

Town of Pine Level, North Carolina

Audited Financial Statements

**For the Year Ended
June 30, 2020**

Town of Pine Level, North Carolina
Audited Financial Statements
For the Year Ended June 30, 2020

Jeff Holt, Mayor

Board of Town Commissioners

Bill Radford

Jimmy Garner

Phil Pittman

Greg Baker

Connie Capps, Town Clerk

Town of Pine Level, North Carolina
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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 of material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pine Level, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year 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 Management's Discussion and Analysis on pages 3 through 10, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 44 and 45 respectively, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 46 and 47 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

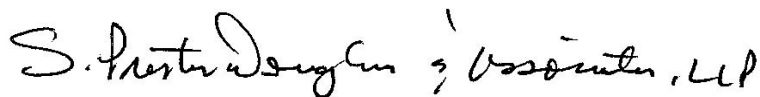
Supplementary and other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2020 on our consideration of the Town of Pine Level's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Town of Pine Level's internal control over financial reporting and compliance.



Lumberton, North Carolina
December 31, 2020

Management's Discussion and Analysis

Town of Pine Level, North Carolina
Management's Discussion and Analysis
June 30, 2020

Management's Discussion and Analysis

As management of the Town of Pine Level, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Pine Level for the fiscal year ending 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

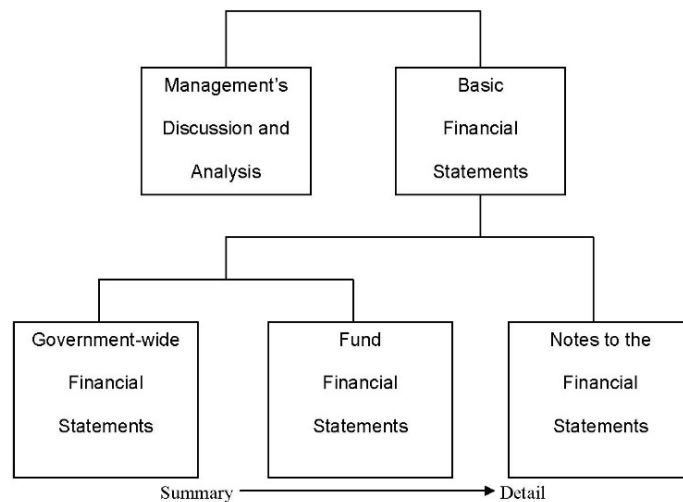
- The assets and deferred outflows of the Town of Pine Level exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,021,888 (net position).
- The town's total net position increased by \$120,949.
- At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,123,762. Approximately 77.13% of this total amount, or \$866,708, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$866,708 or approximately 68.67% of total General Fund expenditures for the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Pine Level's basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Pine Level.

Required Components of Annual Financial Report

Figure 1



Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status. The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. **There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.**

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, additional information is provided to show details about the Town's individual funds. Budgetary information required by the N.C. General Statutes can also 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, in a manner similar to the private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows and total liabilities and deferred inflows. 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 general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. 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. This includes the water and sewer services offered by the Town of Pine Level.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Pine Level, like other state and local governments, 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 can be divided into two categories, governmental funds and proprietary funds.

Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies that are unexpended at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Pine Level adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

Governmental funds. 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 Pine Level has one type 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 uses the enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-43 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 44.

Interdependence with Other Entities. The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, The Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Government-wide Financial Analysis

The Town of Pine Level's Net Position

	Governmental		Business-type		Totals 2020	Totals 2019
	Activities		Activities			
	2020	2019	2020	2019		
Current and other assets	\$ 1,158,504	\$ 999,490	\$ 808,310	\$ 722,313	\$ 1,966,814	\$ 1,721,803
Capital assets	1,124,916	969,018	2,078,665	2,139,489	3,203,581	3,108,507
Total assets	2,283,420	1,968,508	2,886,975	2,861,802	5,170,395	4,830,310
Deferred Outflows of Resources	104,039	106,181	43,678	46,918	147,717	153,099
Current liabilities	51,010	74,828	140,287	140,226	191,297	215,054
Long-term liabilities	1,118,728	906,124	982,265	954,713	2,100,993	1,860,837
Total liabilities	1,169,738	980,952	1,122,552	1,094,939	2,292,290	2,075,891
Deferred Inflows of Resources	3,934	6,103	-	476	3,934	6,579
Net position						
Net investment in capital assets	305,615	296,654	1,149,967	1,212,328	1,455,582	1,508,982
Restricted	257,054	219,085	43,210	37,818	300,264	256,903
Unrestricted	651,118	571,895	614,924	563,159	1,266,042	1,135,054
Total net position	\$ 1,213,787	\$ 1,087,634	\$ 1,808,101	\$ 1,813,305	\$ 3,021,888	\$ 2,900,939

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$3,021,888 at the close of the current fiscal year. By far the largest portion of the Town's net position, 48.17%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted portion of net position, \$300,264, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance, \$1,266,042, is unrestricted.

Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Government-wide Financial Analysis (continued)

The Town of Pine Level's Changes in Net Position

	Governmental		Business-type		Totals	Totals
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues						
Charges for services	\$ 275,864	\$ 278,957	\$ 905,889	\$ 875,674	\$ 1,181,753	\$ 1,154,631
Operating grants and contributions	52,099	52,226	-	-	52,099	52,226
General revenues						
Property taxes	583,364	519,495	-	-	583,364	519,495
Unrestricted revenues	325,671	318,394	-	-	325,671	318,394
Other	10,048	11,915	712	431	10,760	12,346
Total revenues	1,247,046	1,180,987	906,601	876,105	2,153,647	2,057,092
Expenses:						
General government	211,874	349,903	-	-	211,874	349,903
Public safety	347,714	308,154	-	-	347,714	308,154
Transportation	192,962	372,774	-	-	192,962	372,774
Environmental protection	257,239	80,129	-	-	257,239	80,129
Cultural and recreation	95,640	129,373	-	-	95,640	129,373
Interest on long-term debt	15,464	25,187	-	-	15,464	25,187
Water and sewer	-	-	911,805	938,191	911,805	938,191
Total expenses	1,120,893	1,265,520	911,805	938,191	2,032,698	2,203,711
Change in net position	126,153	(84,533)	(5,204)	(62,086)	120,949	(146,619)
Net position, beginning	1,087,634	1,172,167	1,813,305	1,875,391	2,900,939	3,047,558
Net position, ending	\$ 1,213,787	\$ 1,087,634	\$ 1,808,101	\$ 1,813,305	\$ 3,021,888	\$ 2,900,939

Governmental activities. Governmental activities increased the Town's net position by \$126,153. The increase in net position was primarily due to an increase in revenues and decrease in expenditures compared to the prior year. Ad valorem tax revenues were the largest revenue contributor for the governmental funds with 46.78% of total revenues. Unrestricted intergovernmental revenues were the next largest at 26.12%.

Capital and operating grants for governmental activities furnished resources to support the five functions of the Town: general government, public safety, transportation, environmental protection, and cultural and recreation.

Business-type activities. Business-type activities decreased the Town's net position by \$5,204. This is an increase from change in net position from last fiscal year by \$56,882. Key elements of this increase are as follows:

- Total revenues increased from last fiscal year by \$30,496 and expenses decreased by \$26,386.

Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$1,123,762. Of this total amount, \$866,708 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed 1) to liquidate contracts and purchase orders of the prior year, or 2) for a variety of other restricted purposes.

The General Fund is the chief operating fund of the Town of Pine Level. At the end of the fiscal year, unassigned fund balance for the General Fund was \$866,708 with a total fund balance of \$1,093,679. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 68.67% of total General Fund expenditures.

General Fund Budgetary Highlights

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

Proprietary Funds. The Town of Pine Level's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$614,924. Other factors concerning this fund have been discussed in the Town's business-type activities.

Capital Assets and Debt Administration

Capital Assets. The Town of Pine Level's investments in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$3,203,581 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Capital Assets and Debt Administration (continued)

The Town of Pine Level's Capital Assets

	Governmental		Business-type		Totals 2020	Totals 2019
	Activities		Activities			
	2020	2019	2020	2019		
Land	\$ 67,200	\$ 67,200	\$ 39,115	\$ 39,115	\$ 106,315	\$ 106,315
Buildings & infrastructure	930,296	930,296	-	-	930,296	930,296
Plant and distribution systems		-	4,636,862	4,636,862	5,773,649	4,636,862
Equipment and vehicles	1,136,787	902,176	218,457	182,948	546,864	1,085,124
Recreation park and equipment	328,407	328,407	-	-	328,407	328,407
Infrastructure	201,316	201,316	-	-	201,316	201,316
Total depreciable assets	2,596,806	2,362,195	4,855,319	4,819,810	7,780,532	7,182,005
Less - accumulated depreciation	1,539,090	1,460,377	2,815,769	2,719,435	4,354,859	4,179,812
Total depreciable assets, net	1,057,716	901,818	2,039,550	2,100,375	3,425,673	3,002,193
Total capital assets, net	\$ 1,124,916	\$ 969,018	\$ 2,078,665	\$ 2,139,490	\$ 3,203,581	\$ 3,108,508

Additional information on the Town's capital assets can be found in Note 3, beginning on page 29.

Long-term debt. As of June 30, 2020, the Town of Pine Level had total debt outstanding of \$2,146,067.

The Town of Pine Level's Outstanding Debt

	Governmental		Business-type		Totals 2020	Totals 2019
	Activities		Activities			
	2020	2019	2020	2019		
Installment purchase notes	\$ 819,301	\$ 672,364	\$ 63,698	\$ 45,161	\$ 882,999	\$ 717,525
Revenue bonds	-	-	865,000	882,000	865,000	882,000
Compensated absences	31,453	29,397	19,052	17,256	50,505	46,653
Pension related debt (LGRS)	133,895	110,582	60,547	54,405	194,442	164,987
Pension related debt (LEO)	153,121	141,173	-	-	153,121	141,173
Total	\$ 1,137,770	\$ 953,516	\$ 1,008,297	\$ 998,822	\$ 2,146,067	\$ 1,952,338

Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Long-term debt (continued)

The Town of Pine Level's total debt increased by \$193,729 during the fiscal year.

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Pine Level is presently at \$10,318,643 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information pertaining to the Town of Pine Level's long-term debt can be found in Note 3, beginning on page 40.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town and surrounding area is 8.4% at June 30, 2020. This comparison is higher than the state's rate of 7.5% but lower than the national rate of 11.1%.

Request for Information

This financial report is designed to provide a general overview of the Town of Pine Level's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 306 East Brown Street, Pine Level NC 27568.

Basic Financial Statements

Town of Pine Level, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 957,553	\$ 567,025	\$ 1,524,578
Taxes receivable (net)	2,774	-	2,774
Due from other governments	64,566	-	64,566
Accounts receivable (net)	39,112	99,910	139,022
Internal Balances	(27,569)	27,569	-
Inventories	-	3,641	3,641
Restricted cash and cash equivalents	122,068	110,165	232,233
Total current assets	1,158,504	808,310	1,966,814
Non-current assets:			
Capital assets (Note 3)			
Land	67,200	39,115	106,315
Other capital assets, net of depreciation	1,057,716	2,039,550	3,097,266
Total capital assets	1,124,916	2,078,665	3,203,581
Total assets	2,283,420	2,886,975	5,170,395
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension deferrals	104,039	43,678	147,717
Total deferred outflows of resources	104,039	43,678	147,717
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	31,968	47,300	79,268
Current portion of long-term liabilities	19,042	26,032	45,074
Customer deposits	-	66,955	66,955
Total current liabilities	51,010	140,287	191,297
Long-term liabilities:			
Net pension liability	133,895	60,547	194,442
Total pension liability	153,121	-	153,121
Installment purchase agreements- noncurrent	800,259	54,666	854,925
Compensated absences	31,453	19,052	50,505
Revenue bond payable-noncurrent	-	848,000	848,000
Total liabilities	1,169,738	1,122,552	2,100,993
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension deferrals	3,934	-	3,934
Total deferred inflows of resources	3,934	-	3,934
<u>NET POSITION</u>			
Net investment in capital assets	305,615	1,149,967	1,455,582
Restricted for:			
Debt service	31,319	43,210	74,529
Streets	91,985	-	91,985
Stabilization by State Statute	103,667	-	103,667
Economic development	30,083	-	30,083
Unrestricted	651,118	614,924	1,266,042
Total net position	\$ 1,213,787	\$ 1,808,101	\$ 3,021,888

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

Town of Pine Level, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Changes in Net Position</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-type Activities</u>	<u>Total</u>
Primary Government							
Governmental activities:							
General government	\$ 211,874	\$ -	\$ -	\$ -	\$ (211,874)	\$ -	\$ (211,874)
Public safety	347,714	-	-	-	(347,714)	-	(347,714)
Transportation	192,962	-	-	52,099	(140,863)	-	(140,863)
Environmental protection	257,239	255,470	-	-	(1,769)	-	(1,769)
Cultural and recreation	95,640	20,394	-	-	(75,246)	-	(75,246)
Interest on long-term debt	15,464	-	-	-	(15,464)	-	(15,464)
Total governmental activities	<u>1,120,893</u>	<u>275,864</u>	<u>-</u>	<u>52,099</u>	<u>(792,930)</u>	<u>-</u>	<u>(792,930)</u>
Business-type activities:							
Water and sewer	911,805	905,889	-	-	-	(5,916)	(5,916)
Total business-type activities	<u>911,805</u>	<u>905,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,916)</u>	<u>(5,916)</u>
Total primary government	<u>\$ 2,032,698</u>	<u>\$ 1,181,753</u>	<u>\$ -</u>	<u>\$ 52,099</u>	<u>(792,930)</u>	<u>(5,916)</u>	<u>(798,846)</u>
			General revenues:				
			Taxes:				
			Property taxes, levied for general purpose		583,364	-	583,364
			Local option sales tax		220,686	-	220,686
			Other taxes		104,985	-	104,985
			Investment earnings		442	387	829
			Miscellaneous		9,606	325	9,931
			Total general revenues		<u>919,083</u>	<u>712</u>	<u>919,795</u>
			Change in net position		126,153	(5,204)	120,949
			Net position, beginning		<u>1,087,634</u>	<u>1,813,305</u>	<u>2,900,939</u>
			Net position, ending		<u>\$ 1,213,787</u>	<u>\$ 1,808,101</u>	<u>\$ 3,021,888</u>

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

Town of Pine Level, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2020

	<u>Major Fund</u>	<u>PT George Endowment</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Nonmajor Fund</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 957,553	\$ -	\$ 957,553
Restricted cash	91,985	30,083	122,068
Property taxes receivable - net	2,774	-	2,774
Due from other governments	64,566	-	64,566
Accounts receivable - net	39,112	-	39,112
Total assets	<u>1,155,990</u>	<u>30,083</u>	<u>1,186,073</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	31,968	-	31,968
Due to other fund	27,569	-	27,569
Total liabilities	<u>59,537</u>	<u>-</u>	<u>59,537</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	2,774	-	2,774
Total deferred inflows of resources	<u>2,774</u>	<u>-</u>	<u>2,774</u>
<u>FUND BALANCES</u>			
Restricted:			
Stabilization by State Statute	103,667	-	103,667
Streets	91,985	-	91,985
Debt services	31,319	-	31,319
Economic development	-	30,083	30,083
Unassigned	866,708	-	866,708
Total fund balances	<u>1,093,679</u>	<u>30,083</u>	<u>1,123,762</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,155,990</u>	<u>\$ 30,083</u>	<u>\$ 1,186,073</u>

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

Town of Pine Level, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2020

Amounts reported for governmental activities in the Statement of Net Position		
Total Fund Balance, Governmental Funds		\$ 1,123,762
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 2,664,006	
Accumulated depreciation	<u>(1,539,090)</u>	1,124,916
Deferred outflows of resources related to pensions are not reported in the funds		104,039
Earned revenues considered deferred inflows of resources in fund statements		2,774
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt, beginning	(672,364)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(146,937)	
Net pension liability	(133,895)	
Compensated absences	(31,453)	
Total pension liability	<u>(153,121)</u>	(1,137,770)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(3,934)</u>
Net position of governmental activities		<u><u>\$ 1,213,787</u></u>

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

Town of Pine Level, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	<u>General</u> <u>Fund</u>	<u>PT George</u> <u>Endowment</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 583,364	\$ -	\$ 583,364
Unrestricted intergovernmental	325,671	-	325,671
Restricted intergovernmental	52,099	-	52,099
Permits and fees	2,130	-	2,130
Sales and services	273,734	-	273,734
Investment earnings	442	1,048	1,490
Miscellaneous	9,606	-	9,606
Total revenues	<u>1,247,046</u>	<u>1,048</u>	<u>1,248,094</u>
Expenditures:			
General government	331,914	-	331,914
Transportation	192,962	-	192,962
Environmental protection	257,239	-	257,239
Public safety	347,714	-	347,714
Cultural and recreation	95,640	-	95,640
Debt Service:			
Principal	21,260	-	21,260
Interest	15,464	-	15,464
Total expenditures	<u>1,262,193</u>	<u>-</u>	<u>1,262,193</u>
Revenues over (under) expenditures	<u>(15,147)</u>	<u>1,048</u>	<u>(14,099)</u>
Other financing sources (uses):			
Installment purchase proceeds	168,197	-	168,197
Total other financing sources (uses)	<u>168,197</u>	<u>-</u>	<u>168,197</u>
Net change in fund balances	153,050	1,048	154,098
Fund balance - beginning of year	<u>940,629</u>	<u>29,035</u>	<u>969,664</u>
Fund balance - end of year	<u>\$ 1,093,679</u>	<u>\$ 30,083</u>	<u>\$ 1,123,762</u>

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

Town of Pine Level, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$	154,098
<p>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.</p>		
Capital outlay expenditures which were capitalized	\$ 234,611	
Depreciation expense for governmental assets	<u>(78,713)</u>	155,898
<p>Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities</p>		
		33,842
<p>Benefit payments paid and administrative expense for the LEOSSA are not included in the Statement of Activities</p>		
		10,124
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred revenue for tax revenues		(384)
<p>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 an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(168,197)	
Principal payments on long-term debt	<u>21,260</u>	(146,937)
<p>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.</p>		
Compensated absences	2,056	
Pension expense	(70,033)	
Total pension expense (LEO)	<u>(12,511)</u>	<u>(80,488)</u>
Total change in net position of governmental activities	\$	<u>126,153</u>

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

Town of Pine Level, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 562,700	\$ 562,700	\$ 583,364	\$ 20,664
Unrestricted intergovernmental	302,650	302,650	325,671	23,021
Restricted intergovernmental	53,200	53,200	52,099	(1,101)
Permits and fees	2,500	2,500	2,130	(370)
Sales and services	285,256	285,256	273,734	(11,522)
Investment earnings	500	500	442	(58)
Miscellaneous	10,000	10,000	9,606	(394)
Total revenues	<u>1,216,806</u>	<u>1,216,806</u>	<u>1,247,046</u>	<u>30,240</u>
Expenditures:				
General government	403,319	403,319	331,914	71,405
Streets	193,561	193,561	192,962	599
Environmental protection	102,242	297,942	257,239	40,703
Public safety	382,399	382,399	347,714	34,685
Cultural and recreation	128,249	128,549	95,640	32,909
Debt service				
Principal	21,810	21,810	21,260	550
Interest	15,470	15,470	15,464	6
Total expenditures	<u>1,247,050</u>	<u>1,443,050</u>	<u>1,262,193</u>	<u>180,857</u>
Revenues under expenditures	<u>(30,244)</u>	<u>(226,244)</u>	<u>(15,147)</u>	<u>211,097</u>
Other financing sources (uses):				
Installment purchase proceeds	-	196,000	168,197	27,803
Total other financing sources (uses)	<u>-</u>	<u>196,000</u>	<u>168,197</u>	<u>27,803</u>
Fund balance appropriated	30,244	30,244	-	30,244
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	153,050	<u>\$ 238,900</u>
Fund balance, beginning			940,629	
Fund balance, ending			<u>\$ 1,093,679</u>	

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

Town of Pine Level, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2020

	<u>Enterprise Fund Water and Sewer Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 567,025
Accounts receivable - net	99,910
Due from other funds	27,569
Inventories	3,641
Restricted cash and cash equivalents	<u>110,165</u>
Total current assets	<u>808,310</u>
Non-current assets:	
Capital assets:	
Land	39,115
Other capital assets, net of depreciation	<u>2,039,550</u>
Total capital assets	<u>2,078,665</u>
Total assets	<u>2,886,975</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension deferrals	<u>43,678</u>
Total deferred outflows of resources	<u>43,678</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued expenses	47,300
Revenue bond payable- current	17,000
Installment purchase contract-current	9,032
Customer deposits	<u>66,955</u>
Total current liabilities	<u>140,287</u>
Noncurrent liabilities:	
Net pension liability	60,547
Revenue bond payable- noncurrent	848,000
Installment purchase payable-noncurrent	54,666
Compensated absences	<u>19,052</u>
Total noncurrent liabilities	<u>982,265</u>
Total liabilities	<u>1,122,552</u>
<u>NET POSITION</u>	
Net investment in capital assets	1,149,967
Restricted for Debt Service	43,210
Unrestricted	<u>614,924</u>
Total net position	<u>\$ 1,808,101</u>

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

Town of Pine Level, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2020

	Enterprise Fund
	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 905,889
Other operating revenues	325
Total operating revenues	906,214
 Operating expenses:	
Administration	270,127
Other operating expenses	514,375
Depreciation	96,334
Total operating expenses	880,836
 Operating income	25,378
 Non-operating revenues (expenses):	
Investment earnings	387
Interest and other charges	(30,969)
Total non-operating revenues (expenses)	(30,582)
 Change in net position	(5,204)
 Total net position, beginning	1,813,305
Total net position, ending	\$ 1,808,101

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

Town of Pine Level, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

	Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 906,214
Cash paid for goods and services	(513,833)
Cash paid to employees	(257,932)
Net cash provided (used) by operating activities	134,449
Cash flows from capital and related financing activities	
Purchase of capital assets	(35,509)
Debt issuance	27,569
Principal paid on bond maturities and equipment contracts	(26,032)
Interest paid on bond maturities and equipment contracts	(30,969)
Net cash provided (used) by capital and related financing activities	(64,941)
Cash flows from investing activities	
Interest on investments	387
Net cash provided (used) by investing activities	387
Net increase (decrease) in cash	69,895
Cash and cash equivalents - Beginning of year	607,295
Cash and cash equivalents - End of year	\$ 677,190
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 25,378
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	96,334
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	5,187
(Increase) decrease in prepaid items	6,280
(Increase) decrease in due from other funds	(27,569)
Increase (decrease) in accounts payable and accrued liabilities	14,164
Increase (decrease) in customer deposits	2,480
(Increase) decrease in deferred outflows of resources - pensions	3,100
Increase (decrease) in compensated absences	1,796
Increase (decrease) in net pension liability	6,963
Decrease in deferred inflows of resources - pensions	336
Total adjustments	109,071
Net cash provided (used) by operating activities	\$ 134,449

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

Town of Pine Level, North Carolina
Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A - Reporting Entity

The Town of Pine Level is a municipal corporation that is governed by an elected mayor and a four-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 Statement of Activities display information about the primary government and its component unit. 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 and 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 – government and proprietary – are presented. The emphasis of the 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 the 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. Primary expenditures are for public safety, street maintenance and construction, and sanitation services.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation - Fund Accounting (continued)

The Town reports the following non-major Governmental fund:

Special Revenue Fund- Special Revenue Fund accounts for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Town maintains one Special Revenue Fund-the PT George Endowment Fund.

Proprietary Funds include the following fund type:

Enterprise Fund - The Enterprise Fund accounts for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town of Pine Level has one Enterprise Fund, the Water and Sewer Fund.

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

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Pine Level because the tax is levied by Johnston County and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenue that is unearned at year-end is recorded as deferred inflows of resources.

D - Budgetary Data

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

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT).

The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2 a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating, and is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Deposits and Investments (continued)

Cash and Cash Equivalents

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

Restricted Assets

The unexpended bond proceeds of Water and Sewer Fund serial bonds issued by the Town are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill Funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136.41.4. P.T. George funds are restricted for the beautification of the Town of Pine Level.

Governmental Activities:	
General Fund	
Powell Bill	\$ 91,985
PT George Endowment Fund	30,083
Total Governmental Activities	122,068
Business-type Activities:	
Water and Sewer Fund	
Customer deposits	66,955
Reserve funds	43,210
Total Business-type Activities	110,165
Total restricted cash	\$ 232,233

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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

Allowance for Doubtful Accounts

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

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Inventory

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's Enterprise Funds consist of materials and supplies held for consumption. The cost of these inventories is recorded as an expense as the inventories are consumed.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Minimum capitalization costs are as follows: land, \$1,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$500; infrastructure, \$2,000; furniture and equipment, \$1,000 computer software and computer equipment \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair market value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Capital assets of the Town are depreciated using the straight-line method over the estimated useful lives:

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

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 meet this criterion – pension related deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criteria for this category – property taxes receivable and pension related deferrals.

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Long-Term Obligations (continued)

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 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.

Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty days of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned – when material. The Town has assumed a first-in, first-out method of using accumulated compensated time.

Both the Town's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position / Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; 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.

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

The governmental fund types classify fund balances as follows:

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

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Net Position / Fund Balances (continued)

Restricted for Debt Service – certain restricted assets in the General Fund and Water and Sewer Funds represent an accumulation of cash required by USDA to have one year’s payment in reserve at all times in case the payment is not made timely.

Restricted for Economic Development- funds are restricted for the beautification of the Pine Level area.

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

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

Defined Benefit Cost-Sharing Plans

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A - Significant violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None

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

None

C - Excess of Expenditures over Appropriations

None

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

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 Deposit Insurance Coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent.

Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town have no policy regarding custodial risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$1,725,672 and a bank balance of \$1,747,337. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$1,056.

Investments

F H George Fund has invested with Citigroup 6.3% preferred shares. The securities have a purchased amount of \$26,326 with a current market value of \$25,610. Principal amount is restricted and earnings are disbursed to the local beautification committee as expenditures are presented for reimbursement.

At June 30, 2020, the Town's investment balances were as follows:

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

Investments by Type	Fair Value at 6/30/2020	Maturity	Rating
Citigroup Inc.	\$ 25,610	N/A	N/A
Stifel Bank and Trust	4,473	N/A	N/A
Total	\$ 30,083		

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

Capital Assets

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

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 67,200	\$ -	\$ -	\$ 67,200
Total capital assets not being depreciated	<u>67,200</u>	<u>-</u>	<u>-</u>	<u>67,200</u>
Capital assets being depreciated:				
Buildings and improvements	930,296	-	-	930,296
Equipment and vehicles	902,176	234,611	-	1,136,787
Recreation park and equipment	328,407	-	-	328,407
Infrastructure	201,316	-	-	201,316
Total capital assets being depreciated	<u>2,362,195</u>	<u>234,611</u>	<u>-</u>	<u>2,596,806</u>
Less accumulated depreciation for:				
Buildings and improvements	205,137	23,257	-	228,394
Equipment and vehicles	849,477	36,874	-	886,351
Recreation park and equipment	284,972	8,516	-	293,488
Infrastructure	120,791	10,066	-	130,857
Total accumulated depreciation	<u>1,460,377</u>	<u>78,713</u>	<u>-</u>	<u>1,539,090</u>
Total capital assets being depreciated, net	<u>901,818</u>			<u>1,057,716</u>
Governmental activities capital assets, net	<u>\$ 969,018</u>			<u>\$ 1,124,916</u>

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

General government	\$ 28,014
Public safety	17,923
Transportation	11,492
Environmental protection	11,319
Cultural and recreational	9,965
Total depreciation expense	<u>\$ 78,713</u>

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

Capital Assets (continued)

Business-type activities:	Beginning			Ending
Water and sewer fund	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 39,115	\$ -	\$ -	\$ 39,115
Total capital assets not being depreciated	39,115	-	-	39,115
Capital assets being depreciated:				
Plant and distribution systems	4,636,862	-	-	4,636,862
Furniture and maintenance equipment	136,057	741	-	136,798
Vehicles	46,891	34,768	-	81,659
Total capital assets being depreciated	4,819,810	35,509	-	4,855,319
Less accumulated depreciation for:				
Plant and distribution systems	2,540,121	95,181	-	2,635,302
Furniture and maintenance equipment	132,423	1,153	-	133,576
Vehicles	46,891	-	-	46,891
Total accumulated depreciation	2,719,435	96,334	-	2,815,769
Total capital assets being depreciated, net	2,100,375			2,039,550
Water and wastewater fund capital assets, net	\$ 2,139,490			\$ 2,078,665

B - Liabilities

Pension Plan and Postemployment Obligations

Local Governmental Employees' Retirement System

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

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Pine Level employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Pine Level's contractually required contribution rate for the year ended June 30, 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 of Pine Level were \$48,658 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 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.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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 \$194,442 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.00712%, which was an increase of 0.00692% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$90,952. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,293	\$ -
Changes of assumptions	31,411	-
Net difference between projected and actual earnings on pension plan investment	4,743	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	11,881	-
Town contributions subsequent to the measurement date	48,658	-
Total	\$ 129,986	\$ -

\$48,658 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2021	\$	39,193
2022		13,933
2023		21,801
2024		6,681
2025		-
Thereafter		-
	\$	81,608

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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

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

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, 2019 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	100.0%	

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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

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 annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 444,724	\$ 194,442	\$ (13,593)

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.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

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

Active plan members	5
Total	5

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 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
Investment rate of return	3.26 percent, net of pension plan investment expense, including inflation

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.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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.

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 \$153,121. 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 \$12,511.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,070	\$ -
Changes of assumptions	6,661	3,934
Total	\$ 17,731	\$ 3,934

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2021	\$	3,140
2022		3,140
2023		3,329
2024		2,037
2024		2,110
Thereafter		41
	\$	13,797

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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

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:

	1% Decrease (2.26%)	Discount rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 163,922	\$ 153,121	\$ 143,137

	2020
Beginning balance	\$ 141,173
Service cost	4,417
Interest on the total pension liability	4,954
Differences between expected and actual experience in the measurement of the total pension liability	8,813
Changes of assumptions or other inputs	3,888
Benefit payments	(10,124)
Ending balance of the total pension liability	\$ 153,121

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

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

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 90,952	\$ 12,511	\$ 103,463
Pension liability	194,442	153,121	347,563
Proportionate share of the net pension liability	0.00712%	n/a	
Deferred of outflows of resources			
Differences between expected and actual experience	33,293	11,070	44,363
Changes of assumptions	31,411	6,661	38,072
Net difference between projected and actual earnings on plan investments	4,743	-	4,743
Changes in proportion and differences between contributions and proportionate share of contributions	11,881	-	11,881
Benefit payments and administrative costs paid subsequent to the measurement date	48,658	-	48,658
Deferred of inflows of resources			
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	3,934	3,934
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020, were \$10,905, which consisted of \$9,605 from the Town and \$1,300 from the law enforcement officers.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Commissioners each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Commissioners can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

In accordance with G.S. 159-29, the finance officer and tax collector are individually bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to cash are covered under a blanket insurance policy. The Town carries commercial coverage for all other risks of loss. Settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance for the simple fact none of its buildings are located in a designated flood area.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Long-Term Obligations

Installment Purchase

Governmental activities:

On February 8, 2010 the Town of Pine Level entered into a direct placement installment purchase contract with USDA to finance the refurbishment of the Town Hall for \$725,000 with an interest rate of 3.75%. The property is pledged as collateral for the debt while the debt is outstanding. The balance of the loan at June 30, 2020 is \$651,104.

On June 15, 2020 the Town of Pine Level entered into a direct placement installment purchase contract with USDA to finance a garbage truck for \$196,000 with an interest rate of 4.13% for twenty years. The loan was financed between the General Fund and the Water and Sewer Fund. The balance of the loan portion for the General Fund at June 30, 2020 is \$168,197.

The future payments of these installment purchases for the year ending June 30,2020 are as follows:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2021	\$ 17,946	\$ 28,008
2022	18,527	27,427
2023	19,128	27,429
2024	19,740	26,214
2025	20,391	26,111
2026-2030	112,367	117,402
2031-2035	132,025	99,240
2036-2040	155,276	74,493
2041-2045	126,829	49,565
2046-2050	152,461	23,933
2051-2052	44,611	4,185
Total	\$ 819,301	\$ 504,008

Business activities:

In 2019, the Town of Pine Level entered into a direct placement installment purchase in the amount of \$117,418 in the Water and Sewer Fund with Johnston County for water main line purchase of \$9,032 due on October 1st each year. Payments are due October 1 (interest only) at 2.66% with principal and interest payments due on April 1st for seventeen years. The balance of the loan at June 30, 2020 is \$36,129.

On June 15, 2020 the Town of Pine Level entered into a direct placement installment purchase contract with USDA to finance a garbage truck for \$196,000 with an interest rate of 4.13% for twenty years. The loan was financed between the General Fund and Water and Sewer Fund. The balance of the loan portion for the general fund at June 30, 2020 is \$27,569.

The future payments of these installment purchases for the year ending June 30,2020 are as follows:

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Long-Term Obligations (continued)

Installment Purchase (continued)

Years Ending June 30:	Business-Type Activities	
	Principal	Interest
2021	\$ 10,128	\$ 1,738
2022	10,154	1,591
2023	10,181	1,324
2024	10,207	938
2025	1,204	549
2026-2030	6,460	2,850
2031-2035	7,265	1,497
2036-2040	8,101	592
Total	<u>\$ 63,698</u>	<u>\$ 11,078</u>

Revenue Bond

Business activities:

In 2019, the Town of Pine Level was issued a revenue bond in the amount of \$998,000 financed through the Water and Sewer Fund for the construction of a water tank. Principal installments are due annually for forty years on June 1st, at an annual interest rate of 3.375%. The balance of the revenue bond as of June 30, 2020 is \$865,000.

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

Years Ending June 30:	Business-Type Activities	
	Principal	Interest
2021	\$ 17,000	\$ 23,788
2022	18,000	28,620
2023	18,000	28,013
2024	19,000	27,405
2025	20,000	26,764
2026-2030	108,000	143,390
2031-2035	128,000	103,815
2036-2040	150,000	80,831
2041-2045	178,000	53,730
2046-2050	209,000	21,566
Total	<u>\$ 865,000</u>	<u>\$ 537,922</u>

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Changes in Debt

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Direct Placement:					
Installment purchase	\$ 672,364	\$ 168,197	\$ (21,260)	\$ 819,301	\$ 19,042
Compensated absences	29,397	6,633	(4,577)	31,453	-
Total Pension Liability (LEO)	141,173	11,948	-	153,121	-
Net pension liability (LGERS)	110,582	23,313	-	133,895	-
Governmental activity long-term liabilities	<u>\$ 953,516</u>	<u>\$ 210,091</u>	<u>\$ (25,837)</u>	<u>\$ 1,137,770</u>	<u>\$ 19,042</u>
Business-type activities:					
Direct Placement:					
Installment purchase	45,161	\$ 27,569	\$ (9,032)	\$ 63,698	\$ 9,032
Revenue bonds	882,000	-	(17,000)	865,000	17,000
Compensated absences	17,256	4,677	(2,881)	19,052	-
Net pension liability (LGERS)	53,584	6,963	-	60,547	-
Business-type activity long-term liabilities	<u>\$ 998,001</u>	<u>\$ 39,209</u>	<u>\$ (28,913)</u>	<u>\$ 1,008,297</u>	<u>\$ 26,032</u>

C - Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 1,124,916	\$ 2,078,665
less: long-term debt	(819,301)	(928,698)
Net investment in capital assets	<u>\$ 305,615</u>	<u>\$ 1,149,967</u>

D - Interfund Balances and Activity

Balance due to/from other funds at June 30, 2020, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer	Governmental Fund	\$ 27,569
Total		<u>\$ 27,569</u>

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 4 - 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 5 - FUND BALANCE

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

Total Fund Balance - General Fund	\$ 1,093,679
Less:	
Stabilization by State Statute	103,667
Streets - Powell Bill	91,985
Debt service	31,319
Remaining fund balance	\$ 866,708

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events were evaluated through December 31, 2020, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

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

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

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pine Level's proportion of the net pension liability (asset) (%)	0.00712%	0.00692%	0.00681%	0.00748%	0.00080%	0.00080%	0.00080%
Pine Level's proportion of the net pension liability (asset) (\$)	\$ 194,442	\$ 104,038	\$ 104,038	\$ 158,750	\$ 44,251	\$ (48,064)	\$ 98,841
Pine Level's covered-employee payroll	\$ 527,215	\$ 531,559	\$ 509,981	\$ 587,823	\$ 485,836	\$ 481,547	\$ 499,936
Pine Level's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.88%	19.57%	19.57%	27.01%	9.11%	-9.98%	19.77%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

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

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

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 48,658	\$ 42,246	\$ 41,273	\$ 38,407	\$ 39,941	\$ 34,942	\$ 34,417
Contributions in relation to the contractually required contribution	48,658	42,246	41,273	38,407	39,941	34,942	34,417
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pine Level's covered-employee payroll	\$ 528,723	\$ 527,215	\$ 531,559	\$ 509,981	\$ 587,823	\$ 485,836	\$ 481,547
Contributions as a percentage of covered-employee payroll	9.20%	8.01%	7.76%	7.53%	6.79%	7.19%	7.15%

Town of Pine Level, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 141,173	\$ 132,388	\$ 114,409	\$ 108,867
Service cost	4,417	5,210	4,385	4,214
Interest on the total pension liability	4,954	4,183	4,416	3,887
Differences between expected and actual experience in the measurement of the total pension liability	8,813	3,923	2,342	-
Changes of assumptions or other inputs	3,888	(4,531)	6,836	(2,559)
Benefit payments	(10,124)	-	-	-
Ending balance of the total pension liability	<u>\$ 153,121</u>	<u>\$ 141,173</u>	<u>\$ 132,388</u>	<u>\$ 114,409</u>

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 153,121	\$ 141,173	\$ 132,388	\$ 114,409
Covered payroll	213,130	199,000	192,630	157,198
Total pension liability as a percentage of covered payroll	71.84%	70.94%	68.73%	72.78%

Notes to the schedules:

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

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

Individual Fund Statements and Schedules

Town of Pine Level, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 582,356	\$
Penalties and interest		1,008	
Total	<u>562,700</u>	<u>583,364</u>	<u>20,664</u>
Unrestricted intergovernmental:			
Local option sales taxes		220,686	
Telecommunications sales tax		3,998	
Utility sales tax		68,911	
Gas tax		4,662	
Solid waste disposal tax		1,416	
Video franchise fee		3,990	
Beer and wine tax		8,047	
ABC profit distribution		13,961	
Total	<u>302,650</u>	<u>325,671</u>	<u>23,021</u>
Restricted intergovernmental:			
Powell Bill allocation		52,099	
Total	<u>53,200</u>	<u>52,099</u>	<u>(1,101)</u>
Permits and fees:			
Zoning permits		2,130	
Total	<u>2,500</u>	<u>2,130</u>	<u>(370)</u>
Sales and services:			
Garbage fees		253,340	
Recreation department fees		20,394	20,394
Total	<u>285,256</u>	<u>273,734</u>	<u>(11,522)</u>
Investment earnings:	<u>500</u>	<u>442</u>	<u>(58)</u>
Miscellaneous:			
Insurance reimbursement		3,050	
Miscellaneous		6,556	
Total	<u>10,000</u>	<u>9,606</u>	<u>(394)</u>
Total revenues	<u>\$ 1,216,806</u>	<u>\$ 1,247,046</u>	<u>\$ 30,240</u>

Town of Pine Level, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits	\$	\$ 131,042	\$
Other operating expenditures		200,872	
Total	<u>403,319</u>	<u>331,914</u>	<u>71,405</u>
Total general government	<u>403,319</u>	<u>331,914</u>	<u>71,405</u>
Transportation:			
Salaries and employee benefits		73,237	
Other operating expenditures		119,725	
Total transportation	<u>193,561</u>	<u>192,962</u>	<u>599</u>
Environmental:			
Salaries and employee benefits		22,423	
Other operating expenditures		51,746	
Capital outlay		183,070	
Total environmental	<u>297,942</u>	<u>257,239</u>	<u>40,703</u>
Public safety:			
Police:			
Salaries and employee benefits		260,297	
Other operating expenditures		36,422	
Capital outlay		50,995	
Total	<u>382,399</u>	<u>347,714</u>	<u>34,685</u>
Total public safety	<u>\$ 382,399</u>	<u>\$ 347,714</u>	<u>\$ 34,685</u>

Town of Pine Level, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Culture and Recreation:			
Parks and recreation:			
Salaries and employee benefits	\$	\$ 43,538	\$
Other operating expenditures		52,102	
Total culture and recreation	128,549	95,640	32,909
Debt service			
Principal retirement		21,260	
Interest		15,464	
Total debt service	37,280	36,724	556
Total expenditures	1,443,050	1,262,193	180,857
Revenues over (under) expenditures	(226,244)	(15,147)	241,391
Other financing sources (uses)			
Installment purchase proceeds	196,000	168,197	(27,803)
Total other financing sources	196,000	168,197	(27,803)
Fund balance appropriated	30,244		30,244
Net change in fund balance	\$ -	153,050	\$ -
Fund balance, beginning		940,629	
Fund balance, ending		\$ 1,093,679	

Town of Pine Level, North Carolina
Nonmajor Governmental Funds- PT George Endowment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2020

	<u>PT George Endowment Fund</u>
Revenues:	
Investment earnings	\$ 1,048
Total revenues	<u>1,048</u>
Expenditures:	
Beautification	<u>-</u>
Total expenditures	<u>-</u>
Revenues over (under) expenditures	1,048
Fund balance, beginning	<u>29,035</u>
Fund balance, ending	<u><u>\$ 30,083</u></u>

Town of Pine Level, North Carolina
Enterprise Fund - Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenue:			
Water sales	\$	\$ 346,193	\$
Sewer sales		559,696	
Other operating revenue		325	
Total operating revenues	<u>951,900</u>	<u>906,214</u>	<u>(45,686)</u>
Nonoperating revenues			
Interest earnings		387	
Total nonoperating revenues	<u>225</u>	<u>387</u>	<u>162</u>
Total revenues	<u>952,125</u>	<u>906,601</u>	<u>(45,524)</u>
Expenditures:			
Water and sewer operations:			
Salaries and employee benefits		266,600	
Contracted services		352,719	
Repairs and maintenance		61,312	
Other operating expenditures		100,344	
Capital outlay		35,509	
Total water and sewer administration	<u>895,119</u>	<u>816,484</u>	<u>78,635</u>
Debt Service			
Principal repayment		26,032	
Interest		30,969	
Total debt service	<u>57,006</u>	<u>57,001</u>	<u>5</u>
Total expenditures	<u>952,125</u>	<u>873,485</u>	<u>78,640</u>
Revenues over (under) expenditures	-	33,116	33,116
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 33,116</u>	<u>\$ 33,116</u>

Town of Pine Level, North Carolina
Enterprise Fund- Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2020

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures	\$	33,116
 Reconciling items:		
Principal retirement		26,032
Decrease in bond interest accrued		
Capital outlay		35,509
Decrease in deferred outflows of resources - pensions		3,100
Increase in net pension liability		(6,963)
Decrease in deferred inflows of resources - pensions		336
Depreciation		(96,334)
Total reconciling items		<u>(38,320)</u>
 Change in net position	 \$	 <u><u>(5,204)</u></u>

Other Schedules

Town of Pine Level, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2020</u>
2019-2020	\$ -	\$ 593,322	\$ 591,756	\$ 1,566
2018-2019	747	-	728	19
2017-2018	-	-	-	-
2016-2017	10	-	-	10
2015-2016	133	-	-	133
2014-2015	-	-	-	-
2013-2014	267	-	267	-
2012-2013	452	-	185	267
2011-2012	269	-	(202)	471
2010-2011	187	-	(121)	308
2009-2010	325	-	325	-
	<u>\$ 2,390</u>	<u>\$ 593,322</u>	<u>\$ 592,938</u>	<u>2,774</u>

Less: allowance for uncollectible accounts - General Fund -

Ad valorem taxes receivable - net \$ 2,774

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 583,364
Penalties collected on ad valorem taxes	(1,008)
Reconciling items:	
Discounts allowed	14,585
Taxes written off	<u>(4,003)</u>
Total collections and credits	<u>\$ 592,938</u>

Town of Pine Level, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2020

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 128,983,043	0.46	\$ 593,322	\$ 527,018	\$ 66,304
Releases			-	-	-
Net levy			593,322	527,018	66,304
Less - uncollected taxes at June 30, 2020			1,566	1,566	-
Current year's taxes collected			<u>\$ 591,756</u>	<u>\$ 525,452</u>	<u>\$ 66,304</u>
Current levy collection percentage			<u>99.74%</u>	<u>99.70%</u>	<u>100.00%</u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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
Board of Town Commissioners
Town of Pine Level, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pine Level, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Pine Level's basic financial statements and have issued our report thereon dated December 31, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Pine Level's internal control over financial reporting 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 Pine Level'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 a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency (2020-001).

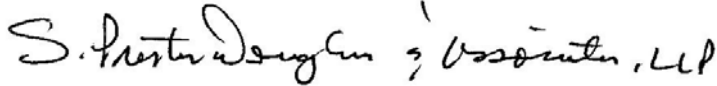
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Princeton'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 matters that are required to be reported under *Government Auditing Standard* and which is described in the schedule of findings and responses as item 2020-002.

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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.

Handwritten signature in black ink that reads "S. Preston Douglas, CPA". The signature is written in a cursive style.

Lumberton, North Carolina
December 31, 2020

Town of Pine Level, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2020

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:	Unmodified.		
Internal control over financial reporting:			
• Material weakness(es) identified?	_____	yes	<u> X </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	<u> X </u>	yes	_____ none reported
• Noncompliance material to financial statements	<u> X </u>	yes	_____ no

Town of Pine Level, North Carolina
Schedule of Findings and Responses (continued)
For the Year Ended June 30, 2020

Section II. Financial Statement Findings

Significant Deficiencies

Finding: 2020 – 001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: The Town’s internal control process cannot ensure that errors will be detected by employees in the normal course of performing their assigned functions.

Cause: The Town has two employees to handle all financial transactions due to their limited budget.

Repeat finding: This is not a repeat finding.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions:

The Town agrees with this finding and will adhere to the corrective action plan on page 60 in this report.

Significant Deficiencies/ Material noncompliance

Finding 2020 – 002 Investment of Donated Funds

Criteria: The Town should invest in investments that meet the requirements of NC General Statute 159-33.

Condition: The Town invested donated funds into an investment that is not allowed by NC General Statute 159-33. This investment was at the request of the donor.

Effect: The Town violated NC General Statute 159-33.

Cause: The Town management is aware of the General Statute limiting the type of investments for donated or idle funds, but they want to uphold the request of the donor.

Repeat finding: This is not a repeat finding.

Recommendation: The Town should consider all investment options as allowed by NC General Statute 159-33. General Statute 159-33 establishes a nine-month timeframe within which the securities must be sold.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and will adhere to the corrective action plan on page 60 of this report.

Mayor
Jeff Holt

Mayor Pro-Tem
Greg Baker

Board of Commissioners
Jimmy Garner
Phil Pittman
Bill Radford



Town Clerk
Connie N. Capps

Police Chief
Ashley Woodard

Public Works Supt.
Ray Stuckey

Rec. Coordinator
Scottie Hayes

**Town of Pine Level, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2020**

Finding: 2020-001

Segregation of Duties

Name of contact person:

Connie Capps, Town Clerk

Corrective Action:

The duties will be separated as much as possible and alternative controls will be used to compensate for lack of segregation. The governing board will continue to be involved in providing some of the controls.

Proposed Completion Date:

The board will implement the above procedure immediately.

Finding: 2020-002

Investment of Donated Funds

Name of contact person:

Connie Capps, Town Clerk

Corrective Action:

The Town will consider all investment options as allowed by NC General Statute 15-30.

Proposed Completion Date:

The board will implement the above procedure immediately.

Town of Pine Level, North Carolina
Schedule of Prior Year Findings
For the Year Ended June 30, 2020

Finding: 2019-1
Status: This finding has been corrected.