the same amount.

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. There were several reasons the Town updated its budget throughout the year.

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 Electric Fund at the end of the fiscal year amounted to \$1,387,715 and those for the Water and Sewer Fund amounted to \$298,613. The total change in net position for both funds was \$74,653 and \$1,746,024 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Management Discussion and Analysis
Town of Pikeville

Capital Asset and Debt Administration

Capital assets. The Town of Pikeville's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$9,886,558 (net of accumulated depreciation). These assets include buildings, improvements, land, machinery and equipment, and vehicles.

There were no major capital asset transactions during the year.

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 139,821	\$ 139,821	\$ 225,800	\$ 225,800	\$ 365,621	\$ 365,621
Buildings and improvements	135,086	135,318	291	609	135,377	135,927
Substations, lines, and related equipment	-	-	4,751,626	4,871,767	4,751,626	4,871,767
Streets and sidewalks	3,606	3,830	-	-	3,606	3,830
Machinery and equipment	15,288	18,994	-	-	15,288	18,994
Vehicles and motorized equipment	56,265	56,731	63,888	41,978	120,153	98,709
Construction in progress	-	-	4,494,887	1,204,413	4,494,887	1,204,413
Total	\$ 350,066	\$ 354,694	\$ 9,536,492	\$ 6,344,567	\$ 9,886,558	\$ 6,699,261

Additional information on the Town of Pikeville's capital assets can be found in note III.A.2 of the Basic Financial Statements.

Management Discussion and Analysis
Town of Pikeville

Long Term Debt

As of June 30, 2020 the Town had total debt outstanding of \$2,982,962. Of this, \$2,515,344 is debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents bonds secured by specific revenue sources (e.g. revenue bonds).

Town of Pikeville's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment debt	\$ -	\$ -	\$ 134,344	\$ -	\$ 134,344	\$ -
General obligation bonds	-	-	150,000	175,000	150,000	175,000
Note Payable	-	-	2,231,000	880,000	2,231,000	880,000
Revenue bonds	-	-	187,101	244,744	187,101	244,744
Total OPEB Liability	-	-	-	-	-	-
Net Pension Liability (LGERS)	95,156	98,266	83,173	34,957	178,329	133,223
Total Pension Liability (LEO)	79,674	76,336	-	-	79,674	76,336
Compensated Absences	19,402	3,143	3,112	13,316	22,514	16,459
Total	\$ 194,323	\$ 177,745	\$ 2,788,730	\$ 1,348,017	\$ 2,982,962	\$ 1,525,762

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin of the Town of Pikeville is \$1,036,952.

Additional information regarding the Town of Pikeville's long-term debt can be found in Note III.4.A of this report.

Management Discussion and Analysis
Town of Pikeville

Economic Factors and Next Year's Budgets and Rates

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

Low unemployment. The Town of Pikeville's unemployment rate is below the State average.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

Property Tax rates will remain at .69 per \$100 valuation.

Business-type Activities:

The Water and Sewer rates will remain the same.

Requests for Information

This report is designed to provide an overview of the Town of Pikeville finances for those with an interest in the area. Questions concerning any of the information found in this report or requests for additional information should be directed to Mr. Michael Hunt, Administrator, Town of Pikeville, PO Box 9, Pikeville, NC 27863.

Town of Pikeville
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 190,229	\$ 1,858,428	\$ 2,048,657
Restricted cash	284,092	115,239	399,331
Taxes receivables (net)	12,269	-	12,269
Accounts receivable (net) - trade	8,847	194,398	203,245
Due from other governments	52,965	-	52,965
Due from other funds	-	6,453	6,453
Total current assets	548,402	2,174,518	2,722,920
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	139,821	4,720,687	4,860,508
Other capital assets, net of depreciation	210,348	4,815,805	5,026,153
Total capital assets	350,169	9,536,492	9,886,661
Total assets	898,571	11,711,010	12,609,581
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	21,031	18,381	39,412
Contributions to pension plan in current fiscal year - LEO	2,387	-	2,387
Pension deferrals	60,982	11,246	72,228
Pension deferrals - LEO	7,756	-	7,756
Total deferred outflows of resources	92,156	29,627	121,783
LIABILITIES			
Current liabilities:			
Accounts payable - trade	19,551	344,244	363,795
Accrued interest payable	-	43,379	43,379
Other accrued liabilities	10,466	6,169	16,635
Customer deposits	-	14,350	14,350
Long-term liabilities:			
Net pension liability	121,268	57,061	178,329
LEO net pension liability	79,674	-	79,674
Due within one year	19,402	2,344,644	2,364,046
Due in more than one year	-	360,913	360,913
Total liabilities	250,361	3,170,760	3,421,121
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	1,435	-	1,435
LEO pension deferrals	16,418	-	16,418
Pension deferrals	1,721	3,157	4,878
Total deferred inflows of resources	19,574	3,157	22,731
NET POSITION			
Net investment in capital assets	350,169	6,834,047	7,184,216
Restricted for:			
Streets	141,452	-	141,452
Cemetery	142,640	-	142,640
Stabilization by State Statue	60,397	-	60,397
Capital project	-	33,221	33,221
Unrestricted	26,134	1,699,452	1,725,586
Total net position	\$ 720,792	\$ 8,566,720	\$ 9,287,512

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

Town of Pikeville
Statement of Activities
For the Year Ended June 30, 2020

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 141,369	\$ 2,429	\$ 50,000	\$ -	\$ (88,940)	\$ -	\$ (88,940)	
Public safety	368,565	441	5,000	-	(363,124)	-	(363,124)	
Transportation	50,053	-	21,587	-	(28,466)	-	(28,466)	
Environmental protection	83,369	102,682	503	-	19,816	-	19,816	
Cultural and recreation	46,486	-	-	-	(46,486)	-	(46,486)	
Total governmental activities	689,842	105,552	77,090	-	(507,200)	-	(507,200)	
Business-type activities:								
Water and sewer	765,599	637,190	-	1,847,221	-	1,718,812	1,718,812	
Electric	1,137,121	1,048,045	-	139,001	-	49,925	49,925	
Total business-type activities	1,902,720	1,685,235	-	1,986,222	-	1,768,737	1,768,737	
Total primary government	\$ 2,592,562	\$ 1,790,787	\$ 77,090	\$ 1,986,222	(507,200)	1,768,737	1,261,537	
General revenues:								
Taxes:								
Property taxes, levied for general purpose					319,814	-	319,814	
Other taxes					249,408	-	249,408	
Unrestricted investment earnings					1,549	1,063	2,612	
Miscellaneous					18,655	116,351	135,006	
Total general revenues					589,426	117,414	706,840	
Change in net position					82,226	1,886,151	1,968,377	
Net position, beginning					638,566	6,680,569	7,319,135	
Net position, ending					\$ 720,792	\$ 8,566,720	\$ 9,287,512	

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

Exhibit 3

**Town of Pikeville
Balance Sheet
Governmental Funds
June 30, 2020**

	Major Funds General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 190,229	\$ 190,229
Restricted cash	284,092	284,092
Receivables, net:		
Taxes	12,269	12,269
Accounts	8,847	8,847
Due from other governments	52,965	52,965
Total assets	<u>548,402</u>	<u>548,402</u>
LIABILITIES		
Accounts payable - trade	19,551	19,551
Other accrued liabilities	10,466	10,466
Total liabilities	<u>30,017</u>	<u>30,017</u>
DEFERRED INFLOWS OF RESOURCES		
Prepaid taxes	1,435	1,435
Property taxes receivable	12,269	12,269
Total deferred inflows of resources	<u>13,704</u>	<u>13,704</u>
Fund balances:		
Restricted:		
Stabilization by State Statute	60,397	60,397
Cemetery	142,640	142,640
Streets	141,452	141,452
Unassigned	160,192	160,192
Total fund balances	<u>504,681</u>	<u>504,681</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 548,402</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	350,169
Net pension liability	(200,942)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	23,418
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	(19,402)
Pension related deferrals	50,599
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	12,269
Net position of governmental activities	<u>\$ 720,792</u>

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

Town of Pikeville
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Funds	Total Governmental
	General	Funds
REVENUES		
Ad valorem taxes	\$ 325,443	\$ 325,443
Unrestricted intergovernmental	249,408	249,408
Restricted intergovernmental	77,090	77,090
Permits and fees	840	840
Sales and services	104,712	104,712
Investment earnings	1,549	1,549
Miscellaneous	18,655	18,655
Total revenues	<u>777,697</u>	<u>777,697</u>
EXPENDITURES		
Current:		
General government	136,842	136,842
Public safety	330,630	330,630
Transportation	49,564	49,564
Environmental protection	79,700	79,700
Cultural and recreation	39,170	39,170
Debt service:		
Principal	-	-
Interest and other charges	-	-
Capital outlay	19,937	19,937
Total expenditures	<u>655,843</u>	<u>655,843</u>
Excess of revenues over (under) expenditures	<u>121,854</u>	<u>121,854</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from long-term debt	-	-
Proceeds from disposition of fixed assets	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balance	121,854	121,854
Fund balances, beginning	382,827	382,827
Fund balances, ending	<u>\$ 504,681</u>	<u>\$ 504,681</u>

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

Exhibit 5

Town of Pikeville
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$ 121,854
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	 (4,525)
 Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	 23,418
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Change in unavailable revenue for tax revenues	 (5,629)
 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.	 -
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Compensated absences Pension expense	 (5,678) (47,214)
 Total changes in net position of governmental activities	 <u>\$ 82,226</u>

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

**Town of Pikeville
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 324,000	\$ 316,500	\$ 325,443	\$ 8,943
Unrestricted intergovernmental	219,750	232,900	249,408	16,508
Restricted intergovernmental	71,000	27,000	77,090	50,090
Permits and fees	2,000	800	840	40
Sales and services	98,100	97,630	104,712	7,082
Investment earnings	300	300	1,549	1,249
Miscellaneous	2,675	2,500	18,655	16,155
Total revenues	717,825	677,630	777,697	100,067
Expenditures:				
Current:				
General government	189,750	153,775	136,842	16,933
Public safety	323,450	323,322	330,630	(7,308)
Transportation	180,350	42,091	49,564	(7,473)
Environmental protection	77,500	83,200	79,700	3,500
Cultural and recreation	53,550	43,200	39,170	4,030
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	-	19,937	19,937	-
Total expenditures	824,600	665,525	655,843	9,682
Revenues over (under) expenditures	(106,775)	12,105	121,854	109,749
Other financing sources (uses):				
Proceeds from installment purchases	-	-	-	-
Appropriated fund balance	106,775	(12,105)	-	12,105
Total other financing sources (uses)	106,775	(12,105)	-	12,105
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	121,854	\$ 121,854
Fund balances, beginning			382,827	
Fund balances, ending			\$ 504,681	

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

**Town of Pikeville
Statement of Net Position
Proprietary Funds
June 30, 2020**

	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,502,784	\$ 355,644	\$ 1,858,428
Restricted cash	82,018	33,221	115,239
Accounts receivable - trade (net) - billed	117,367	77,031	194,398
Due from other governments	-	6,453	6,453
Total current assets	1,702,169	472,349	2,174,518
Non-current assets			
Capital assets:			
Land and other non-depreciable assets	-	4,720,687	4,720,687
Other capital assets, net of depreciation	557,769	4,258,036	4,815,805
Capital assets (net)	557,769	8,978,723	9,536,492
Total non-current assets	557,769	8,978,723	9,536,492
Total assets	2,259,938	9,451,072	11,711,010
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	8,453	9,928	18,381
Pension deferrals	965	10,281	11,246
Total deferred outflows of resources	9,418	20,209	29,627
LIABILITIES			
Current liabilities:			
Accounts payable - trade	144,814	199,430	344,244
Accrued interest payable	7,246	36,133	43,379
Other accrued liabilities	6,169	-	6,169
Due to other funds	-	-	-
Customer deposits	14,350	-	14,350
Compensated absences - current	1,030	2,082	3,112
General obligation bonds payable - current	-	2,231,000	2,231,000
Revenue bond payable - current	59,943	25,000	84,943
Installment purchase obligation - current	25,589	-	25,589
Total current liabilities	259,141	2,493,645	2,752,786
Noncurrent liabilities:			
Other noncurrent liabilities:			
Net pension liabilities	22,590	34,471	57,061
General obligation bonds payable - noncurrent	-	-	-
Revenue bond payable - noncurrent	127,158	125,000	252,158
Installment purchase obligation - noncurrent	108,755	-	108,755
Total noncurrent liabilities	258,503	159,471	417,974
Total liabilities	517,644	2,653,116	3,170,760
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	916	2,241	3,157
NET POSITION			
Net investment in capital assets	236,324	6,597,723	6,834,047
Restricted for capital project	-	33,221	33,221
Unrestricted	1,514,472	184,980	1,699,452
Total net position	\$ 1,750,796	\$ 6,815,924	\$ 8,566,720

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

Exhibit 8

Town of Pikeville
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,048,045	\$ 637,190	\$ 1,685,235
Other operating revenues	23,424	92,927	116,351
Total operating revenues	<u>1,071,469</u>	<u>730,117</u>	<u>1,801,586</u>
OPERATING EXPENSES			
Administration	136,447	83,658	220,105
Electric operations	254,938	-	254,938
Electric power purchases	699,721	-	699,721
Water treatment and distribution	-	183,869	183,869
Waste collection and treatment	-	221,497	221,497
Depreciation	38,261	193,645	231,906
Total operating expenses	<u>1,129,367</u>	<u>682,669</u>	<u>1,812,036</u>
Operating income (loss)	<u>(57,898)</u>	<u>47,448</u>	<u>(10,450)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	903	160	1,063
Interest and other charges	(7,754)	(82,930)	(90,684)
Total nonoperating revenue (expenses)	<u>(6,851)</u>	<u>(82,770)</u>	<u>(89,621)</u>
Income (loss) before contributions and transfers	<u>(64,749)</u>	<u>(35,322)</u>	<u>(100,071)</u>
Municipal contribution	-	69,885	69,885
Contributed capital - grants	139,001	1,777,336	1,916,337
Total income (loss) after contributions and transfers	<u>74,252</u>	<u>1,811,899</u>	<u>1,886,151</u>
Change in net position	74,252	1,811,899	1,886,151
Total net position, beginning	1,676,544	5,004,025	6,680,569
Total net position, ending	<u>\$ 1,750,796</u>	<u>\$ 6,815,924</u>	<u>\$ 8,566,720</u>

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

Town of Pikeville
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,018,959	\$ 619,518	\$ 1,638,477
Cash paid for goods and services	(829,138)	(336,602)	(1,165,740)
Cash paid to or on behalf of employees for services	(133,633)	(160,208)	(293,841)
Net customer deposits	(850)	-	(850)
Other operating revenues	23,424	92,927	116,351
Net cash provided (used) by operating activities	<u>78,762</u>	<u>215,635</u>	<u>294,397</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers	-	-	-
Net cash (used) provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(133,357)	(3,281,958)	(3,415,315)
Bond anticipation notes issued	-	2,231,000	2,231,000
Installment purchase obligation issued	134,344	-	134,344
Principal payments on loans	(57,643)	(905,000)	(962,643)
Contributed capital - grants	139,001	1,777,336	1,916,337
Interest paid on bond maturities and equipment contracts	(7,754)	(82,930)	(90,684)
Net cash (used) by capital and related financing activities	<u>74,591</u>	<u>(261,552)</u>	<u>(186,961)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	903	160	1,063
Net cash provided by investing activities	<u>903</u>	<u>160</u>	<u>1,063</u>
Net increase (decrease) in cash and cash equivalents	154,256	(45,757)	108,499
Balances, beginning	1,430,546	434,622	1,865,168
Balances, ending	<u>\$ 1,584,802</u>	<u>\$ 388,865</u>	<u>\$ 1,973,667</u>

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

**Town of Pikeville
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020**

	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ (57,898)	\$ 47,448	\$ (10,450)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	38,261	193,645	231,906
Pension Expense	9,588	77,988	87,576
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(29,086)	(17,672)	(46,758)
Increase (decrease) in accounts payable - trade	120,323	(70,499)	49,824
Increase (decrease) in other accrued liabilities	(984)	(5,663)	(6,647)
Increase (decrease) in customer deposits	(850)	-	(850)
Increase (decrease) in compensated absences	(592)	(9,612)	(10,204)
Total adjustments	136,660	168,187	304,847
Net cash provided by operating activities	\$ 78,762	\$ 215,635	\$ 294,397

Noncash investing, capital, and financing activities:

None.

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

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Pikeville (the Town) 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 Pikeville is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the financial activity of the Town.

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 fund:

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

The Town reports the following major enterprise funds:

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

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

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

C. Measurement Focus and Basis of Accounting

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues included all taxes.

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

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 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 procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Wayne 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,

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances (when they exist) are adopted for the Grant Projects, Special Revenue Funds, and Projects Funds, which are 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. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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 Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill cash has been restricted as required by the North Carolina Department of Transportation. Cash held for the operation of the Cemetery is restricted. Water and Sewer Fund cash is restricted to capital projects.

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Town of Pikeville Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 141,452
Cemetery	142,640
Total governmental activities	<u>284,092</u>
Business-type Activities	
Electric Fund	
Customer deposits	14,350
Debt Service	67,668
Water and Sewer Fund	
Sewer Capital Projects	<u>33,221</u>
Total Business-type Activities	<u>115,239</u>
Total Restricted Cash	<u><u>\$ 399,331</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Land, \$10,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$10,000; infrastructure, \$50,000; furniture and equipment, \$2,500; and vehicles, \$2,500. 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 cost. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

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

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Asset Class	Useful Lives
Infrastructure	30
Buildings	50
Improvements	10 to 25
Vehicles	6
Furniture and equipment	10
Computer Equipment	3

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet this criterion, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 360 hours earned vacation leave for employees with less than 20 years of service and 480 hours for employees with 20 or more years of service, with such leave being fully vested when earned after one year of service. The Town considers all accrued leaves as being a current liability.

The Town's sick leave policy provides for up to 20 days 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. The Town also allows certain employees to accrue time in lieu of overtime, with such leave being fully vested when earned.

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

11. 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:

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

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

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

Restricted for Stabilization by State Statute - 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.

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

Restricted for Cemetery – portion of fund balance that is restricted by revenue source for perpetual care of the cemetery and for future cemetery land purchases.

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

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

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

The Town of Pikeville 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-Town funds, Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Town Administrator has the authority to deviate from this policy if it is in the best interest of the Town.

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

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

2020-001 The Town exceeded its approved budget for police by \$7,308, transportation by \$7,473, and electrical operations by \$7,938.

2020-003 The Town did not maintain complete and accurate financial data.

2020-004 The Town's audit report was submitted late.

2020-005 The Town lacks effective internal controls.

2. Contractual Violations

2020-002 The Town did not meet the terms of their revenue bonds debt covenants, due to having a debt service coverage ratio of less than 100%.

2020-006 The Town did not meet the terms of their NC Clean Water Revolving Loan and Grant agreement, due to not expending grant funds within three days of receipt.

B. Deficit Fund Balance or Net Position of Individual Funds

None.

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the 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, 2020, the Town's deposits had a carrying amount of \$2,447,938 and bank balances of \$2,450,841. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$50.

2. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 139,821	\$ -	\$ -	\$ 139,821
Capital assets being depreciated				
Buildings and improvements	330,413	10,279	-	340,692
Streets and sidewalks	156,238	-	-	156,238
Equipment	86,557	-	-	86,557
Vehicles and motorized equipment	281,161	9,658	-	290,819
Total assets being depreciated	854,369	19,937	-	874,306
Less accumulated depreciation				
Buildings and improvements	195,095	10,407	-	205,502
Streets and sidewalks	152,408	223	-	152,631
Equipment	67,563	3,707	-	71,270
Vehicles and motorized equipment	224,430	10,125	-	234,555
Total accumulated depreciation	639,496	\$ 24,462	\$ -	663,958
Governmental activity capital assets	<u>\$ 354,694</u>			<u>\$ 350,169</u>

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

General government	\$ 2,202
Public safety	10,029
Transportation	489
Environmental protection	3,180
Cultural and recreational	8,562
Total depreciation expense	<u>\$ 24,462</u>

Business – type capital assets consist of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Electric Fund				
Capital assets not being depreciated				
Land	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated				
Substations, lines, and related equipment	1,900,464	102,391	-	2,002,855
Buildings	10,717	-	-	10,717
Vehicles	56,860	30,966	-	87,826
Total capital assets being depreciated	1,968,041	133,357	-	2,101,398
Less accumulated depreciation for				
Substations, lines, and rel:	1,456,151	33,958	-	1,490,109
Buildings	10,108	318	-	10,426
Vehicles	39,109	3,985	-	43,094
Accumulated Depreciation	1,505,368	38,261	-	1,543,629
Capital assets, depreciated, net	462,673			557,769
Electric Fund capital assets, net	462,673			557,769
Water and Sewer Fund				
Capital assets not being depreciated				
Land	1,067,342	21,094	-	1,088,436
Construction in progress	371,387	3,260,864	-	3,632,251
Total capital assets not being depreciated	1,438,729	3,281,958	-	4,720,687
Capital assets being depreciated				
Plant and distribution systems	7,328,795	-	-	7,328,795
Vehicles	42,994	-	-	42,994
Total capital assets being depreciated	7,371,789	-	-	7,371,789
Less accumulated depreciation for				
Plant and distribution syst:	2,901,341	188,571	-	3,089,912
Vehicles	18,767	5,073	-	23,840
Accumulated Depreciation	2,920,108	193,644	-	3,113,752
Capital assets, depreciated, net	4,451,681			4,258,037
Water and Sewer Fund capital assets, net	5,890,410			8,978,724
Business-type activities capital assets, net	<u>6,353,083</u>			<u>9,536,493</u>

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Pikeville is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and 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 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$39,412 for the year ended June 30, 2020.

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

Town of Pikeville, North Carolina
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For the Fiscal Year Ended June 30, 2020

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, 2020, the Town reported a liability of \$178,329 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was .00653%, which was an increase of .00083% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$81,281. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 30,534	\$ -
Changes of assumptions	29,065	-
Net difference between projected and actual earnings on pension plan investments	4,350	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,279	4,878
Employer contributions subsequent to the measurement date	39,412	-
Total	<u>\$ 111,640</u>	<u>\$ 4,878</u>

\$39,412 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 net pension liability in the year ended June 30, 2021. 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	\$ 32,749
2021	10,104
2022	17,644
2023	6,853
2024	-
	<u>\$ 67,349</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic 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 liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension 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:

Town of Pikeville, North Carolina
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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	\$ 407,872	\$ 178,329	\$ (12,467)

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 Pikeville 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.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	3
Total	4

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 the terms of the plan.

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

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

Town of Pikeville, North Carolina
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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, 2018.

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

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$1,830 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, 2020, the Town reported a total pension liability of \$79,336. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$5,427.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ 5,840	\$ 13,851
Changes of assumptions	4,303	2,567
County benefit payments and plan administrative expense made subsequent to the measurement date	2,387	-
	<u>\$ 12,530</u>	<u>\$ 16,418</u>

\$2,387 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ (1,704)
2022	(1,704)
2023	(1,710)
2024	(1,157)
2025	-
Thereafter	-
Total	<u>\$ (6,275)</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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

Town of Pikeville, North Carolina
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For the Fiscal Year Ended June 30, 2020

	1% Decrease 2.26%	Discount Rate 3.26%	1% Increase 4.26%
Total pension liability	\$ 86,859	\$ 79,674	\$ 73,095

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

	<u>2020</u>
Beginning balance	\$ 76,336
Service Cost	3,829
Interest on the total pension liability	2,745
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(3,975)
Changes of assumptions or other inputs	2,569
Benefit payments	(1,830)
Other changes	-
Ending balance of the total pension liability	<u>\$ 79,674</u>

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

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

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.

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. Contributions for the year ended June 30, 2020 were \$14,045, which consisted of \$10,435 from the Town and \$3,610 from the law enforcement officers.

d. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple employer, State administrated 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

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

his/her death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows are as follows:

	Deferred Outflows	Deferred Inflows
Property taxes receivable (General Fund)	\$ -	\$ 12,269
Prepaid taxes	-	1,435
Pension Contributions	39,412	-
LEO pension deferrals	10,143	16,418
Pension deferrals	72,228	4,878
Total	<u>\$ 121,783</u>	<u>\$ 35,000</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases insurance to obtain the following types of major coverage for the amounts of retained risk noted: General liability (\$500,000), property (\$143,705 for equipment, \$108,000 for buildings), and worker's compensation (\$100,000 per occurrence).

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

The Town does not carry flood insurance, as management does not believe any significant bodies of water are located close enough to the Town to pose such a risk. Flooding during prior storms has not been a problem.

4. Long-Term Obligations

a. General Obligation Indebtedness

The Town has no general obligation bonds serviced by the governmental funds. The general obligation debts to finance the construction of facilities utilized in the operations of the electric system and the water and sewer system and which are being retired by their resources are reported as long-term debt in the appropriate fund. All general obligation debts are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Bonds payable at June 30, 2020 are comprised of the following individual issues:

Direct Placement General Obligation Bonds

Services by the Water and Sewer Fund:

Direct Placement - \$500,000 State of North Carolina Water and Sewer Revolving Loan dated 3/4/06 for sewer treatment facility improvements due in annual installments of \$25,000 plus interest at 2.27% \$ 150,000

Annual debt service requirements to maturity for long-term obligation is as follows:

Year Ending June 30	Total	Principal	Interest
2021	\$ 28,138	\$ 25,000	\$ 3,138
2022	27,838	25,000	2,838
2023	27,270	25,000	2,270
2024	26,703	25,000	1,703
2025	26,135	25,000	1,135
2026	25,568	25,000	568
	<u>\$ 161,652</u>	<u>\$ 150,000</u>	<u>\$ 11,652</u>

At June 30, 2020, the Town of Pikeville had no authorized but unissued bonds and legal debt margin of \$1,397,865.

b. Direct Placement Revenue Bonds

Electric system improvements. Annual installments of \$67,408 are due annually on July 19, including interest at 3.99% \$ 188,501

The future payments of the revenue bond for the years ending June 30, 2020 are as follows:

Year Ending June 30	Total	Principal	Interest
2021	\$ 67,408	\$ 59,943	\$ 7,465
2022	67,409	62,335	5,074
2023	68,809	66,223	2,586
	<u>\$ 203,626</u>	<u>\$ 188,501</u>	<u>\$ 15,125</u>

The Town is not in compliance with the bond covenants as to rates, fees, rentals and charges in Section 5.02 of the Bond Order, authorizing the issuance of the Electric Revenue Bonds, Series 2008. Section 5.02 of the Bond Order requires the debt service coverage ratio to be no less than 100%. The debt service coverage ratio calculation for the year ended June 30, 2020, is as follows:

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Electric Fund	
Operating revenues	\$ 1,071,469
Operating expenses *	1,091,106
Operating income	(19,637)
Nonoperating revenues (expenses)**	903
Income available for debt service	(18,734)
Debt service, principal and interest paid (Revenue Bond only)	\$ 67,408
Debt service coverage ratio	-27.79%

*Per rate covenants, this does not include the depreciation expense of \$38,621.

**Per rate covenants, this does not include revenue bond interest paid of \$7,584.

The Town has pledged future electric customer revenues, net of specified operating expenses, to repay \$750,000 in electric system revenue bonds issued in July, 2008. Proceeds from the bonds provided financing for the improvements to the entire electric systems. The bonds are payable solely from electric customers' net revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require less than 6 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$203,626. Principal and interest paid for the current year and total customer net revenues were \$67,408 and \$1,071,469, respectively.

c. Direct Borrowing

In July 2019, the Town entered into a direct borrowing in the amount of \$2,231,000. The direct borrowing bears interest at 3.70% per annum and is due on October 22, 2020. The Note is a special obligation of the Town payable solely from, and secured by a pledge, charge and lien upon, the proceeds of the sale of a like amount of revenue bonds of the Town and from the Net Revenues to the extent and as provided in the Bond Order and the Note Resolution.

d. Installment Purchase

In June 2020, the Town entered into a \$134,344 direct borrowing contract to finance the purchase of a truck and backhoe. The equipment is pledged as collateral for the debt while the debt is outstanding. The financing contract requires annual payments of \$28,840 including interest at 2.42%.

Annual debt service requirements to maturity for the long-term obligation is as follows:

Year Ending June 30	Total	Principal	Interest
2021	\$ 28,840	\$ 25,589	\$ 3,251
2022	28,840	26,208	2,632
2023	28,840	26,842	1,998
2024	28,840	27,492	1,348
2025	28,840	28,213	627
	<u>\$ 144,200</u>	<u>\$ 134,344</u>	<u>\$ 9,856</u>

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

e. Changes in Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term debt:

Governmental Activities

Debt	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020	Current Portion
LEO net pension liability	\$ 76,336	\$ 3,338	\$ -	\$ 79,674	\$ -
Net pension liability (LGERS)	98,266	23,002	-	121,268	-
Compensated absences	13,724	5,678	-	19,402	19,402
	<u>\$ 188,326</u>	<u>\$ 32,018</u>	<u>\$ -</u>	<u>\$ 220,344</u>	<u>\$ 19,402</u>

Business-type activities

Debt	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020	Current Portion
Direct Placement General obligation bonds	\$ 175,000	\$ -	\$ 25,000	\$ 150,000	\$ 25,000
Direct Placement Revenue Bonds	246,144	-	57,643	188,501	59,943
Direct Borrowing	880,000	2,231,000	880,000	2,231,000	2,231,000
Installment Purchase Obligation	-	134,344	-	134,344	25,589
Net pension liability (LGERS)	34,957	22,104	-	57,061	-
Compensated absences	13,316	-	10,204	3,112	3,112
	<u>\$ 1,349,417</u>	<u>\$ 2,387,448</u>	<u>\$ 972,847</u>	<u>\$ 2,764,018</u>	<u>\$ 2,344,644</u>

C. 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	\$ 504,681
Less:	
Stabilization by State Statute	60,397
Streets	141,452
Cemetery	142,640
Remaining Fund Balance	<u>\$ 160,192</u>

The Town of Pikeville has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

The Town of Pikeville 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-Town funds, Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The 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

Town of Pikeville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

V. COVID-19 Contingencies

During the year ended June 30, 2020, the COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2020, and additional impact on operational and financial performance may occur.

VI. Significant Effects of 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. The Town has not evaluated subsequent events after that date. There is one subsequent event that requires disclosure.

On April 13, 2021 the Local Government Commission impounded the books and assumed control of the financial affairs of the Town.

VII. Commitment

The Town has also entered into an agreement for electricity purchases until July 2031. Rates and charges vary under the terms of this agreement. The Town paid \$669,721 under the terms of this agreement for the year ended June 30, 2020.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Pikeville's proportion of the net pension liability (asset) (%)	0.00653%	0.00570%	0.00672%	0.00671%	0.00575%	0.00457%	0.00540%
Pikeville's proportion of the net pension liability (asset) (\$)	\$ 178,329	\$ 135,223	\$ 102,663	\$ 142,409	\$ 25,806	\$ (26,952)	\$ 65,091
Pikeville's covered-employee payroll	\$ 428,471	\$ 414,676	\$ 405,538	\$ 391,882	\$ 342,311	\$ 284,911	\$ 271,437
Pikeville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.62%	32.61%	25.32%	36.34%	7.54%	-9.46%	23.98%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	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 of all participant employers in the LGERS plan.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Pikeville
Town of Pikeville's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 39,412	\$ 34,360	\$ 37,995	\$ 30,473	\$ 24,819	\$ 23,384	\$ 20,925
Contributions in relation to the contractually required contribution	39,412	34,360	37,995	30,473	24,819	23,384	20,925
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pikeville's covered-employee payroll	\$ 432,647	\$ 428,471	\$ 414,676	\$ 405,538	\$ 391,882	\$ 342,311	\$ 284,911
Contributions as a percentage of covered-employee payroll	9.11%	8.02%	9.16%	7.51%	6.33%	6.83%	7.34%

Town of Pikeville
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020		2019		2018		2017
Beginning balance	\$ 76,336	\$	64,990	\$	75,200	\$	71,646
Service Cost	3,829		4,254		4,686		5,040
Interest on the total pension liability	2,745		2,025		2,867		2,524
Changes of benefit terms	-		-		-		-
Differences between expected and actual experience in the measureme of the total pension liability	(3,975)		10,056		(20,240)		-
Changes of assumptions or other inputs	2,569		(3,159)		4,307		(2,144)
Benefit payments	(1,830)		(1,830)		(1,830)		(1,866)
Other changes	-		-		-		-
Ending balance of the total pension liability	<u>\$ 79,674</u>	\$	<u>76,336</u>	\$	<u>64,990</u>	\$	<u>75,200</u>

Town of Pikeville
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020		2019		2018		2017
Total pension liability	\$ 79,674	\$	76,336	\$	64,990	\$	75,200
Covered payroll	150,809		119,692		146,240		198,467
Total pension liability as a percentage of covered payroll	52.83%		63.78%		44.44%		37.89%

Notes to the schedules:

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

Town of Pikeville
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 315,000	\$ 323,249	\$ 8,249
Penalties and interest	1,500	2,194	694
Total	<u>316,500</u>	<u>325,443</u>	<u>8,943</u>
Unrestricted intergovernmental:			
Local option sales taxes	170,000	186,909	16,909
Beer and wine tax	2,800	2,860	60
Telecommunication sales	10,000	8,988	(1,012)
Video tax	5,300	5,275	(25)
NC franchise tax	42,000	42,754	754
Gas tax refunds	2,800	2,622	(178)
Total	<u>232,900</u>	<u>249,408</u>	<u>16,508</u>
Restricted intergovernmental:			
Smart Communities Grant	5,000	5,000	-
NC Department of Commerce Grant	-	50,000	50,000
Powell Bill	21,500	21,587	87
Solid waste disposal tax	500	503	3
Total	<u>27,000</u>	<u>77,090</u>	<u>50,090</u>
Permits and fees:			
Building permits	800	840	40
Total	<u>800</u>	<u>840</u>	<u>40</u>
Sales and services:			
Court facility fees	500	441	(59)
Garbage collection fees	78,000	78,082	82
Cemetery lot sales	7,000	12,000	5,000
Grave opening fees	12,000	12,600	600
Park area rent	130	1,589	1,459
Total	<u>97,630</u>	<u>104,712</u>	<u>7,082</u>
Investment earnings	<u>300</u>	<u>1,549</u>	<u>1,249</u>
Miscellaneous	<u>2,500</u>	<u>18,655</u>	<u>16,155</u>
Total revenues	<u>677,630</u>	<u>777,697</u>	<u>100,067</u>

Town of Pikeville
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General Government:			
Governing Body:			
Salaries and benefits		8,074	
Insurance and bonding		3,600	
Other operating expenditures		713	
Total	11,925	12,387	(462)
Administration:			
Salaries and benefits		43,939	
Professional services		36,880	
Insurance and bonding		3,875	
Other operating expenditures		33,821	
Total	137,250	118,515	18,735
Tax Listing Costs:			
Tax collection fees		5,278	
Total	4,000	5,278	(1,278)
Elections:			
Election costs		662	
Total	600	662	(62)
Total general government	153,775	136,842	16,933
Public safety:			
Police:			
Salaries and benefits		242,695	
Vehicle maintenance and supplies		12,882	
Capital outlay		5,478	
Other operating expenditures		35,053	
Total	288,800	296,108	(7,308)
Fire:			
Contracted services - fire protection		40,000	
Total	40,000	40,000	-
Total public safety	328,800	336,108	(7,308)
Transportation:			
Streets:			
Salaries and benefits		13,755	
Street lights		16,353	
Vehicle maintenance and supplies		8,593	
Capital outlay		12,059	
Other operating expenditures		10,863	
Total transportation	54,150	61,623	(7,473)

Town of Pikeville
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Environmental protection:			
Solid Waste:			
Contracted services		64,129	
Other operating expenditures		4,595	
Total	70,950	68,724	2,226
Cemetery:			
Contracted services		10,700	
Other operating expenditures		276	
Total	12,250	10,976	(2,272)
Total environmental protection	83,200	79,700	3,500
Culture and recreation:			
Parks and Recreation:			
Salaries and benefits		21,220	
Utilities		1,830	
Building and grounds maintenance		2,242	
Capital outlay		2,400	
Other operating expenditures		7,412	
Total	38,900	35,104	3,796
Library:			
Other operating expenditures		6,466	
Total	6,700	6,466	234
Total culture and recreation	45,600	41,570	4,030
Debt Service			
Principal		-	
Interest		-	
Total	-	-	-
Total expenditures	665,525	655,843	9,682
Revenues over (under) expenditures	12,105	121,854	109,749
Other financing sources (uses):			
Proceeds from installment purchases	-	-	-
Appropriated fund balance	(12,105)	-	12,105
Total	(12,105)	-	12,105
Revenues and other financing sources over expenditures and other financing sources (uses)	\$ -	121,854	\$ 121,854
Fund balances, beginning		382,827	
Change in reserve for inventories		-	
Fund balances, ending		\$ 504,681	

Town of Pikeville
Electric Fund
Schedule of Revenues and Expenditures and Changes in Fund Balances
Budget and Actual (Non - GAAP)
For the Fiscal Year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Service fees	\$ 1,090,000	\$ 1,048,045	\$ (41,955)
Total	<u>1,090,000</u>	<u>1,048,045</u>	<u>(41,955)</u>
Other operating revenues	20,700	23,424	2,724
Total operating revenues	<u>1,110,700</u>	<u>1,071,469</u>	<u>(39,231)</u>
Nonoperating revenues:			
Interest earnings	1,000	903	(97)
Total revenues	<u>1,111,700</u>	<u>1,072,372</u>	<u>(39,328)</u>
Expenditures:			
Administration			
Salaries and employee benefits		97,050	
Supplies		19,727	
Capital outlay		133,357	
Other operating expenditures		19,670	
Total	<u>280,600</u>	<u>269,804</u>	<u>10,796</u>
Electrical operations			
Salaries and employee benefits		43,363	
Line repairs		54,600	
Contracted services		141,910	
Other operating expenditures		15,065	
Total	<u>247,000</u>	<u>254,938</u>	<u>(7,938)</u>
Purchase of electricity			
Purchase of electricity		699,721	
	<u>789,600</u>	<u>699,721</u>	<u>89,879</u>
Debt service:			
Interest and other charges		7,754	
Principal retirement		57,643	
Total debt service	<u>68,000</u>	<u>65,397</u>	<u>2,603</u>
Total expenditures	<u>1,385,200</u>	<u>1,289,860</u>	<u>95,340</u>

Town of Pikeville
Electric Fund
Schedule of Revenues and Expenditures and Changes in Fund Balances
Budget and Actual (Non - GAAP)
For the Fiscal Year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
FEMA grant	139,000	139,001	1
Installment loan proceeds	134,500	134,500	-
Total other financing sources (uses)	273,500	273,501	1
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 56,013	\$ 56,013
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 56,013	
Reconciling items:			
Principal retirement		57,643	
Capital outlay		133,357	
Depreciation		(38,261)	
Installment loan proceeds		(134,500)	
Total reconciling items		18,239	
Change in net position		\$ 74,252	

Town of Pikeville
Water and Sewer Fund
Schedule of Revenues and Expenditures and Changes in Fund Balances
Budget and Actual (Non - GAAP)
For the Fiscal Year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$ 290,000	\$ 290,528	\$ 528
Sewer charges	350,000	346,662	(3,338)
Total	<u>640,000</u>	<u>637,190</u>	<u>(2,810)</u>
Other operating revenues	150,000	85,647	(64,353)
Total operating revenues	<u>790,000</u>	<u>722,837</u>	<u>(67,163)</u>
Nonoperating revenues:			
Interest earnings	30	160	130
Total revenues	<u>790,030</u>	<u>722,997</u>	<u>(67,033)</u>
Expenditures:			
Administration			
Salaries and employee benefits		47,288	
Professional fees		19,728	
Other operating expenditures		16,642	
Total	<u>85,450</u>	<u>83,658</u>	<u>1,792</u>
Water operations			
Salaries and employee benefits		54,099	
Contracted services		12,700	
Water purchases		82,261	
Other operating expenditures		34,809	
Total	<u>186,100</u>	<u>183,869</u>	<u>2,231</u>
Sewer operations			
Salaries and employee benefits		56,648	
Supplies		34,062	
Contracted services		45,679	
Utilities		32,648	
Other operating expenditures		52,460	
Total	<u>244,050</u>	<u>221,497</u>	<u>22,553</u>
Debt service:			
Interest and other charges		3,879	
Principal retirement		25,000	
Total debt service	<u>163,000</u>	<u>28,879</u>	<u>134,121</u>
Total expenditures	<u>678,600</u>	<u>517,903</u>	<u>160,697</u>

Town of Pikeville
Water and Sewer Fund
Schedule of Revenues and Expenditures and Changes in Fund Balances
Budget and Actual (Non - GAAP)
For the Fiscal Year ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Unappropriated fund balance	(111,430)	-	111,430
Total other financing sources (uses)	(111,430)	-	111,430
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 205,094	\$ 205,094
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 205,094	
Reconciling items:			
Principal retirement		25,000	
Depreciation		(193,645)	
Contributed capital		1,777,336	
Increase in pension accounts		(1,886)	
Total reconciling items		1,606,805	
Change in net position		\$ 1,811,899	

Town of Pikeville
NC Connect Water Line Replacement Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization		Actual			Variance Favorable (Unfavorable)
	July 1, 2019	June 30, 2020	Prior Years	Current Year	Total Project To Date	
Revenues:						
Revenues						
Bonds	\$2,231,000	\$ 2,231,000	\$ -	\$ -	\$ -	\$ 2,231,000
Grants	1,136,000	1,136,000	-	-	-	1,136,000
Miscellaneous	30,000	30,000	-	-	-	30,000
Total revenues	3,397,000	3,397,000	-	-	-	3,397,000
Expenditures:						
Current:						
Economic and physical development:						
Wastewater system improvements	3,496,000	3,496,000	-	2,406,244	2,406,244	1,089,756
Total expenditures	3,496,000	3,496,000	-	2,406,244	2,406,244	1,089,756
Revenues over (under) expenditures	(99,000)	(99,000)	-	(2,406,244)	(2,406,244)	2,307,244
Other Financing Sources:						
Transfers-in:						
From Water and Sewer Fund	99,000	99,000	-	69,884	69,884	29,116
Bond anticipation notes	-	-	-	2,231,000	2,231,000	(2,231,000)
Total other financing sources	99,000	99,000	-	2,300,884	2,300,884	(2,201,884)
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(105,360)</u>	<u>\$ (105,360)</u>	<u>\$ 105,360</u>
Fund balance, beginning of year, July 1				-		
Fund balance, ending of year, June 30				<u>\$ (105,360)</u>		

Town of Pikeville
Division of Water Infrastructure Project Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization		Actual			Variance
	July 1, 2019	June 30, 2020	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Revenues:						
Revenues						
Grants	\$2,772,000	\$2,772,000	\$ 353,648	\$ 1,777,336	\$ 2,130,984	\$ 641,016
Total revenues	2,772,000	2,772,000	353,648	1,777,336	2,130,984	641,016
Expenditures:						
Current:						
Economic and physical development:						
Water and sewer	2,772,000	2,772,000	371,387	1,835,999	2,207,386	564,614
Total expenditures	2,772,000	2,772,000	371,387	1,835,999	2,207,386	564,614
Revenues over (under) expenditures	-	-	(17,739)	(58,663)	(76,402)	76,402
Other Financing Sources:						
Transfers-in:						
From Water and Sewer Fund	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ (17,739)	(58,663)	\$ (76,402)	\$ 76,402
Fund balance, beginning of year, July 1				(17,739)		
Fund balance, ending of year, June 30				<u>\$ (76,402)</u>		

Town of Pikeville
NC Connect Water Line Replacement Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization		Actual			Variance
	July 1, 2019	June 30, 2020	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Revenues:						
Revenues						
Contributions	\$ 156,175	\$ 156,175	\$ -	\$ -	\$ -	\$ (156,175)
Total revenues	156,175	156,175	-	-	-	(156,175)
Expenditures:						
Current:						
Economic and physical development:						
Water and sewer	156,175	156,175	-	-	-	156,175
Street Improvements	-	-	-	-	-	-
Total expenditures	156,175	156,175	-	-	-	156,175
Revenues over (under) expenditures	-	-	-	-	-	-
Other Financing Sources:						
Transfers-in:						
From Water and Sewer Fund	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning of year, July 1				-		
Fund balance, ending of year, June 30				<u>\$ -</u>		

Town of Pikeville
Water System Improvements Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

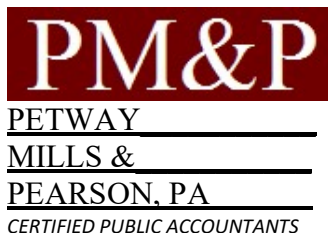
	Project Authorization		Actual			Variance Favorable (Unfavorable)
	July 1, 2019	June 30, 2020	Prior Years	Current Year	Total Project To Date	
Revenues:						
Revenues						
Grants	\$ 228,000	\$ 228,000	\$ -	\$ -	\$ -	\$ (228,000)
Total revenues	228,000	228,000	-	-	-	(228,000)
Expenditures:						
Current:						
Economic and physical development:						
Water and sewer	241,348	241,348	-	-	-	241,348
Street Improvements	-	-	-	-	-	-
Total expenditures	241,348	241,348	-	-	-	241,348
Revenues over (under) expenditures	(13,348)	(13,348)	-	-	-	13,348
Other Financing Sources:						
Transfers-in:						
From Water and Sewer Fund	13,348	13,348	-	-	-	(13,348)
Total other financing sources	13,348	13,348	-	-	-	(13,348)
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year, July 1				-		
Fund balance, ending of year, June 30				<u>\$ -</u>		

Town of Pikeville
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Tax Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Abatements and Adjustments</u>	<u>Uncollected Balance June 30, 2020</u>
2020	\$ -	\$ 323,005	\$ (316,743)	\$ (482)	\$ 5,780
2019	8,000	-	(5,969)	(77)	1,954
2018	783	-	(285)	-	498
2017	535	-	(177)	-	358
2016	542	-	(149)	-	393
2015	896	-	-	-	896
2014	1,108	-	-	-	1,108
2013	1,135	-	-	-	1,135
2012	135	-	-	-	135
2011	12	-	-	-	12
	<u>\$ 13,146</u>	<u>\$ 323,005</u>	<u>\$ (323,323)</u>	<u>\$ (559)</u>	<u>\$ 12,269</u>
Ad valorem taxes receivable					\$ 12,269
Less: allowance for uncollectible accounts General Fund					-
Ad valorem taxes receivable - net					<u>\$ 12,269</u>
<u>Reconcilement with revenues:</u>					
Ad valorem taxes - General Fund					\$ 325,443
Reconciling items:					
Interest collected					(2,194)
Other adjustments					-
Taxes written off					74
Subtotal					<u>(2,120)</u>
Total collections and credits					<u>\$ 323,323</u>

Town of Pikeville
Analysis of Current Tax Levy
Town - Wide Levy
For the Year Ended June 30, 2020

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 43,150,000	0.69	\$ 297,735	\$ 297,735	\$ -
Personal property taxes at current year's rate	3,662,319	0.69	25,270	-	25,270
Adjustments	(69,855)	0.69	(482)	(482)	-
Total Property Valuation	<u>\$ 46,742,464</u>				
Net levy			322,523	297,253	25,270
Uncollected taxes at June 30, 2020			<u>(5,780)</u>	<u>(5,780)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 316,743</u>	<u>\$ 291,473</u>	<u>\$ 25,270</u>
Current levy collection percentage			<u>98.21%</u>	<u>98.06%</u>	<u>100.00%</u>



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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 Members of the Board of Commissioners
Pikeville, 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, each major fund, and the aggregate remaining fund information of the Town of Pikeville, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Pikeville's basic financial statements, and have issued our report thereon dated October 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Pikeville's 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 Pikeville's 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist there were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs, Findings 2020-001, 2020-002, 2020-003, 2020-004 and 2020-05 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pikeville's 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 questioned costs as Findings 2020-001, 2020-002, 2020-003, 2020-004 and 2020-005.

Town of Pikeville's Responses to findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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

October 11, 2021



PETWAY

MILLS &

PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with Uniform Guidance and the State Single Audit Implementation Act

To the Honorable Mayor
And Members of the Town Council
Pikeville, North Carolina

Report on Compliance for Each Major State Program

We have audited Town of Pikeville's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on Town of Pikeville's major State program as of and for the year ended June 30, 2020. Town of Pikeville's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Town of Pikeville's major State program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Town of Pikeville's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State program. However, our audit does not provide a legal determination of Town of Pikeville's compliance.

Opinion on Each Major State Program

In our opinion, Town of Pikeville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program as of and for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which is described in the accompanying schedule of findings and questioned costs as item 2020-006. Our opinion on each major State program is not modified with respect to these

matters.

The Town of Pikeville's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Town of Pikeville's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Town of Pikeville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Pikeville 's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 202-006 that we consider to be a material weakness.

The Town of Pikeville's response to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. The Town of Pikeville's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Petway Mills & Pearson, PA

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

October 11, 2021

**Town of Pikeville
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

SECTION I. – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

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

Noncompliance material to financial
statements noted X yes no

State Awards

Internal control over major State programs:

Material weakness(es) identified? X yes no

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

Type of auditors' report issued on compliance for major State programs: Unmodified.

Any audit findings disclosed that are required
to be reported in accordance with Uniform
Guidance X yes no

Identification of major State programs:

Program Name

NC Clean Water Revolving Loan and Grant Program

**Town of Pikeville
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

SECTION II. – FINANCIAL STATEMENT FINDINGS

Material Weakness

2020-001	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 Public Safety expenditures exceeded authorized appropriations made by the governing board by \$7,308. The Town's Transportation expenditures exceeded authorized appropriations made by the governing board by \$7,473. The Town's electrical operations expenditures exceeded authorized appropriations made by the governing board by \$7,938. This is a repeat finding.
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 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
Views of responsible officials and planned corrective actions:	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.

Material Weakness

2020-002	Noncompliance with debt covenants.
Criteria:	Debt covenants require that the debt service ratio be greater than 100%
Condition:	The Town's debt service ratio was below 100%. This is a repeat finding.
Effect:	The Town did not comply with its debt covenants.
Cause:	The Town did not properly monitor their debt covenants.
Recommendation:	We recommend that the Town review their debt covenants regularly and generate additional revenues to support debt obligations.
Views of responsible officials and planned corrective actions:	The Town agrees with this finding. The Town will review their debt covenants monthly and work to generate additional revenues.

**Town of Pikeville
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

Material Weakness

2020-003	Multiple errors in recording transactions
Criteria:	Towns are required to maintain complete and accurate financial data.
Condition:	Multiple errors were made in recording transactions at year-end. This is a repeat finding.
Effect:	The Town did not maintain complete and accurate financial data.
Cause:	The Town does not have staff with adequate knowledge and expertise to maintain complete and accurate financial data.
Recommendation:	We recommend that the Town perform monthly reconciliations of financial information and make all required journal entries at year-
Views of responsible officials and planned corrective actions:	The Town agrees with this finding. The Town will perform monthly reconciliations of financial records.

Material Weakness

2020-004	Late submission of the Town's audit report to the Local Government Commission.
Criteria:	The Local Government Commission requires all Town's submit their audit reports timely. This is a repeat finding.
Condition:	The Town's audit report was not submitted timely to the Local Government Commission.
Effect:	The Town was noncompliant with the State requirements.
Cause:	The Town did not maintain complete and accurate financial data to permit an audit to be conducted.
Recommendation:	We recommend that the Town perform monthly reconciliations of financial information and make all required journal entries at year-
Views of responsible officials and planned corrective actions:	The Town agrees with this finding. The Town will perform monthly reconciliations of financial records.

**Town of Pikeville
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

SECTION II. – FINANCIAL STATEMENT FINDINGS

Material Weakness

2020-005 Lack of effective internal controls.

Criteria: Towns are required to have effective internal controls in place to prevent fraud.

Condition: The Town does not have effective controls in place to prevent fraud.

Effect: The Town was noncompliant with the State requirements.

Cause: The Town has developed a system of internal controls, but lacks personnel with adequate knowledge to effectively implement the internal controls.

Recommendation: We recommend the Town hire personnel with adequate knowledge to effectively implement their system of internal controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. The Town will work to find personnel that have adequate knowledge to effectively implement their system of internal control.

SECTION III. – STATE AWARD FINDINGS AND QUESTIONED COSTS

Material Weakness

2020-006 The Town was not in compliance with Cash Management grant requirements.

Criteria: The Town is required to expend NC Clean Water Revolving Loan and Grant funds expeditiously. Funds derived from bond proceeds must be expended within three days of receipt.

Condition: The Town did not expend grant funds expeditiously.

Effect: The Town was noncompliant with State requirements.

Cause: The Town did not make timely payments to vendors after receiving grant funds.

Recommendation: We recommend that the Town wait until expenditures are ready to be paid to request grant funds.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. The Town will wait until expenditures are ready to be paid to request grant funds.

**Town of Pikeville
Corrective Action Plan
For the Year Ended June 30, 2020**

SECTION II. – FINANCIAL STATEMENT FINDINGS

Material Weakness

2020-001

Contact Person: Charles Hooks, Mayor

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, 2021

Material Weakness

2020-002

Contact Person: Charles Hooks, Mayor

Corrective Action: The Town will review their debt covenants regularly to ensure that they are in compliance and will work to generate additional revenues to support debt obligations.

Completion Date: June 30, 2021

Material Weakness

2020-003

Contact Person: Charles Hooks, Mayor

Corrective Action: The Town will perform monthly reconciliations of financial information.

Completion Date: June 30, 2021

Material Weakness

2020-004

Contact Person: Charles Hooks, Mayor

Corrective Action: The Town will perform monthly reconciliations of financial information.

Completion Date: June 30, 2021

**Town of Pikeville
Corrective Action Plan
For the Year Ended June 30, 2020**

SECTION II. – FINANCIAL STATEMENT FINDINGS

Material Weakness

2020-004

Contact Person: Charles Hooks, Mayor

Corrective Action: The Town will revise its internal controls to improve oversight activities.

Completion Date: June 30, 2021

SECTION III. – STATE AWARD FINDINGS AND QUESTIONED COSTS

Material Weakness

2020-006

Contact Person: Charles Hooks, Mayor

Corrective Action: The Town will wait until expenditures are ready to be paid to request grant funds.

Completion Date: June 30, 2021

Town of Pikeville
Summary Schedule of Prior Year's Audit Findings
For the Year Ended June 30, 2020

Finding 2019-001 stated that the Town was required to include in the budget all moneys to be expended. During 2020, expenditures exceeded authorized appropriations. Therefore, this finding was repeated in 2020.

Finding 2019-002 stated that the Town was required to comply with their debt covenants. During 2020, the Town's debt service ratio was under 100%. Therefore, this finding was repeated in 2020.

Finding 2019-003 stated that the Town's General Fund was required to keep a sufficient unassigned fund balance for operations. During 2020, the Town increased their General Fund's unassigned fund balance. Therefore, this finding was not repeated in 2020.

Finding 2019-004 stated that the Town was required to maintain complete and accurate financial data. During 2020, the Town did not maintain complete and accurate financial data. Therefore, this finding was repeated in 2020.

Finding 2019-005 stated that the Town was required to submit their audit reports timely. During 2020, the audit report was not submitted on time. Therefore, this finding was repeated in 2020.

Town of Pikeville
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS			
U.S. Department of Homeland Security			
Federal Emergency Management Agency			\$ 104,251
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036		
TOTAL FEDERAL AWARDS			<u>104,251</u>
STATE AWARDS			
NC Department of Public Safety			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)			34,750
NC Department of Environmental Quality			
Division of Water Infrastructure			
NC Clean Water Revolving Loan & Grant Program		E-SRP-W-17-0031	1,777,336
NC Department of Transportation			
Powell Bill		DOT-4	-
NC Department of Commerce			
Commerce Grant			<u>50,000</u>
TOTAL STATE AWARDS			<u>1,862,086</u>
TOTAL FEDERAL AND STATE AWARDS			<u><u>\$ 1,966,337</u></u>

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

Note 1: Basis of Presentation

grant activity of the Town of Pikeville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this Schedule of Expenditures of Federal and State Awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and of the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Pikeville, it is not intended to and does not present the financial position, changes in net position, or cash flows for the Town of Pikeville.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the Schedule of Federal and State Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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