

**TOWN OF PINEVILLE
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

MARTIN  STARNES

& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

TOWN OF PINEVILLE, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Pineville, 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 Pineville, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Pineville'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pineville, North Carolina, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Other Post-Employment Benefits Schedule of Changes in Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and 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, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pineville's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, and the supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, and the supplemental ad valorem tax 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 October 2, 2020 on our consideration of the Town of Pineville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Town of Pineville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pineville's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 2, 2020

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Management's Discussion and Analysis

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

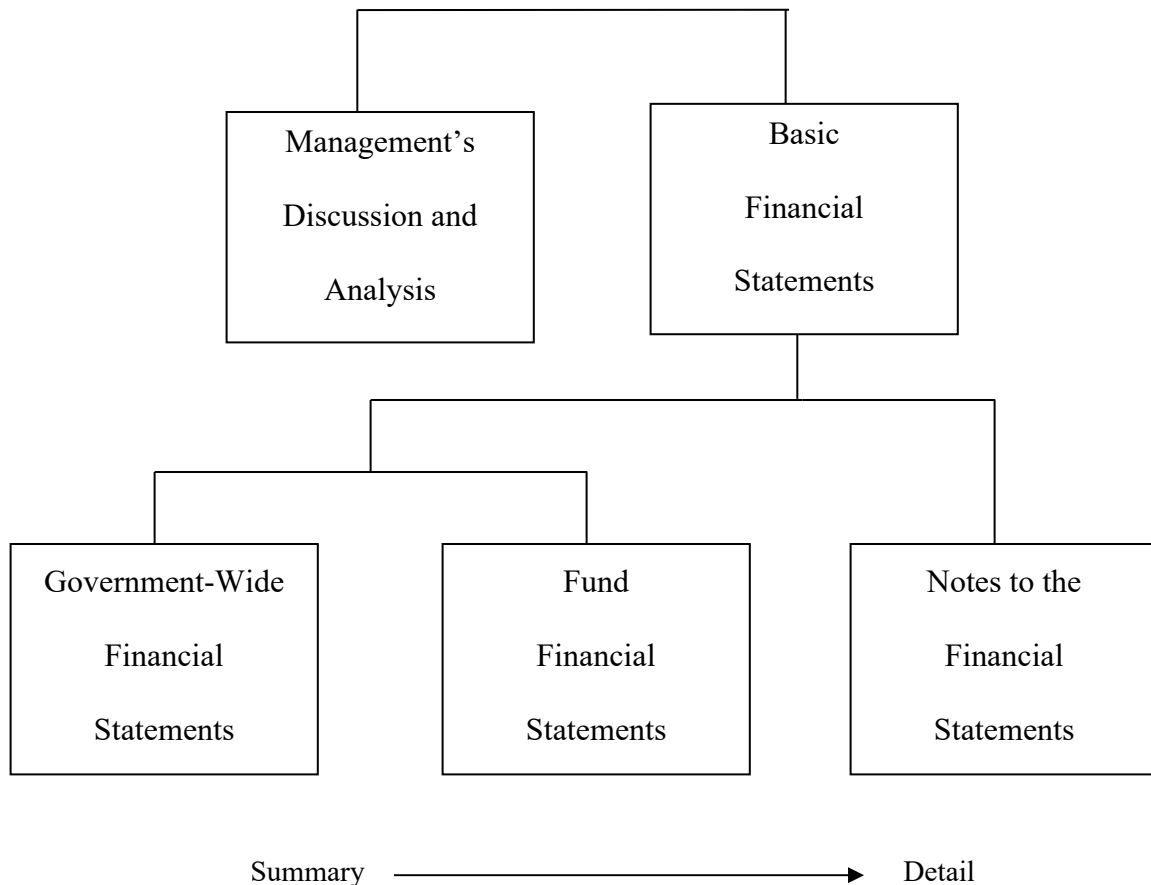
Financial Highlights

- The assets and deferred outflows of resources of the Town of Pineville exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$70,638,568.
- The government's total net position increased by \$4,569,520.
- At the close of the current fiscal year, the Town of Pineville's governmental funds reported combined ending fund balances of \$23,015,503, an increase of \$1,786,074 from the prior year. Approximately 5.99% of this total amount, or \$1,377,657, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$17,127,697, or 130.61%, of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through I) 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 statement, 2) the budgetary comparison statement, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements. Following the notes is the **Required Supplementary Information**. This section contains funding information about the Town's pension plans.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short-term 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 of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are usually divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and federal and state grant funds finance most of these activities. The business-type activities are those that the Town charges customers for services provided. The Town of Pineville has two business-type activities: electric and telephone services. The final category is the component unit category, which is for activities that are legally separate from the Town. The Town of Pineville has no discretely presented component units.

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

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between 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 Pineville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. The Town of Pineville has one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Pineville uses enterprise funds to account for its electric operations and for its telephone services. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements directly follow the basic financial statements of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Pineville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found directly following the notes to the financial statements.

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.

Government-Wide Financial Analysis

Town of Pineville's Net Position Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 23,879,922	\$ 21,874,095	\$ 9,269,521	\$ 7,942,376	\$ 33,149,443	\$ 29,816,471
Capital assets	29,999,725	28,735,506	18,031,558	17,555,905	48,031,283	46,291,411
Total assets	<u>53,879,647</u>	<u>50,609,601</u>	<u>27,301,079</u>	<u>25,498,281</u>	<u>81,180,726</u>	<u>76,107,882</u>
Deferred Outflows of Resources	<u>1,528,774</u>	<u>1,283,897</u>	<u>217,927</u>	<u>191,469</u>	<u>1,746,701</u>	<u>1,475,366</u>
Liabilities:						
Long-term liabilities outstanding	7,850,378	6,855,144	1,119,353	962,314	8,969,731	7,817,458
Other liabilities	950,449	1,146,737	1,359,033	1,366,912	2,309,482	2,513,649
Total liabilities	<u>8,800,827</u>	<u>8,001,881</u>	<u>2,478,386</u>	<u>2,329,226</u>	<u>11,279,213</u>	<u>10,331,107</u>
Deferred Inflows of Resources	<u>822,435</u>	<u>975,975</u>	<u>187,211</u>	<u>207,118</u>	<u>1,009,646</u>	<u>1,183,093</u>
Net Position:						
Net investment in capital assets	29,774,725	27,891,256	18,031,558	17,555,905	47,806,283	45,447,161
Restricted:						
Stabilization by state statute	626,125	839,949	-	-	626,125	839,949
Streets	384,632	377,685	-	-	384,632	377,685
Public safety	360,247	446,597	-	-	360,247	446,597
Unrestricted	14,639,430	13,360,155	6,821,851	5,597,501	21,461,281	18,957,656
Total net position	<u>\$ 45,785,159</u>	<u>\$ 42,915,642</u>	<u>\$ 24,853,409</u>	<u>\$ 23,153,406</u>	<u>\$ 70,638,568</u>	<u>\$ 66,069,048</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Pineville exceeded liabilities and deferred inflows by \$70,638,568 as of June 30, 2020. The Town's net position increased by \$4,569,520 for the fiscal year ended June 30, 2020. However, the largest portion \$47,806,283, (68%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Pineville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pineville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Pineville's net position, \$1,371,004, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$21,461,281 is unrestricted.

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

- Continued identification and planning for future capital improvement needs in an effort to schedule purchases in an organized and cost-efficient manner. This included a five (5) year CIP.
- Continued financial cost control throughout the year by department heads
- Modest increases in some revenue sources

Town of Pineville's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,102,546	\$ 1,097,680	\$ 13,691,324	\$ 14,371,807	\$ 14,793,870	\$ 15,469,487
Operating grants and contributions	1,889,188	1,939,701	-	-	1,889,188	1,939,701
Capital grants	136,265	521,407	-	-	136,265	521,407
General revenues:						
Property taxes	8,273,985	6,908,190	-	-	8,273,985	6,908,190
Local option taxes	1,964,982	1,904,129	-	-	1,964,982	1,904,129
Other taxes	1,425,202	1,465,502	-	-	1,425,202	1,465,502
NCMPA rebate	-	-	1,749,662	-	1,749,662	-
Investment earnings	268,819	374,679	105,820	144,905	374,639	519,584
Miscellaneous	157,993	65,356	-	-	157,993	65,356
Total revenues	<u>15,218,980</u>	<u>14,276,644</u>	<u>15,546,806</u>	<u>14,516,712</u>	<u>30,765,786</u>	<u>28,793,356</u>
Expenses:						
General government	1,817,144	1,575,362	-	-	1,817,144	1,575,362
Public safety	6,793,153	6,139,412	-	-	6,793,153	6,139,412
Transportation	1,127,732	838,069	-	-	1,127,732	838,069
Economic and physical development	949,185	724,416	-	-	949,185	724,416
Cultural and recreation	1,693,823	1,599,019	-	-	1,693,823	1,599,019
Interest on long-term debt	14,854	39,044	-	-	14,854	39,044
ILEC telephone	-	-	1,058,340	951,344	1,058,340	951,344
CLEC telephone	-	-	1,790,368	1,824,332	1,790,368	1,824,332
Electric	-	-	10,951,667	11,271,522	10,951,667	11,271,522
Total expenses	<u>12,395,891</u>	<u>10,915,322</u>	<u>13,800,375</u>	<u>14,047,198</u>	<u>26,196,266</u>	<u>24,962,520</u>
Change in net position before transfers	2,823,089	3,361,322	1,746,431	469,514	4,569,520	3,830,836
Transfers	<u>46,428</u>	<u>42,497</u>	<u>(46,428)</u>	<u>(42,497)</u>	<u>-</u>	<u>-</u>
Change in net position	2,869,517	3,403,819	1,700,003	427,017	4,569,520	3,830,836
Net Position:						
Beginning of year - July 1	<u>42,915,642</u>	<u>39,511,823</u>	<u>23,153,406</u>	<u>22,726,389</u>	<u>66,069,048</u>	<u>62,238,212</u>
End of year - June 30	<u>\$ 45,785,159</u>	<u>\$ 42,915,642</u>	<u>\$ 24,853,409</u>	<u>\$ 23,153,406</u>	<u>\$ 70,638,568</u>	<u>\$ 66,069,048</u>

Governmental Activities. Governmental activities increased the Town's net position by \$2,869,517 thereby, accounting for 62.8% of the positive growth in the net position of the Town of Pineville. Key elements of this increase are as follows:

- Strong collection rates for real and personal property taxes and other local revenue sources
- Continued strengthening of internal financial processes and oversight
- Scheduled purchasing of capital items and improvements

Business-Type Activities. Business-type activities increased the Town of Pineville's net position by \$1,700,003. Key elements of this increase are as follows:

- More volatile weather, which increased the use of electricity throughout the year
- Lower wholesale costs for the purchase of electricity
- Continued uptake of fiber service by citizens of Pineville
- Expanding service offerings to customers, while restructuring our marketing and sales approaches to remain competitive in the telecommunications industry

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Pineville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$17,127,697, while total fund balance reached \$21,090,903. Unassigned fund balance represents 130.6% of the total General Fund expenditures, while total fund balance represents 160.8% of the same amount. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. The Town currently has an available fund balance of \$20,465,747 and 149.95% of General Fund expenditures as adjusted for transfers out.

At June 30, 2020, the governmental funds of the Town of Pineville reported a combined fund balance of \$23,015,503, an 8.41% increase over last year. The largest part of this change is the increase in fund balance for the General Fund.

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

Proprietary Funds. The Town of Pineville's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the telephone funds (combined ILEC and CLEC) at the end of the fiscal year amounted to \$1,876,005, and those for the Electric Fund amounted to \$4,945,846. Factors concerning the finances of these funds have already been addressed in the discussion of the Town of Pineville's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Pineville's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$48,031,283 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, infrastructure, and vehicles.

Major capital asset transactions during the year include the following:

- Carolina Place Mall electric infrastructure improvements
- Substation improvements- Polk
- Infrastructure for residential and commercial developments
- Replacement of aging equipment and vehicles

Town of Pineville's Capital Assets
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and construction in progress	\$ 7,784,064	\$ 6,578,322	\$ 5,523,022	\$ 5,338,190	\$ 13,307,086	\$ 11,916,512
Buildings and system Improvements	11,814,987	12,127,618	633,061	664,391	12,448,048	12,792,009
other than buildings	3,232,877	3,260,551	-	-	3,232,877	3,260,551
Substations, lines, and related equipment	-	-	11,837,662	11,542,300	11,837,662	11,542,300
Machinery and equipment	952,803	1,216,736	-	-	952,803	1,216,736
Infrastructure	5,428,852	4,751,644	-	-	5,428,852	4,751,644
Vehicles and motorized equipment	786,142	800,635	37,813	11,024	823,955	811,659
Total	<u>\$ 29,999,725</u>	<u>\$ 28,735,506</u>	<u>\$ 18,031,558</u>	<u>\$ 17,555,905</u>	<u>\$ 48,031,283</u>	<u>\$ 46,291,411</u>

Additional information on the Town's capital assets can be found in Note 3 of the notes to the financial statements.

Long-Term Debt - Direct Placement. As of June 30, 2020, the Town of Pineville had no bonded debt outstanding. None of the Town's debt is secured solely by specified revenue sources (i.e. revenue bonds). The Town had installment obligations debt outstanding of \$225,000, which is secured with assets purchased with these funds. The Town has no business-type activities outstanding debt.

Town of Pineville's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment purchases - direct placement	<u>\$ 225,000</u>	<u>\$ 844,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 844,250</u>

The Town of Pineville's total debt decreased by \$619,250 during the current fiscal year.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Pineville is approximately \$200,602,030. The Town has no bonds authorized, but unissued, at June 30, 2020.

Additional information regarding the Town of Pineville's long-term debt can be found in Note 3 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth of the Town:

- **Major Retail Center.** The Town of Pineville is a major retail hub with over six million square feet of retail space in its town limits, which equates to about 70% for the town's real estate tax base. With the uncertainty of how long COVID-19 will last into the new fiscal year as well as how it will affect the operations of businesses located within town limits, we anticipate approximately an \$800,000 shortfall in key business associated revenue from last fiscal year. This number is just an approximation and could be adjusted either up or down as more clarity happens with business operations and the lasting effect of government regulations on businesses. To combat this uncertainty the Town has put on hold some capital improvement projects.
- **Residential Growth.** The Town of Pineville is still seeing interest in new housing and commercial developments. This interest has been able to combat the concern of our revenue stream over the long run. As we become more diversified in available real estate the volatility of swings in conjunction with economic swings will be less. For example, two projects that will offer diversity in our commercial sector in the upcoming year are a 3.5 million square foot industrial park that should begin to be constructed with a 5-year buildout plan as well as a new car dealership.

Budget Highlights for the Fiscal Year Ending June 30, 2021

The Town of Pineville's 2021 budget is \$37,757,287 for the General Fund, Special Revenue Fund, one-time asset sales and the two enterprise funds: electric and telephone. The fiscal year 2021 budget was prepared with a comprehensive review of each department's expenditures and with consideration given to increases in CIP funding for several major projects that have begun, or monies are beginning to be set aside for their start. The town is still making these significant expenditures to realize projects identified in the Councils five-year strategic plans with less revenue due to COVID-19. The Town's projected revenue in funds being impacted by COVID-19 restrictions is down approximately \$800,000.

The fiscal year 2021 budget includes funding for neighborhood stormwater improvements, construction of a new town hall and joint library, investments in town mobility improvements, and continued investment in fiber installation.

Finally, the Town is also anticipating the sale of a large asset that will provide future development potential within the town limits. However, with the sale of the asset the town is looking at having to make significant infrastructure improvements. This is one of the reasons revenues and expenditures are inflated significantly over last fiscal year.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Pineville, P.O. Box 249, Pineville, North Carolina 28134 or through email at rdixon@pinevillenc.gov.

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 22,691,374	\$ 6,560,515	\$ 29,251,889
Taxes receivable, net	118,381	-	118,381
Accounts receivable, net	9,560	1,898,215	1,907,775
Due from other governments	669,322	-	669,322
Prepays	6,653	20,031	26,684
Inventories	-	547,230	547,230
Restricted assets:			
Cash and cash equivalents, restricted	384,632	243,530	628,162
Total current assets	23,879,922	9,269,521	33,149,443
Capital assets:			
Land and other non-depreciable capital assets	7,784,064	5,523,022	13,307,086
Depreciable capital assets, net	22,215,661	12,508,536	34,724,197
Total capital assets	29,999,725	18,031,558	48,031,283
Total non-current assets	29,999,725	18,031,558	48,031,283
Total assets	53,879,647	27,301,079	81,180,726
Deferred Outflows of Resources:			
Pension deferrals	1,187,484	165,310	1,352,794
OPEB deferrals	341,290	52,617	393,907
Total deferred outflows of resources	1,528,774	217,927	1,746,701
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	694,154	1,006,034	1,700,188
Unearned revenue - advanced billing	-	103,415	103,415
Current portion of compensated absences	31,295	6,054	37,349
Current portion of long-term liabilities	225,000	-	225,000
Payable from restricted assets	-	243,530	243,530
Total current liabilities	950,449	1,359,033	2,309,482
Long-term liabilities:			
Net pension liability - LGERS	1,862,760	253,431	2,116,191
Total pension liability - LEOSA	1,325,677	-	1,325,677
Total OPEB liability	4,380,282	811,435	5,191,717
Due in more than one year	281,659	54,487	336,146
Total long-term liabilities	7,850,378	1,119,353	8,969,731
Total liabilities	8,800,827	2,478,386	11,279,213
Deferred Inflows of Resources:			
Pension deferrals	54,498	66,917	121,415
OPEB deferrals	767,937	120,294	888,231
Total deferred inflows of resources	822,435	187,211	1,009,646
Net Position:			
Net investment in capital assets	29,774,725	18,031,558	47,806,283
Restricted for:			
Stabilization by state statute	626,125	-	626,125
Streets	384,632	-	384,632
Public safety	360,247	-	360,247
Unrestricted	14,639,430	6,821,851	21,461,281
Total net position	\$ 45,785,159	\$ 24,853,409	\$ 70,638,568

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

TOWN OF PINEVILLE, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,817,144	\$ 805,634	\$ 324,803	\$ -
Public safety	6,793,153	169,930	412,022	-
Transportation	1,127,732	-	208,401	-
Environmental protection	949,185	-	405,506	-
Cultural and recreation	1,693,823	126,982	538,456	136,265
Interest on long-term debt	14,854	-	-	-
Total governmental activities	<u>12,395,891</u>	<u>1,102,546</u>	<u>1,889,188</u>	<u>136,265</u>
Business-Type Activities:				
Electric	10,951,667	11,583,878	-	-
Incumbent LEC telephone	1,058,340	1,063,495	-	-
Competing LEC telephone	1,790,368	1,043,951	-	-
Total business-type activities	<u>13,800,375</u>	<u>13,691,324</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 26,196,266</u>	<u>\$ 14,793,870</u>	<u>\$ 1,889,188</u>	<u>\$ 136,265</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES **FOR THE YEAR ENDED JUNE 30, 2020**

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (686,707)	\$ -	\$ (686,707)
Public safety	(6,211,201)	-	(6,211,201)
Transportation	(919,331)	-	(919,331)
Environmental protection	(543,679)	-	(543,679)
Cultural and recreation	(892,120)	-	(892,120)
Interest on long-term debt	(14,854)	-	(14,854)
Total governmental activities	<u>(9,267,892)</u>	<u>-</u>	<u>(9,267,892)</u>
Business-Type Activities:			
Electric	-	632,211	632,211
Incumbent LEC telephone	-	5,155	5,155
Competing LEC telephone	-	(746,417)	(746,417)
Total business-type activities	<u>-</u>	<u>(109,051)</u>	<u>(109,051)</u>
Total primary government	<u>(9,267,892)</u>	<u>(109,051)</u>	<u>(9,376,943)</u>
General Revenues:			
Ad valorem taxes	8,273,985	-	8,273,985
Local option taxes	1,964,982	-	1,964,982
Utility franchise tax	1,031,376	-	1,031,376
Other taxes	393,826	-	393,826
NCMPA rebate	-	1,749,662	1,749,662
Investment earnings	268,819	105,820	374,639
Miscellaneous	157,993	-	157,993
Total general revenues, not including transfers	<u>12,090,981</u>	<u>1,855,482</u>	<u>13,946,463</u>
Transfers	<u>46,428</u>	<u>(46,428)</u>	<u>-</u>
Total general revenues and transfers	<u>12,137,409</u>	<u>1,809,054</u>	<u>13,946,463</u>
Change in net position	2,869,517	1,700,003	4,569,520
Net Position:			
Beginning of year - July 1	<u>42,915,642</u>	<u>23,153,406</u>	<u>66,069,048</u>
End of year - June 30	<u>\$ 45,785,159</u>	<u>\$ 24,853,409</u>	<u>\$ 70,638,568</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 20,774,396	\$ 1,916,978	\$ 22,691,374
Taxes receivable, net	118,381	-	118,381
Accounts receivable, net	3,533	6,027	9,560
Prepays	6,653	-	6,653
Due from other governments	614,970	54,352	669,322
Restricted cash and cash equivalents	384,632	-	384,632
Total assets	<u>\$ 21,902,565</u>	<u>\$ 1,977,357</u>	<u>\$ 23,879,922</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	\$ 693,281	\$ -	\$ 693,281
Deferred Inflows of Resources:			
Unavailable revenue	-	52,757	52,757
Property taxes receivable	118,381	-	118,381
Total deferred inflows of resources	<u>118,381</u>	<u>52,757</u>	<u>171,138</u>
Fund Balances:			
Non-spendable, not in spendable form: prepaids	6,653	-	6,653
Restricted for stabilization by state statute	618,503	7,622	626,125
Restricted for streets - Powell Bill	384,632	-	384,632
Restricted for public safety	-	360,247	360,247
Committed for general government	1,890,268	1,537,973	3,428,241
Committed for cultural and recreational	-	18,758	18,758
Assigned for subsequent year's expenditures	1,063,150	-	1,063,150
Unassigned	17,127,697	-	17,127,697
Total fund balances	<u>21,090,903</u>	<u>1,924,600</u>	<u>23,015,503</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,902,565</u>	<u>\$ 1,977,357</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position (Exhibit A) are Different Because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.			29,999,725
Deferred outflows of resources related to pensions are not reported in the funds.			1,187,484
Deferred outflows of resources related to OPEB are not reported in the funds.			341,290
Long-term liabilities, accrued interest, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds:			
Long-term debt		(537,954)	
Net pension liability		(1,862,760)	
Total pension liability		(1,325,677)	
Total OPEB liability		(4,380,282)	
Accrued interest		(873)	(8,107,546)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be received within 60 days of year-end. These receivables are a component of net position in the Statement of Net Position.			171,138
Deferred inflows of resources related to pensions are not reported in the funds.			(54,498)
Deferred inflows of resources related to OPEB are not reported in the funds.			(767,937)
Net position of governmental activities per Exhibit A			<u>\$ 45,785,159</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 8,196,975	\$ -	\$ 8,196,975
Other taxes and licenses	240,689	-	240,689
Unrestricted intergovernmental	3,149,495	-	3,149,495
Restricted intergovernmental	2,520,410	213,073	2,733,483
Sales and service	367,628	-	367,628
Investment earnings	264,540	4,279	268,819
Miscellaneous	240,481	-	240,481
Total revenues	<u>14,980,218</u>	<u>217,352</u>	<u>15,197,570</u>
Expenditures:			
Current:			
General government	3,108,239	84,216	3,192,455
Public safety	5,860,863	167,904	6,028,767
Transportation	946,717	-	946,717
Environmental protection	917,470	-	917,470
Cultural and recreation	1,641,440	92,495	1,733,935
Debt service:			
Principal retirement	619,250	-	619,250
Interest and other charges	19,330	-	19,330
Total expenditures	<u>13,113,309</u>	<u>344,615</u>	<u>13,457,924</u>
Revenues over (under) expenditures	<u>1,866,909</u>	<u>(127,263)</u>	<u>1,739,646</u>
Other Financing Sources (Uses):			
Transfers to other funds	(535,000)	-	(535,000)
Transfers from other funds	-	535,000	535,000
Transfers from other funds - payment in lieu of taxes	46,428	-	46,428
Total other financing sources (uses)	<u>(488,572)</u>	<u>535,000</u>	<u>46,428</u>
Net change in fund balances	1,378,337	407,737	1,786,074
Fund Balances:			
Beginning of year - July 1	<u>19,712,566</u>	<u>1,516,863</u>	<u>21,229,429</u>
End of year - June 30	<u>\$ 21,090,903</u>	<u>\$ 1,924,600</u>	<u>\$ 23,015,503</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$	1,786,074
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: change in unavailable revenue for tax revenues.		21,410
Expenses related to compensated absences, other post-employment benefits, net pension obligation, and pension expense that do not require current financial resources and are not reported as expenditures in the governmental funds statement.		
Compensated absences	(40,957)	
Pension expense - LGERS	(414,431)	
Pension expense - LEOSA	(68,908)	
Other post-employment benefits	<u>(301,616)</u>	(825,912)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.		2,665,575
Accrued interest that does not require current financial resources and are not reported as expenditures in the governmental funds statement.		4,476
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.		(1,401,356)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.		<u>619,250</u>
Change in net position of governmental activities per Exhibit B	\$	<u><u>2,869,517</u></u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

MAJOR GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/Under
	Original Budget	Final Budget		
Revenues:				
Ad valorem taxes	\$ 8,166,295	\$ 8,166,295	\$ 8,196,975	\$ 30,680
Other taxes and licenses	-	-	240,689	240,689
Unrestricted intergovernmental	2,300,000	2,680,000	3,149,495	469,495
Restricted intergovernmental	2,120,000	2,187,000	2,520,410	333,410
Sales and services	3,500,000	-	367,628	367,628
Investment earnings	100,000	100,000	264,540	164,540
Miscellaneous	789,815	817,815	240,481	(577,334)
Total revenues	<u>16,976,110</u>	<u>13,951,110</u>	<u>14,980,218</u>	<u>1,029,108</u>
Expenditures:				
Current:				
General government	6,241,640	3,476,917	3,108,239	368,678
Public safety	5,837,139	5,865,139	5,860,863	4,276
Transportation	1,663,628	1,663,628	946,717	716,911
Environmental protection	1,031,375	1,031,375	917,470	113,905
Cultural and recreation	1,796,933	1,863,933	1,641,440	222,493
Debt service:				
Principal retirement	619,250	619,250	619,250	-
Interest and other charges	19,330	19,330	19,330	-
Contingency	100,000	56,723	-	56,723
Total expenditures	<u>17,309,295</u>	<u>14,596,295</u>	<u>13,113,309</u>	<u>1,482,986</u>
Revenues over (under) expenditures	<u>(333,185)</u>	<u>(645,185)</u>	<u>1,866,909</u>	<u>2,512,094</u>
Other Financing Sources (Uses):				
Transfers to other funds	-	(535,000)	(535,000)	-
Transfers from other funds - payment in lieu of taxes	40,000	40,000	46,428	6,428
Appropriated fund balance	<u>293,185</u>	<u>1,140,185</u>	<u>-</u>	<u>(1,140,185)</u>
Total other financing sources (uses)	<u>333,185</u>	<u>645,185</u>	<u>(488,572)</u>	<u>(1,133,757)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,378,337</u>	<u>\$ 1,378,337</u>
Fund Balance:				
Beginning of year - July 1			<u>19,712,566</u>	
End of year - June 30			<u>\$ 21,090,903</u>	

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

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Major Funds			
	Electric Fund	ILEC Telephone Fund	CLEC Telephone Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 4,021,317	\$ 2,539,198	\$ -	\$ 6,560,515
Accounts receivable, net	1,707,295	106,759	84,161	1,898,215
Prepays	8,870	3,326	7,835	20,031
Due from other funds	-	1,115,286	-	1,115,286
Inventories	461,729	-	85,501	547,230
Cash and cash equivalents, restricted	242,675	430	425	243,530
Total current assets	6,441,886	3,764,999	177,922	10,384,807
Capital assets:				
Land	3,663,392	47,777	-	3,711,169
Construction in progress	913,650	751,844	146,359	1,811,853
Depreciable capital assets, net	9,349,211	1,449,489	1,709,836	12,508,536
Capital assets, net	13,926,253	2,249,110	1,856,195	18,031,558
Total non-current assets	13,926,253	2,249,110	1,856,195	18,031,558
Total assets	20,368,139	6,014,109	2,034,117	28,416,365
Deferred Outflows of Resources:				
Pension deferrals	33,574	131,736	-	165,310
OPEB deferrals	4,046	48,571	-	52,617
Total deferred outflows of resources	37,620	180,307	-	217,927
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	994,129	11,905	-	1,006,034
Due to other funds	-	-	1,115,286	1,115,286
Unearned revenue - advanced billing	-	40,271	63,144	103,415
Compensated absences, current	1,929	4,125	-	6,054
Liabilities payable from restricted assets:				
Customer deposits	242,675	430	425	243,530
Total current liabilities	1,238,733	56,731	1,178,855	2,474,319
Non-current liabilities:				
Net pension liability	19,544	233,887	-	253,431
OPEB liability	163,967	647,468	-	811,435
Compensated absences	17,360	37,127	-	54,487
Total non-current liabilities	200,871	918,482	-	1,119,353
Total liabilities	1,439,604	975,213	1,178,855	3,593,672
Deferred Inflows of Resources:				
Pension deferrals	39,813	27,104	-	66,917
OPEB deferrals	54,243	66,051	-	120,294
Total deferred inflows of resources	94,056	93,155	-	187,211
Net Position:				
Net investment in capital assets	13,926,253	2,249,110	1,856,195	18,031,558
Unrestricted	4,945,846	2,876,938	(1,000,933)	6,821,851
Total net position	\$ 18,872,099	\$ 5,126,048	\$ 855,262	\$ 24,853,409

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

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Major Funds			
	Electric Fund	ILEC Telephone Fund	CLEC Telephone Fund	Total
Operating Revenues:				
Charges for services	\$ 11,510,482	\$ 1,063,495	\$ 733,030	\$ 13,307,007
Other operating revenues	73,396	-	310,921	384,317
Total operating revenues	<u>11,583,878</u>	<u>1,063,495</u>	<u>1,043,951</u>	<u>13,691,324</u>
Operating Expenses:				
Administration	484,813	281,314	154,179	920,306
General operations	1,187,931	602,844	1,172,832	2,963,607
Electric power purchases	8,722,913	-	-	8,722,913
Telephone access and service charges	-	25,279	107,826	133,105
Depreciation	556,010	148,903	355,531	1,060,444
Total operating expenses	<u>10,951,667</u>	<u>1,058,340</u>	<u>1,790,368</u>	<u>13,800,375</u>
Operating income (loss)	<u>632,211</u>	<u>5,155</u>	<u>(746,417)</u>	<u>(109,051)</u>
Non-Operating Revenues (Expenses):				
Investment earnings	35,683	68,391	1,746	105,820
NCMPA rebate	1,749,662	-	-	1,749,662
Total non-operating revenues (expenses)	<u>1,785,345</u>	<u>68,391</u>	<u>1,746</u>	<u>1,855,482</u>
Income (loss) before transfers	<u>2,417,556</u>	<u>73,546</u>	<u>(744,671)</u>	<u>1,746,431</u>
Transfers out	-	(557,749)	-	(557,749)
Transfer to General Fund - payment in lieu of taxes	(33,022)	(5,880)	(7,526)	(46,428)
Transfers in	-	-	557,749	557,749
Total transfers	<u>(33,022)</u>	<u>(563,629)</u>	<u>550,223</u>	<u>(46,428)</u>
Change in net position	2,384,534	(490,083)	(194,448)	1,700,003
Net Position:				
Beginning of year - July 1	<u>16,487,565</u>	<u>5,616,131</u>	<u>1,049,710</u>	<u>23,153,406</u>
End of year - June 30	<u>\$ 18,872,099</u>	<u>\$ 5,126,048</u>	<u>\$ 855,262</u>	<u>\$ 24,853,409</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	Major Funds			
	Electric Fund	ILEC Telephone Fund	CLEC Telephone Fund	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 11,721,369	\$ 1,082,389	\$ 1,059,152	\$ 13,862,910
Cash paid for goods and services	(10,111,815)	(653,787)	(1,459,510)	(12,225,112)
Cash paid to or on behalf of employees for services	(283,890)	(152,754)	-	(436,644)
Net cash provided (used) by operating activities	<u>1,325,664</u>	<u>275,848</u>	<u>(400,358)</u>	<u>1,201,154</u>
Cash Flows from Non-Capital Financing Activities:				
Due to (from) other funds	-	67,976	(67,976)	-
NCMPA Rebate	1,749,662	-	-	1,749,662
Transfers to other funds	(33,022)	(563,629)	(7,526)	(604,177)
Transfers from other funds	-	-	557,749	557,749
Net cash provided (used) by non-capital financing activities	<u>1,716,640</u>	<u>(495,653)</u>	<u>482,247</u>	<u>1,703,234</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	<u>(1,019,916)</u>	<u>(431,826)</u>	<u>(84,355)</u>	<u>(1,536,097)</u>
Cash Flows from Investing Activities:				
Investment earnings	<u>35,683</u>	<u>68,391</u>	<u>1,746</u>	<u>105,820</u>
Net increase (decrease) in cash and cash equivalents	2,058,071	(583,240)	(720)	1,474,111
Cash and Cash Equivalents:				
Beginning of year - July 1	<u>2,205,921</u>	<u>3,122,868</u>	<u>1,145</u>	<u>5,329,934</u>
End of year - June 30	<u>\$ 4,263,992</u>	<u>\$ 2,539,628</u>	<u>\$ 425</u>	<u>\$ 6,804,045</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 632,211	\$ 5,155	\$ (746,417)	\$ (109,051)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	556,010	148,903	355,531	1,060,444
Changes in assets, deferred outflows of resources, and liabilities:				
(Increase) decrease in accounts receivable	139,651	16,801	(2,654)	153,798
(Increase) decrease in prepaids	(3,085)	1,816	(3,764)	(5,033)
(Increase) decrease in inventory	(18,229)	-	(2,145)	(20,374)
(Increase) decrease in deferred outflows of resources for pensions	1,514	18,160	-	19,674
(Increase) decrease in deferred outflows of resources for OPEB	(3,547)	(42,585)	-	(46,132)
Increase (decrease) in deferred inflows of resources for pensions	(413)	(4,960)	-	(5,373)
Increase (decrease) in deferred inflows of resources for OPEB	(1,118)	(13,416)	-	(14,534)
Increase (decrease) in pension liability	3,664	43,962	-	47,626
Increase (decrease) in OPEB liability	8,039	96,510	-	104,549
Increase (decrease) in accounts payable and accrued liabilities	10,042	5,380	(189)	15,233
Increase (decrease) in customer deposits	<u>925</u>	<u>122</u>	<u>(720)</u>	<u>327</u>
Net cash provided (used) by operating activities	<u>\$ 1,325,664</u>	<u>\$ 275,848</u>	<u>\$ (400,358)</u>	<u>\$ 1,201,154</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected Mayor and Town Council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable.

Blended Component Unit

The Town has one blended component unit, Pineville Redevelopment and Investment, Inc, which was created during fiscal year 2018. Pineville Redevelopment and Investment, Inc. was formed for the purpose of the redevelopment for the Cone Mill Property. The Cone Mill property deed has been transferred from the Town to the component unit. The Town maintains sole control over the operations of Pineville Redevelopment and Investment, Inc. and activities are included in the financial statements of the Town as a blended component unit.

B. Basis of Presentation

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

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

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

The Town reports the following major governmental fund:

Governmental Funds

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

The Town reports the following nonmajor governmental funds:

Emergency Telephone System Special Revenue Fund. This fund is used to account for 911 revenues received by the State 911 Board to enhance the state's 911 system.

Johnson Road Realignment Capital Project Fund. This fund is used to account for capital related activities for road construction and improvements.

Dog Park/Splash Pad Capital Project Fund. This fund is used to account for the construction of a new Town dog park and splash pad.

Proprietary Funds

The Town reports on the following major enterprise funds:

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

ILEC Telephone Fund. This fund is used to account for the Town's Incumbent Local Exchange Carrier Telephone Fund operations.

CLEC Telephone Fund. This fund is used to account for the Town's Competing Local Exchange Carrier Telephone Fund operations.

C. Measurement Focus and Basis of Accounting

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance 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 sixty (60) days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates, are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the state at year-end on behalf of the Town, are recognized as revenue. Sales taxes are

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

considered a shared revenue for the Town of Pineville because the tax is levied by Mecklenburg County and then remitted to and distributed by the state. Most intergovernmental revenues and sales and services are not susceptible to accrual, because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, Emergency Telephone System Fund Special Revenue Fund, Electric Rate Stabilization Fund, and enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital project funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the annually budgeted funds of the General Fund and Special Revenue Fund. Expenditures may not legally exceed appropriations at the fund level for all annually budgeted funds of the enterprise funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary and were approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

State law [G. S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, 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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

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

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.

Governmental Activities:

General Fund	
Streets	<u>\$ 384,632</u>

Business-Type Activities:

Electric Fund	
Customer deposits	242,675

ILEC Telephone Fund	
Customer deposits	430

CLEC Telephone Fund	
Customer deposits	<u>425</u>
	<u>243,530</u>

Total restricted cash	<u>\$ 628,162</u>
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Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

Inventory and Prepaid Items

The inventories of the Town's enterprise funds are valued at cost (first-in, first-out, and average), which approximates market. The inventories consist of materials and supplies, held for consumption, and are expensed when consumed rather than when purchased.

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows for the governmental funds and Electric Fund: land, buildings improvements, substations, lines, and other plant and distribution systems, \$10,000; infrastructure, \$20,000; furniture, and equipment and vehicles, \$5,000. Some items in the Telephone Fund have a minimum capitalization cost of \$2,000 due to FCC Rules. 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 value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network 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 assets, or materially extend assets lives, are not capitalized.

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

<u>Asset</u>	<u>Years</u>
Infrastructure	25-50
Buildings	50
Improvements	10-25
Vehicles	6-10
Furniture and equipment	3-10
Computer equipment	3-7

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 two items that meet this criteria: pension and other post-employment benefit deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet this criteria for this category – pension deferrals and other post-employment benefit deferrals.

Long-Term Obligations

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

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

Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty days earned vacation leave, with such leave being fully vested when earned. Any excess amounts of vacation leave roll to sick leave time. 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. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

Prepays – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

Restricted Fund Balance

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

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Restricted for Streets - Powell Bill – \$384,632 portion of fund balance in the General Fund that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of unexpended Powell Bill funds.

Restricted for Public Safety – \$360,247 portion of fund balance restricted by revenue source for public safety related activities such as police, fire, EMS, E-911, and building construction in the other governmental funds.

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Town Council is the highest level of decision-making authority for the government that can, by majority vote by quorum, commit fund balance. Once voted, the commitment is in place until a similar action is taken. Any changes or removal of specific purpose commitments requires a majority vote by quorum by the Town Council.

Committed for General Government – \$1,537,973 portion of fund balance committed for the construction and improvements in the Johnson Road Realignment Capital Project Fund and \$1,890,268 portion of fund balance committed for construction and improvements in the General Fund.

Committed for Culture and Recreation – \$18,758 portion of fund balance committed for culture and recreation in the Dog Park/Splash Pad Capital Project Fund.

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes. The Town's governing body has the authority to assign fund balance.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The Town Council approves the appropriation; however, the budget ordinance authorizes the Budget Officer and Finance Director to modify the appropriations by resource or appropriation within funds up to \$100,000.

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Only the general fund may report a positive unassigned fund balance.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following order: bond/debt proceeds, federal funds, state funds, local non-Town funds, and 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.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The Finance Director has the authority to deviate from this policy if it is in the best interest of the Town or when required by grant or other contractual agreements.

The Town adopted a minimum fund balance policy on July 8, 2014 to protect the future of the Town's reserve funds, made up of the General Fund and the two enterprise funds. The policy states that the Town will maintain fund balance and net position in reserves as follows: at least 40% of General Fund expenditures of the current year and at least 25% in both the telephone and electric funds of expenditures in the current year. The Town is hopeful that doing this will ensure enough funds were available for emergencies or special projects and prevent future boards from weakening the financial stability of the Town. No board can take action to reduce the reserves without first voting to void this policy.

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	\$ 21,090,903
Less:	
Prepays	6,653
Stabilization by state statute	618,503
Fund balance policy	<u>5,245,324</u>
Total remaining fund balance	<u><u>\$ 15,220,423</u></u>

F. Defined Benefit Cost Sharing Plans

For purposes of measuring the net pension liability, 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 Pineville's employer contributions are recognized when due and the Town of Pineville 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.

G. Revenues, Expenditures, and Expenses

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the expenditures made in the Town's Emergency Telephone System Fund exceeded the authorized appropriations made by the governing board for public safety activities by \$19,445. This over-expenditure occurred because of miscalculation in the analysis of year-end budget versus actual projections. Management and the Council will more closely review the budget reports to ensure compliance in future years.

3. Detail Notes On All Funds

A. Assets

Deposits

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's 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 the risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that depositories are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$3,728,701 and a bank balance of \$3,944,306. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$3,694,306 was covered by collateral held under the Pooling Method. At June 30, 2020, the Town's petty cash totaled \$1,500.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Investments

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

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 23,149,850	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	<u>3,000,000</u>	0.15 years	Unrated
		<u>\$ 26,149,850</u>		

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

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

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

Credit Risk. The Town has no formal policy regarding credit risk but has internal management procedure that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust – Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust – Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Receivables – Allowances for Doubtful Accounts

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

Governmental Activities:

Taxes receivable	<u>\$ 108,286</u>
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Business-Type Activities:

Electric	\$ 59,105
ILEC	2,622
CLEC	<u>3,962</u>
Total	<u>\$ 65,689</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Due from Other Governments

Due from other governments that is owed to the Town consists of the following:

General Fund:

Local option sales taxes	\$	316,595
Sales taxes receivable		92,399
DMV MV taxes receivable		29,527
Others		<u>162,582</u>
		614,970

Nonmajor Funds:

Grants receivable		52,757
Sales taxes receivable		<u>1,595</u>

Total due from other governments	\$	<u><u>669,322</u></u>
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TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets

Governmental Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2020 was as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Non-Depreciable Assets:					
Land	\$ 3,787,507	\$ 516,715	\$ -	\$ -	\$ 4,304,222
Construction in progress	<u>2,790,815</u>	<u>1,443,189</u>	<u>-</u>	<u>(754,162)</u>	<u>3,479,842</u>
Total non-depreciable assets	<u>6,578,322</u>	<u>1,959,904</u>	<u>-</u>	<u>(754,162)</u>	<u>7,784,064</u>
Depreciable Assets:					
Buildings	15,552,028	-	-	-	15,552,028
Other improvements	5,310,229	205,168	-	-	5,515,397
Equipment	5,058,129	50,824	16,605	-	5,092,348
Vehicles and motor equipment	4,366,401	244,179	700,462	-	3,910,118
Infrastructure	<u>8,100,241</u>	<u>205,500</u>	<u>-</u>	<u>754,162</u>	<u>9,059,903</u>
Total depreciable assets	<u>38,387,028</u>	<u>705,671</u>	<u>717,067</u>	<u>754,162</u>	<u>39,129,794</u>
Less Accumulated Depreciation:					
Buildings	3,424,410	312,631	-	-	3,737,041
Other improvements	2,049,678	232,842	-	-	2,282,520
Equipment	3,841,393	314,757	16,605	-	4,139,548
Vehicles and motor equipment	3,565,766	258,672	700,462	-	3,123,976
Infrastructure	<u>3,348,597</u>	<u>282,454</u>	<u>-</u>	<u>-</u>	<u>3,631,051</u>
Total accumulated depreciation	<u>16,229,844</u>	<u>\$ 1,401,356</u>	<u>\$ 717,067</u>	<u>\$ -</u>	<u>16,914,133</u>
Total depreciable capital assets, net	<u>22,157,184</u>				<u>22,215,661</u>
Governmental capital assets, net	<u>\$ 28,735,506</u>				<u>\$ 29,999,725</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Governmental Activities:

General government	\$ 347,510
Public safety	518,755
Environmental protection	14,085
Transportation	151,796
Cultural and recreation	369,210
Total	<u>\$ 1,401,356</u>

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2020 are as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Electric:				
Non-Depreciable Assets:				
Land	\$ 3,663,392	\$ -	\$ -	\$ 3,663,392
Construction in progress	<u>1,108,978</u>	<u>942,447</u>	<u>(1,137,775)</u>	<u>913,650</u>
Total non-depreciable assets	<u>4,772,370</u>	<u>942,447</u>	<u>(1,137,775)</u>	<u>4,577,042</u>
Depreciable Assets:				
Substations, lines, and related equipment	17,280,107	39,260	1,137,775	18,457,142
Buildings	690,982	-	-	690,982
Vehicles	<u>583,785</u>	<u>38,209</u>	<u>-</u>	<u>621,994</u>
Total depreciable capital assets	<u>18,554,874</u>	<u>77,469</u>	<u>1,137,775</u>	<u>19,770,118</u>
Less Accumulated Depreciation:				
Substations, lines, and related equipment	9,052,217	526,327	-	9,578,544
Buildings	239,919	18,263	-	258,182
Vehicles	<u>572,761</u>	<u>11,420</u>	<u>-</u>	<u>584,181</u>
Total accumulated depreciation	<u>9,864,897</u>	<u>\$ 556,010</u>	<u>\$ -</u>	<u>10,420,907</u>
Total depreciable capital assets, net	<u>8,689,977</u>			<u>9,349,211</u>
Capital assets, net	<u>13,462,347</u>			<u>13,926,253</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>June 30, 2020</u>
ILEC Telephone Fund:				
Non-Depreciable Assets:				
Land	47,777	\$ -	\$ -	47,777
Construction in progress	371,066	408,227	(27,449)	751,844
Total non-depreciable assets	<u>418,843</u>	<u>408,227</u>	<u>(27,449)</u>	<u>799,621</u>
Depreciable Assets:				
Plant and distribution systems	4,932,773	23,599	27,449	4,983,821
Buildings	544,437	-	-	544,437
Furniture and maintenance equipment	196,856	-	-	196,856
Vehicles and other work equipment	401,674	-	-	401,674
Total depreciable capital assets	<u>6,075,740</u>	<u>23,599</u>	<u>27,449</u>	<u>6,126,788</u>
Less Accumulated Depreciation:				
Plant and distribution systems	3,598,757	135,836	-	3,734,593
Buildings	331,109	13,067	-	344,176
Furniture and maintenance equipment	196,856	-	-	196,856
Vehicles and other work equipment	401,674	-	-	401,674
Total accumulated depreciation	<u>4,528,396</u>	<u>\$ 148,903</u>	<u>\$ -</u>	<u>4,677,299</u>
Total depreciable capital assets, net	<u>1,547,344</u>			<u>1,449,489</u>
Capital assets, net	<u>1,966,187</u>			<u>2,249,110</u>
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>June 30, 2020</u>
CLEC Telephone Fund:				
Non-Depreciable Assets:				
Construction in progress	146,977	\$ 74,434	\$ (75,052)	146,359
Depreciable Assets:				
Plant and distribution systems	5,088,502	9,921	75,052	5,173,475
Less Accumulated Depreciation:				
Plant and distribution systems	3,108,108	\$ 355,531	\$ -	3,463,639
Total depreciable capital assets, net	<u>1,980,394</u>			<u>1,709,836</u>
Capital assets, net	<u>2,127,371</u>			<u>1,856,195</u>
Total business-type activities capital assets, net	<u>\$ 17,555,905</u>			<u>\$ 18,031,558</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2020 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 29,999,725	\$ 18,031,558
Long-term debt	(225,000)	-
Net investment in capital assets	<u>\$ 29,774,725</u>	<u>\$ 18,031,558</u>

Construction Commitments

The Town has active construction projects as of June 30, 2020. At year end, the Town's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Dog Park/Splash Pad	\$ 754,162	\$ 18,758
Johnson Road Realignment	954,027	2,712,973
Total	<u>\$ 1,708,189</u>	<u>\$ 2,731,731</u>

B. Liabilities

Pension Plan and Post-Employment Obligations

Local Governmental Employee's Retirement System

Plan Description. The Town is a participating employer in the state-wide 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 (LEO) of participating local government 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, or by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (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 Pineville 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 Pineville's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.990% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Pineville were \$455,948 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 PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 \$2,116,191 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, 2020, the Town's proportion was 0.077% (measured as of June 30, 2019), which was an increase of 0.004% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the Town recognized pension expense of \$932,306. 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	\$ 362,346	\$ -
Changes of assumptions	344,904	-
Net difference between projected and actual earnings on pension plan investments	51,617	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,298	54,758
Town contributions subsequent to the measurement date	455,948	-
Total	<u>\$ 1,224,113</u>	<u>\$ 54,758</u>

\$455,948 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 ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2021	\$ 349,511
2022	95,668
2023	207,576
2024	60,652
2025	-
Thereafter	-
Total	<u>\$ 713,407</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitant 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 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:

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 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 Liability to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 4,840,117</u>	<u>\$ 2,116,191</u>	<u>\$ (147,942)</u>

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.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town 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% 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. A separate report was not issued for the plan.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Retirees receiving benefits	2
Active plan members	<u>39</u>
Total	<u><u>41</u></u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

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

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

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the actuary for the Local Government Employees' Retirement System for the five-year period ending December 21, 2014.

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

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 operation budget. There were no contributions made by the employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$38,232 as benefits came due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$1,325,677. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$107,140.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,129	\$ 26,233
Changes of assumptions and other inputs	68,436	40,424
Town benefit payments and plan administrative expense made subsequent to the measurement date	19,116	-
Total	<u>\$ 128,681</u>	<u>\$ 66,657</u>

The Town paid \$19,116 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2021	\$ 7,270
2022	7,270
2023	9,065
2024	5,398
2025	13,322
Thereafter	583
Total	<u>\$ 42,908</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 1,431,679	\$ 1,325,677	\$ 1,228,452

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

	2020
Beginning balance	\$ 1,176,798
Service cost	57,730
Interest on the total pension liability	42,140
Differences between expected and actual experience in the measurement of the total pension liability	49,289
Changes of assumptions or other inputs	37,952
Benefit payments	(38,232)
Ending balance of the total pension liability	\$ 1,325,677

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.64% at December 31, 2018 to 3.26% at December 31, 2019.

Changes in Benefit Terms. Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

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.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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	\$ 932,306	\$ 107,140	\$ 1,039,446
Pension liability	2,116,191	1,325,677	3,441,868
Proportionate share of the net pension liability	0.07749%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 362,346	\$ 41,129	\$ 403,475
Changes of assumptions	344,904	68,436	413,340
Net difference between projected and actual earnings on plan investments	51,617	-	51,617
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,298	-	9,298
Benefit payments and administrative costs paid subsequent to the measurement date	455,948	19,116	475,064
Total deferred outflows of resources	<u>\$ 1,224,113</u>	<u>\$ 128,681</u>	<u>\$ 1,352,794</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 26,233	\$ 26,233
Changes of assumptions	-	40,424	40,424
Changes in proportion and differences between Town contributions and proportionate share of contributions	54,758	-	54,758
Total deferred inflows of resources	<u>\$ 54,758</u>	<u>\$ 66,657</u>	<u>\$ 121,415</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town makes contributions 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 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may also make voluntary contributions to the Plan. Contributions for the year ended June 30, 2020 were \$193,724, which consisted of \$110,574 from the Town and \$83,150 from the law enforcement officers.

Supplemental Retirement Income Plan for General Employees

Plan Description. The Town has elected to contribute to the Plan for general employees as well as for law enforcement officers. Participation begins at the date of employment. Employees may contribute up to 15% of their annual salary, not to exceed the maximum amount established by law. The Town will match the contribution 100% up to 5% of the employee's salary. Contributions for the year ended June 30, 2020 were \$206,553 which consisted of \$90,882 from the Town and \$115,671 from the employees.

Other Post-Employment Benefit

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer, defined benefit Healthcare Benefits Plan (the HCB Plan). This Plan provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty-five years of creditable service with the Town. Employees who retire with less than 25 years of service are not eligible for post-employment coverage. Dependent and spouse of retirees are not eligible. The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets were accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Benefits Provided. The Town pays the full cost of coverage for these benefits through private insurers until the retiree becomes eligible to receive Medicare. Upon inception of the Medicare benefits, the retiree receives a supplemental payment from the Town to cover the cost of retiree medical benefits. It is the discretion of the Town to determine what level of coverage is deemed reimbursable above and beyond retiree supplemental and prescription drug coverage. The Town Council may amend the benefit provisions. A separate report was not issued for the Plan.

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

Retirees receiving benefits	6
Active plan members	<u>91</u>
Total	<u><u>97</u></u>

Total OPEB Liability

The Town's total OPEB liability of \$5,191,717 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

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

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General employees	3.50 percent - 7.75 percent
Law enforcement officers	3.50 percent - 7.35 percent
Municipal bond index rate	
Prior measurement date	3.89 percent
Measurement date	3.50 percent
Healthcare cost trend rates	
Pre-Medicare, medical and prescription drug	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Medicare, medical and prescription drug	5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2022

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ 4,371,403
Changes for the year	
Service cost	290,684
Interest	169,319
Differences between expected and actual experience	(3,248)
Changes in assumptions or other inputs	401,353
Benefit payments	<u>(37,794)</u>
Net changes	<u>820,314</u>
Balance at June 30, 2020	<u>\$ 5,191,717</u>

The Town selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2018 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	<u>\$ 6,452,916</u>	<u>\$ 5,191,717</u>	<u>\$ 4,243,580</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 4,088,147	\$ 5,191,717	\$ 6,722,920

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$382,114. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 362,459
Changes of assumptions and other inputs	361,966	525,772
Town benefit payments and plan administrative expense made subsequent to the measurement date	31,941	-
Total	<u>\$ 393,907</u>	<u>\$ 888,231</u>

\$31,941 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ (77,889)
2022	(77,889)
2023	(77,889)
2024	(77,889)
2025	(77,889)
Thereafter	(136,820)
Total	<u>\$ (526,265)</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Other Employee Benefits

Death Benefit Plan

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

Group Life Insurance

The Town pays the full cost of a life insurance policy for all regular full-time employees and all regular part-time employees who work a minimum of 30 hours per week. Employee coverage is equivalent to the employee's current salary and payable to the designated beneficiary of the employee.

Current Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2020:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental activities	\$ 654,556	\$ 38,725	\$ 873	\$ 694,154
Business-type activities	\$ 986,961	\$ 19,073	\$ -	\$ 1,006,034

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

Differences between expected and actual experience	\$ 403,475
Changes of assumptions	775,306
Net difference between projected and actual earnings on plan investments	51,617
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,298
Benefit payments and administrative costs paid subsequent to the measurement date	<u>507,005</u>
Total	<u>\$ 1,746,701</u>

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

	<u>Statement of Net Position</u>	<u>Balance Sheet Governmental Funds</u>
Taxes receivable	\$ -	\$ 118,381
Unavailable revenue (Nonmajor Funds)	-	52,757
Differences between expected and actual experience	388,692	-
Changes of assumptions and other inputs	566,196	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>54,758</u>	<u>-</u>
Total	<u>\$ 1,009,646</u>	<u>\$ 171,138</u>

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 coverage of \$5 million per occurrence, auto liability coverage of \$5 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police and public officials for claims in excess of \$1 million, for property claims in excess of \$500,000, and up to statutory limits for workers' compensation. The

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town provides health insurance coverage to eligible employees through a third party. Any health claims in excess of policy limits are the responsibility of the employee and not the Town.

The Town carries flood insurance with a third party that provides coverage for property located in an area that has been mapped and designated a “B, C, and X” area by the Federal Emergency Management Agency. The coverage provides an annual and a single occurrence limit of \$5,000,000 each. All of the Town’s assets are located within these zones with the exception of some sheds and concession stands located at one of the Town's parks. While the Town is eligible to purchase flood insurance through the National Flood Insurance program on these items, no decision has been made to carry flood insurance on all these items at this time.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town’s funds are performance bonded through a commercial surety bond. The Finance Director is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$30,000.

Claims, Judgments and Contingent Liabilities

At June 30, 2020, the Town was a defendant to various lawsuits. In the opinion of the Town’s management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town’s financial position.

Long-Term Obligations

Installment Purchases – Direct Placements

In August 2009, the Town entered into a \$3,385,000 installment note to finance the Jack D. Hughes Park expansion. The note requires semi-annual payments of \$169,250, plus 4.23% fixed interest rate and matures in 2020. The Town's outstanding note from direct placement for Recreation related to governmental activities, contain a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment. The note is secured by 19.008 acres at Jack Hughes Park, 10.630 acres of Cone Mills property, and the Jack Hughes Park ballfield improvements. The final year of payment occurred during 2020. At June 30, 2020, there was no balance remaining.

In October 2010, the Town entered into a \$4,500,000 installment note to construct a new police headquarters with SunTrust Bank. The note requires semi-annual payments of \$225,000, plus 2.8% interest rate and matures in 2021. The Town's outstanding note from direct placement for the municipal building related to governmental activities, contain a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment. The note is secured by the municipal building known as the Town of Pineville Police Facility. At June 30, 2020, the balance remaining was \$225,000.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Annual debt service payments are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 225,000	\$ 3,150

At June 30, 2020, the Town had a legal debt margin of approximately \$200,602,030.

Changes in Long-Term Debt

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

	July 1, 2019	Additions	Deletions	June 30, 2020	Current Portion of Balance
Governmental Activities:					
Installment purchases- direct placement	\$ 844,250	\$ -	\$ 619,250	\$ 225,000	\$ 225,000
Total pension liability (LEOSSA)	1,176,798	148,879	-	1,325,677	-
Net pension liability (LGERS)	1,544,032	318,728	-	1,862,760	-
Total OPEB liability	3,664,517	715,765	-	4,380,282	-
Compensated absences	271,997	126,314	85,357	312,954	31,295
Governmental activities long-term liabilities	<u>\$ 7,501,594</u>	<u>\$ 1,309,686</u>	<u>\$ 704,607</u>	<u>\$ 8,106,673</u>	<u>\$ 256,295</u>
Business-Type Activities:					
<i>Electric Fund:</i>					
Net pension liability (LGERS)	\$ 15,880	\$ 3,664	\$ -	\$ 19,544	\$ -
Total OPEB liability	155,928	8,039	-	163,967	-
Compensated absences	13,531	7,734	1,976	19,289	1,929
<i>ILEC Telephone Fund:</i>					
Net pension liability (LGERS)	189,925	43,962	-	233,887	-
Total OPEB liability	550,958	96,510	-	647,468	-
Compensated absences	41,606	13,921	14,275	41,252	4,125
Business-type activities long-term liabilities	<u>\$ 967,828</u>	<u>\$ 173,830</u>	<u>\$ 16,251</u>	<u>\$ 1,125,407</u>	<u>\$ 6,054</u>

Compensated absences, other post-employment benefits, and pension liabilities for governmental activities have typically been liquidated in the General Fund.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Interfund Balances and Activity

Transfers To/From Other Funds

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

<u>Fund</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
Electric Fund	\$ 33,022	\$ -	Payment in lieu of taxes
ILEC Telephone Fund	5,880	-	Payment in lieu of taxes
CLEC Telephone Fund	7,526	-	Payment in lieu of taxes
General Fund	-	46,428	Payment in lieu of taxes
General Fund	535,000	-	Fund road realignment capital project
Johnson Road Realignment Capital Project Fund	-	535,000	From GF for road realignment
ILEC Telephone Fund	557,749	-	Capital expansion
CLEC Telephone Fund	-	557,749	Capital expansion
Total	<u>\$ 1,139,177</u>	<u>\$ 1,139,177</u>	

Internal Balances

Internal balances at June 30, 2020 consist of the following:

<u>Fund</u>	<u>Payable</u>	<u>Receivable</u>	<u>Purpose</u>
ILEC Telephone Fund	\$ -	\$ 1,115,286	Cash deficit and operational support
CLEC Telephone Fund	<u>1,115,286</u>	<u>-</u>	
Total	<u>\$ 1,115,286</u>	<u>\$ 1,115,286</u>	

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

4. Jointly Governed Organizations

The Town, in conjunction with twenty other governments, is a member of the North Carolina Town Power Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The 21 members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2020 were \$8,722,913.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The Town's volunteer fire department appoints five members to the five-member local Board of Trustees for the Firemen's Relief Fund. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the state. The state passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. During the fiscal year ended June 30, 2020, the Town reported payments of \$6,801 made to the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

5. Summary of 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.

6. Subsequent Events

The Town has evaluated subsequent events through October 2, 2020 which is the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact Town revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

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TOWN OF PINEVILLE, NORTH CAROLINA**OTHER POST-EMPLOYMENT BENEFITS****SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS**

	2020	2019	2018
Total OPEB liability - beginning	\$ 4,371,403	\$ 4,532,967	\$ 4,700,511
Service cost	290,684	284,743	330,065
Interest	169,319	160,726	141,055
Differences between expected and actual experience	(3,248)	(443,489)	(4,409)
Changes of assumptions	401,353	(126,849)	(605,457)
Benefit payments	(37,794)	(36,695)	(28,798)
Net change in total OPEB liability	820,314	(161,564)	(167,544)
Total OPEB liability - ending	\$ 5,191,717	\$ 4,371,403	\$ 4,532,967
Covered payroll	\$ 4,179,376	\$ 4,179,376	\$ 4,421,778
Total OPEB liability as a percentage of covered payroll	124.22%	104.59%	102.51%

Notes to Schedule:

Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2020	3.50%
2019	3.89%
2018	3.56%

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

TOWN OF PINEVILLE, NORTH CAROLINA
**TOWN OF PINEVILLE'S PROPORTIONATE SHARE
 OF NET PENSION LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST SEVEN FISCAL YEARS***

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.07749%	0.07376%	0.07209%	0.08583%	0.08872%	0.07666%	0.07590%
Proportion of the net pension liability (asset) (\$)	\$ 2,116,191	\$ 1,749,837	\$ 1,101,334	\$ 1,821,599	\$ 398,170	\$ (452,100)	\$ 914,886
Covered payroll	\$ 4,742,012	\$ 4,486,995	\$ 4,359,497	\$ 4,865,354	\$ 4,644,690	\$ 4,298,274	\$ 3,805,544
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	44.63%	39.00%	25.26%	37.44%	8.57%	-10.52%	24.04%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

TOWN OF PINEVILLE, NORTH CAROLINA**TOWN OF PINEVILLE'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS**

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 455,948	\$ 385,750	\$ 352,312	\$ 332,324	\$ 336,228	\$ 335,672	\$ 302,731
Contributions in relation to the contractually required contribution	<u>455,948</u>	<u>385,750</u>	<u>352,312</u>	<u>332,324</u>	<u>336,228</u>	<u>335,672</u>	<u>302,731</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,893,217	\$ 4,742,012	\$ 4,486,995	\$ 4,359,497	\$ 4,865,354	\$ 4,644,690	\$ 4,298,274
Contributions as a percentage of covered payroll	9.32%	8.13%	7.85%	7.62%	6.91%	7.23%	7.04%

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

TOWN OF PINEVILLE, NORTH CAROLINA**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY****LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE****LAST FOUR FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance			
	2020	2019	2018	2017
Beginning balance	\$ 1,176,798	\$ 1,200,412	\$ 1,080,697	\$ 1,046,425
Service cost	57,730	53,296	46,139	50,560
Interest on the total pension liability	42,140	37,329	41,197	36,875
Differences between expected and actual experience in the measurement of the total pension liability	49,289	(30,956)	(10,288)	-
Changes of assumptions or other inputs	37,952	(45,051)	69,500	(26,121)
Benefit payments	(38,232)	(38,232)	(26,833)	(27,042)
Ending balance of the total pension liability	<u>\$ 1,325,677</u>	<u>\$ 1,176,798</u>	<u>\$ 1,200,412</u>	<u>\$ 1,080,697</u>

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

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

TOWN OF PINEVILLE, NORTH CAROLINA**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED
PAYROLL LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FOUR FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance			
	2020	2019	2018	2017
Total pension liability	\$ 1,325,677	\$ 1,176,798	\$ 1,200,412	\$ 1,080,697
Covered payroll	2,257,049	1,912,422	2,005,261	2,108,877
Total pension liability as a percentage of covered payroll	59%	62%	60%	51%

Notes to the Schedules:

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

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

TOWN OF PINEVILLE, 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 Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 8,146,441	
Penalties and interest		50,534	
Total	\$ 8,166,295	8,196,975	\$ 30,680
Other Taxes and Licenses:			
Gross receipts tax on short-term rental property		154,133	
Cablevision franchise fees		42,727	
Other taxes		43,829	
Total	-	240,689	240,689
Unrestricted Intergovernmental:			
Local option sales tax		1,964,982	
Utilities franchise tax		1,031,376	
ABC funds		153,137	
Total	2,680,000	3,149,495	469,495
Restricted Intergovernmental:			
Powell Bill allocation		208,401	
Controlled substance tax		13,791	
Vehicle rental tax		264,114	
Storm water fees		405,506	
Forfeited seizures - police		309,332	
Governor's Highway Safety Program Grant		15,185	
Contributions - police		400	
Contributions - Fall Fest		3,900	
Transient occupancy tax		535,956	
Coronavirus Relief Funds		13,867	
Prepared foods tax		747,458	
Arts and science council allocation		2,500	
Total	2,187,000	2,520,410	333,410
Sales and Services:			
Recreation department fees		88,411	
Police services		169,930	
Zoning fees		31,051	
Jack Hughes Park fees		51,111	
Rent income		10,374	
Other sales and services		16,751	
Total	-	367,628	367,628

TOWN OF PINEVILLE, 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 Over/Under</u>
Investment Earnings:			
Interest income	<u>100,000</u>	<u>264,540</u>	<u>164,540</u>
Miscellaneous	<u>817,815</u>	<u>240,481</u>	<u>(577,334)</u>
Total revenues	<u>13,951,110</u>	<u>14,980,218</u>	<u>1,029,108</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and benefits		29,567	
Professional services		170,544	
Other operating expenditures		<u>61,700</u>	
Total		<u>261,811</u>	
Administration:			
Salaries and benefits		388,447	
Operating expenses		318,092	
Capital outlay		<u>1,671,155</u>	
Total		<u>2,377,694</u>	
Human Resources:			
Salaries and benefits		56,544	
Operating expenses		<u>97,043</u>	
Total		<u>153,587</u>	
Zoning Board:			
Salaries and benefits		244,563	
Operating expenses		<u>70,584</u>	
Total		<u>315,147</u>	
Total general government	<u>3,476,917</u>	<u>3,108,239</u>	<u>368,678</u>
Public Safety:			
Police:			
Salaries and benefits		3,733,609	
Operating expenses		897,470	
Capital outlay		<u>203,415</u>	
Total		<u>4,834,494</u>	

TOWN OF PINEVILLE, 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 Over/Under</u>
Fire:			
Operating expenses		972,744	
Capital outlay		53,625	
Total		<u>1,026,369</u>	
 Total public safety	<u>5,865,139</u>	<u>5,860,863</u>	<u>4,276</u>
 Transportation:			
Streets and Highways:			
Salaries and benefits		476,004	
Operating expenses		293,192	
Capital outlay		177,521	
Total transportation	<u>1,663,628</u>	<u>946,717</u>	<u>716,911</u>
 Environmental Protection:			
Stormwater:			
Salary and benefits		115,657	
Contracted services		147,640	
Operating expenses		50,546	
Capital outlay		27,626	
Total		<u>341,469</u>	
 Sanitation:			
Operating expenditures		<u>576,001</u>	
 Total environmental protection	<u>1,031,375</u>	<u>917,470</u>	<u>113,905</u>
 Cultural and Recreational:			
Parks and Recreation:			
Salaries and benefits		212,825	
Operating expenses		213,547	
Capital outlay		74,390	
Total parks and recreation		<u>500,762</u>	
 Tourism:			
Salaries and benefits		426,410	
Operating expenditures		374,547	
Capital outlay		339,721	
Total tourism		<u>1,140,678</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance Over/Under
Total cultural and recreational	<u>1,863,933</u>	<u>1,641,440</u>	<u>222,493</u>
Debt Service:			
Principal retirement		619,250	
Interest and other charges		<u>19,330</u>	
Total debt service	<u>638,580</u>	<u>638,580</u>	<u>-</u>
Contingency	<u>56,723</u>	<u>-</u>	<u>56,723</u>
Total expenditures	<u>14,596,295</u>	<u>13,113,309</u>	<u>1,482,986</u>
Revenues over (under) expenditures	<u>(645,185)</u>	<u>1,866,909</u>	<u>2,512,094</u>
Other Financing Sources (Uses):			
Transfers to other funds	(535,000)	(535,000)	-
Transfers from other funds - payment in lieu of taxes	40,000	46,428	6,428
Appropriated fund balance	<u>1,140,185</u>	<u>-</u>	<u>(1,140,185)</u>
Total other financing sources (uses)	<u>645,185</u>	<u>(488,572)</u>	<u>(1,133,757)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,378,337</u>	<u>\$ 1,378,337</u>
Fund Balance:			
Beginning of year - July 1		<u>19,712,566</u>	
End of year - June 30		<u>\$ 21,090,903</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2020

	Special Revenue Fund	Capital Project Funds		
	Emergency Telephone System	Johnston Road Realignment	Dog Park/Splash Pad	Total
Assets:				
Cash and cash equivalents	\$ 360,247	\$ 1,537,973	\$ 18,758	\$ 1,916,978
Accounts receivable, net	6,027	-	-	6,027
Due from other governments	1,595	52,757	-	54,352
Total assets	<u>\$ 367,869</u>	<u>\$ 1,590,730</u>	<u>\$ 18,758</u>	<u>\$ 1,977,357</u>
Deferred Inflows of Resources and Fund Balances:				
Deferred Inflows of Resources:				
Unavailable revenue	\$ -	\$ 52,757	\$ -	\$ 52,757
Fund Balances:				
Restricted:				
Restricted for stabilization by state statute	7,622	-	-	7,622
Restricted for public safety	360,247	-	-	360,247
Committed:				
Committed for general government	-	1,537,973	-	1,537,973
Committed for cultural and recreation	-	-	18,758	18,758
Total fund balances	<u>367,869</u>	<u>1,537,973</u>	<u>18,758</u>	<u>1,924,600</u>
Total deferred inflows of resources and fund balances	<u>\$ 367,869</u>	<u>\$ 1,590,730</u>	<u>\$ 18,758</u>	<u>\$ 1,977,357</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Fund	Capital Project Funds		
	Emergency Telephone System	Johnston Road Realignment	Dog Park/Splash Pad	Total
Revenues:				
Restricted intergovernmental	\$ 72,319	\$ -	\$ 140,754	\$ 213,073
Investment earnings	4,279	-	-	4,279
Total revenues	76,598	-	140,754	217,352
Expenditures:				
General government	-	84,216	-	84,216
Public safety	167,904	-	-	167,904
Cultural and recreation	-	-	92,495	92,495
Total expenditures	167,904	84,216	92,495	344,615
Revenues over (under) expenditures	(91,306)	(84,216)	48,259	(127,263)
Other Financing Sources (Uses):				
Transfers from other funds	-	535,000	-	535,000
Net change in fund balances	(91,306)	450,784	48,259	407,737
Fund Balances:				
Beginning of year - July 1	459,175	1,087,189	(29,501)	1,516,863
End of year - June 30	\$ 367,869	\$ 1,537,973	\$ 18,758	\$ 1,924,600

TOWN OF PINEVILLE, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM 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 Over/Under</u>
Revenues:			
Restricted intergovernmental		\$ 72,319	
Investment earnings		<u>4,279</u>	
Total revenues	<u>\$ 73,459</u>	<u>76,598</u>	<u>\$ 3,139</u>
Expenditures:			
Public safety:			
Telephone & furniture		10,711	
Software & software maintenance		57,491	
Hardware & hardware maintenance		<u>99,702</u>	
Total expenditures	<u>148,459</u>	<u>167,904</u>	<u>(19,445)</u>
Revenues over (under) expenditures	(75,000)	(91,306)	(16,306)
Other Financing Sources (Uses):			
Appropriated fund balance	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(91,306)</u>	<u>\$ (91,306)</u>
Fund Balance:			
Beginning of year - July 1		<u>459,175</u>	
End of year - June 30		<u>\$ 367,869</u>	
PSAP Reconciliation:			
Amounts reported on the Emergency Telephone System Fund budget to actual are different from the PSAP revenue - expenditure report because:			
Ending fund balance, reported on budget to actual		\$ 367,869	
Cumulative prior period revenues and expenditures not reported in the fund (difference in beginning fund balance - budget to actual vs. revised PSAP report)		<u>3,792</u>	
Ending balance, PSAP revenue - expenditure report		<u>\$ 371,661</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

JOHNSTON ROAD REALIGNMENT CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 1,175,000	\$ -	\$ -	\$ -
Expenditures:				
General government:				
Construction	2,610,000	138,583	84,216	222,799
Land and buildings	750,000	731,228	-	731,228
Engineering and professional services	307,000	-	-	-
Total expenditures	<u>3,667,000</u>	<u>869,811</u>	<u>84,216</u>	<u>954,027</u>
Revenues over (under) expenditures	(2,492,000)	(869,811)	(84,216)	(954,027)
Other Financing Sources (Uses):				
Transfers from other funds:				
General Fund	<u>2,492,000</u>	<u>1,957,000</u>	<u>535,000</u>	<u>2,492,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,087,189</u>	450,784	<u>\$ 1,537,973</u>
Fund Balance:				
Beginning of year - July 1			<u>1,087,189</u>	
End of year - June 30			<u>\$ 1,537,973</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

DOG PARK/SPLASH PAD CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 361,460	\$ 220,706	\$ 140,754	\$ 361,460
Expenditures:				
Cultural and recreation	<u>772,920</u>	<u>661,667</u>	<u>92,495</u>	<u>754,162</u>
Revenues over (under) expenditures	(411,460)	(440,961)	48,259	(392,702)
Other Financing Sources (Uses):				
Transfers from other funds:				
General Fund	<u>411,460</u>	<u>411,460</u>	<u>-</u>	<u>411,460</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (29,501)</u>	48,259	<u>\$ 18,758</u>
Fund Balance:				
Beginning of year - July 1			<u>(29,501)</u>	
End of year - June 30			<u>\$ 18,758</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

ELECTRIC FUND

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for service		\$ 11,510,482	
Other operating revenues		73,396	
Total operating revenues		<u>11,583,878</u>	
Non-operating revenues:			
NCMPA rebate		1,749,662	
Interest earnings		27,503	
Total non-operating revenues		<u>1,777,165</u>	
Total revenues	\$ 14,438,143	<u>13,361,043</u>	\$ (1,077,100)
Expenditures:			
Administration:			
Salaries and employee benefits		281,813	
Professional services		22,133	
Operating expenditures		177,493	
Total administration		<u>481,439</u>	
Operations:			
Salaries and employee benefits		2,077	
Operating expenditures		280,612	
Total operations		<u>282,689</u>	
Electrical power purchases		<u>8,722,913</u>	
Capital outlay		<u>1,914,635</u>	
Total expenditures	<u>12,926,535</u>	<u>11,401,676</u>	<u>1,524,859</u>
Revenues over (under) expenditures	<u>1,511,608</u>	<u>1,959,367</u>	<u>447,759</u>
Other Financing Sources (Uses):			
Transfer to General Fund	(1,481,608)	-	1,481,608
Transfer to General Fund - payment in lieu of taxes	<u>(30,000)</u>	<u>(33,022)</u>	<u>(3,022)</u>
Total other financing sources (uses)	<u>(1,511,608)</u>	<u>(33,022)</u>	<u>1,478,586</u>

TOWN OF PINEVILLE, NORTH CAROLINA**ELECTRIC FUND****SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	1,926,345	<u>\$ 1,926,345</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Capital asset additions		1,019,916	
Depreciation		(556,010)	
Change in deferred outflows of resources - pensions		(1,514)	
Change in deferred outflows of resources - OPEB		3,547	
Change in net pension liability		(3,664)	
Change in total OPEB liability		(8,039)	
Change in deferred inflows of resources - pensions		413	
Change in deferred inflows of resources - OPEB		1,118	
Change in accrued vacation		(5,758)	
Interest income from Electric Rate Stabilization Fund		<u>8,180</u>	
Change in net position		<u>\$ 2,384,534</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

ELECTRIC RATE STABILIZATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 4,000	\$ 8,180	\$ 4,180
Expenditures:			
Rate stabilization operations	4,000	-	(4,000)
Net change in fund balance	<u>\$ -</u>	8,180	<u>\$ 8,180</u>
Fund Balance:			
Beginning of year - July 1		<u>716,903</u>	
End of year - June 30		<u>\$ 725,083</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

**ILEC TELEPHONE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services		\$ 1,063,495	
Non-operating revenues:			
Interest earnings		68,391	
Total revenues	\$ 1,153,327	1,131,886	\$ (21,441)
Expenditures:			
Administration:			
Salaries and employee benefits		270,306	
Reimbursement - CLEC		(124,074)	
Total		146,232	
Operations:			
Salaries and employee benefits		458,135	
Operating expenditures		396,652	
Reimbursement - CLEC		(214,178)	
Total		640,609	
Telephone access and service charges		25,279	
Capital outlay:			
Equipment		431,826	
Total expenditures	2,000,528	1,243,946	756,582
Revenues over (under) expenditures	(847,201)	(112,060)	735,141
Other Financing Sources (Uses):			
Transfers to General Fund - payment in lieu of taxes	(5,500)	(5,880)	(380)
Transfers to CLEC Fund	(557,749)	(557,749)	-
Appropriated fund balance	1,410,450	-	(1,410,450)
Total other financing sources (uses)	847,201	(563,629)	(1,410,830)

TOWN OF PINEVILLE, NORTH CAROLINA**ILEC TELEPHONE FUND****SCHEDULE OF REVENUES AND EXPENDITURES -****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	(675,689)	<u>\$ (675,689)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Capital asset additions		431,826	
Change in deferred outflows of resources - pensions		(18,160)	
Change in deferred outflows of resources - OPEB		42,585	
Change in net pension liability		(43,962)	
Change in total OPEB liability		(96,510)	
Change in deferred inflows of resources - pensions		4,960	
Change in deferred inflows of resources - OPEB		13,416	
Change in accrued vacation		354	
Depreciation		<u>(148,903)</u>	
Change in net position		<u>\$ (490,083)</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

**CLEC TELEPHONE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for services		\$ 733,030	
Other operating revenues		310,921	
Total		<u>1,043,951</u>	
Non-operating revenues:			
Interest earnings		<u>1,746</u>	
Total revenues	<u>\$ 1,033,604</u>	<u>1,045,697</u>	<u>\$ 12,093</u>
Expenditures:			
Administration:			
Professional services		28,554	
Operating expenditures		<u>125,625</u>	
Total		<u>154,179</u>	
Operations:			
Operating expenditures		<u>641,112</u>	
IPTV - Cable:			
Operating expenditures		508,321	
Capital outlay		<u>107,754</u>	
Total		<u>616,075</u>	
Telephone access and service charges		<u>107,826</u>	
Total expenditures	<u>1,581,853</u>	<u>1,519,192</u>	<u>62,661</u>
Revenues over (under) expenditures	<u>(548,249)</u>	<u>(473,495)</u>	<u>74,754</u>
Other Financing Sources (Uses):			
Transfer from ILEC Fund	557,749	557,749	-
Transfers to General Fund - payment in lieu of taxes	<u>(9,500)</u>	<u>(7,526)</u>	<u>1,974</u>
Total other financing sources (uses)	<u>548,249</u>	<u>550,223</u>	<u>1,974</u>

TOWN OF PINEVILLE, NORTH CAROLINA

**CLEC TELEPHONE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	76,728	<u>\$ 76,728</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Capital asset additions		84,355	
Depreciation		<u>(355,531)</u>	
Change in net position		<u>\$ (194,448)</u>	

TOWN OF PINEVILLE, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE****JUNE 30, 2020**

Year Ended June 30	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 8,284,115	\$ 8,185,524	\$ 98,591
2018-2019	24,446	-	9,501	14,945
2017-2018	12,418	-	457	11,961
2016-2017	10,450	-	46	10,404
2015-2016	9,545	-	14	9,531
2014-2015	7,285	-	53	7,232
2013-2014	11,382	-	40	11,342
2012-2013	13,119	-	149	12,970
2011-2012	22,337	-	-	22,337
2010-2011	27,458	-	104	27,354
2009-2010	12,029	-	12,029	-
Total	<u>\$ 150,469</u>	<u>\$ 8,284,115</u>	<u>\$ 8,207,917</u>	226,667
Less: Allowance for uncollectible ad valorem taxes receivable				<u>108,286</u>
Ad valorem taxes receivable, net				<u>\$ 118,381</u>
Reconcilement with Revenues:				
Taxes - ad valorem				<u>\$ 8,196,975</u>
Reconciling items:				
Interest collected				(50,534)
Miscellaneous adjustments				49,447
Amounts written off for tax years per statute of limitations				<u>12,029</u>
Total reconciling items				<u>10,942</u>
Total collections and credit				<u>\$ 8,207,917</u>

TOWN OF PINEVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2020

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 2,831,430,909	\$ 0.33	\$ 9,343,722	\$ 9,026,428	\$ 317,294
Discoveries	39,008,788		128,729	128,729	-
Abatements	<u>(360,101,818)</u>		<u>(1,188,336)</u>	<u>(1,188,336)</u>	<u>-</u>
Total property valuation	<u>\$ 2,510,337,879</u>				
Net Levy			8,284,115	7,966,821	317,294
Uncollected taxes at June 30, 2020			<u>(98,591)</u>	<u>(98,591)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 8,185,524</u>	<u>\$ 7,868,230</u>	<u>\$ 317,294</u>
Current Levy Collection Percentage			<u>98.81%</u>	<u>98.76%</u>	<u>100.00%</u>

TOWN OF PINEVILLE, NORTH CAROLINA**SCHEDULE OF TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2020**

Name of Taxpayer	Type of Business	2019 Assessed Value	Percentage of Total Assessed Value
Carolina Place Jt Venture	Shopping center	\$ 209,048,900	8.33%
Centro Heritage SPE 4 LLC	Shopping center	47,589,600	1.90%
Arc CTCHRNC001LLC	Shopping center	41,805,900	1.67%
New Willow Ridge Associates	Real estate	40,012,000	1.59%
HR of Carolinas LLC	Real estate	36,094,500	1.44%
Westdale Sabal Pt NC	Manufacturing	32,691,600	1.30%
Tower Center NC LP	Real estate	20,712,900	0.83%
Ipex USA LLC	Shopping center	20,491,868	0.82%
Robinson Logistics Assets LP	Real estate	20,122,900	0.80%
Lowes Home Centers, Inc.	Shopping center	17,107,300	0.68%
Total		<u>\$ 485,677,468</u>	<u>19.35%</u>

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Pineville, 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 Pineville, 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, and have issued our report thereon dated October 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Pineville's internal control over financial reporting (internal control) as a basis for designing 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 Pineville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pineville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 2, 2020

TOWN OF PINEVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

TOWN OF PINEVILLE, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020**

2. Findings Related to the Audit of the Basic Financial Statements

None reported.

TOWN OF PINEVILLE, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no findings reported in the prior year.

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