

Town of Pine Level, North Carolina

Audited Financial Statements

**For the Year Ended
June 30, 2021**

Town of Pine Level, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2021

Jeff Holt, Mayor

Board of Town Commissioners

Bill Radford

Jimmy Garner

Phil Pittman

Greg Baker

Connie Capps, Town Clerk

Town of Pine Level, North Carolina
Table of Contents
June 30, 2021

I. Financial Section	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
 II. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Notes to Financial Statements.....	21
 III. Required Supplemental Financial Data:	
Schedule of the Proportionate Share of the Net Position Asset - Local Government Employees' Retirement System	44
Schedule of Contributions – Local Government Employees' Retirement System	45
Schedule of Changes in Total Pension Liability.....	46
Schedule of Total Pension Liability as a Percentage of Covered Payroll.....	47

Town of Pine Level, North Carolina
Table of Contents (continued)
June 30, 2021

IV. Individual Fund Financial Statements	Page
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	48
Schedule of Revenues, Expenditures and Changes in Fund Balance – PT George Endowment Fund.....	51
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) Water and Sewer Fund	52
Schedule of Revenues and Expenditures – From Inception 2017 RDA Water and Sewer Project Fund.....	54
V. Other Schedules	
Schedule of Ad Valorem Taxes Receivable	55
Analysis of Current Year Tax Levy.....	56
VI. Compliance Section	
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	57
Report On Compliance with Requirements Applicable to Each Major Federal Programs; Report on Internal Control over Compliance; In Accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act	59
Schedule of Findings and Questioned Costs	61
Corrective Action Plan	63
Summary of Prior Year Audit Findings.....	64
Schedule of Expenditures of Federal and State Awards	65

Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pine Level, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pine Level, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis on pages 3 through 10, the Local Government Employee’s Retirement System’s Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 44 and 45 respectively, the Law Enforcement Officers’ Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 46 and 47 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Pine Level, North Carolina. The individual fund statements, budgetary schedules, and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021 on our consideration of the Town of Pine Level’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Pine Level’s internal control over financial reporting and compliance.



Lumberton, North Carolina
November 19, 2021

Management's Discussion and Analysis

Town of Pine Level, North Carolina
Management's Discussion and Analysis
June 30, 2021

Management's Discussion and Analysis

As management of the Town of Pine Level, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Pine Level for the fiscal year ending June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

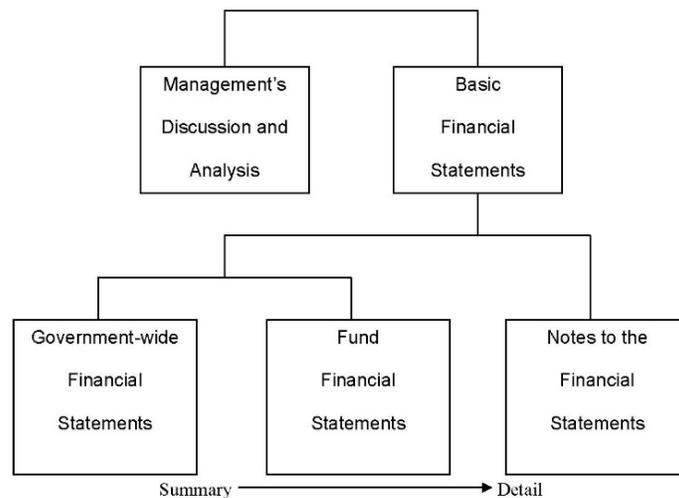
- The assets and deferred outflows of the Town of Pine Level exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,193,221 (net position).
- The town's total net position increased by \$171,333.
- At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,411,303. Approximately 78.96% of this total amount, or \$1,114,431, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,114,431 or approximately 102.93% of total General Fund expenditures for the year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Financial Statements

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

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

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows and total liabilities and deferred inflows. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Pine Level.

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

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

Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

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

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

Governmental funds. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary funds. The Town of Pine Level has one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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

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

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

Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-wide Financial Analysis

The Town of Pine Level's Net Position

	Governmental Activities		Business-type Activities		Totals	Totals
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,473,642	\$ 1,158,504	\$ 2,070,016	\$ 808,310	\$ 3,543,658	\$ 1,966,814
Capital assets	1,059,605	1,124,916	2,781,715	2,078,665	3,841,320	3,203,581
Total assets	<u>2,533,247</u>	<u>2,283,420</u>	<u>4,851,731</u>	<u>2,886,975</u>	<u>7,384,978</u>	<u>5,170,395</u>
Deferred Outflows of Resources	156,173	104,039	44,443	43,678	200,616	147,717
Current liabilities	79,704	51,010	157,927	140,287	237,631	191,297
Long-term liabilities	1,208,888	1,118,728	2,960,746	982,265	4,169,634	2,100,993
Total liabilities	<u>1,288,592</u>	<u>1,169,738</u>	<u>3,118,673</u>	<u>1,122,552</u>	<u>4,407,265</u>	<u>2,292,290</u>
Deferred Inflows of Resources	2,748	3,934	-	-	2,748	3,934
Net position						
Net investment in capital assets	268,758	305,615	1,068,889	1,149,967	1,337,647	1,455,582
Restricted	296,872	257,054	1,254,591	43,210	1,551,463	300,264
Unrestricted	832,450	651,118	(528,339)	614,924	304,111	1,266,042
Total net position	<u>\$ 1,398,080</u>	<u>\$ 1,213,787</u>	<u>\$ 1,795,141</u>	<u>\$ 1,808,101</u>	<u>\$ 3,193,221</u>	<u>\$ 3,021,888</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$3,193,221 at the close of the current fiscal year. Included in the Town's net position, 48.59%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted portion of net position, \$1,551,463, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance, \$304,111, is unrestricted.

Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-wide Financial Analysis (continued)

The Town of Pine Level's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	Totals
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues						
Charges for services	\$ 268,537	\$ 275,864	\$ 948,808	\$ 905,889	\$ 1,217,345	\$ 1,181,753
Operating grants and contributions	50,043	52,099	-	-	50,043	52,099
General revenues						
Property taxes	616,638	583,364	-	-	616,638	583,364
Unrestricted revenues	337,827	325,671	-	-	337,827	325,671
Other	95,637	10,048	2,940	712	98,577	10,760
Total revenues	1,368,682	1,247,046	951,748	906,601	2,320,430	2,153,647
Expenses:						
General government	401,825	211,874	-	-	401,825	211,874
Public safety	368,791	347,714	-	-	368,791	347,714
Transportation	172,539	192,962	-	-	172,539	192,962
Environmental protection	113,020	257,239	-	-	113,020	257,239
Cultural and recreation	110,702	95,640	-	-	110,702	95,640
Interest on long-term debt	17,512	15,464	-	-	17,512	15,464
Water and sewer	-	-	964,708	911,805	964,708	911,805
Total expenses	1,184,389	1,120,893	964,708	911,805	2,149,097	2,032,698
Change in net position	184,293	126,153	(12,960)	(5,204)	171,333	120,949
Net position, beginning	1,213,787	1,087,634	1,808,101	1,813,305	3,021,888	2,900,939
Net position, ending	\$ 1,398,080	\$ 1,213,787	\$ 1,795,141	\$ 1,808,101	\$ 3,193,221	\$ 3,021,888

Governmental activities. Governmental activities increased the Town's net position by \$184,293. The increase in net position was primarily due to an increase in revenues compared to the prior year. Ad valorem tax revenues were the largest revenue contributor for the governmental funds with 45.05% of total revenues. Unrestricted intergovernmental revenues were the next largest at 24.68%.

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

Business-type activities. Business-type activities decreased the Town's net position by \$12,960. This is a decrease from change in net position from last fiscal year by \$7,756. Key elements of this increase are as follows:

- Expenses for the Water and Sewer Fund increased by \$52,903.

Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$1,411,303. Of this total amount, \$1,114,431 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed 1) to liquidate contracts and purchase orders of the prior year, or 2) for a variety of other restricted purposes.

The General Fund is the chief operating fund of the Town of Pine Level. At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,114,431 with a total fund balance of \$1,380,033. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 102.93% of total General Fund expenditures.

General Fund Budgetary Highlights

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

Proprietary Funds. The Town of Pine Level's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to (\$528,339). Other factors concerning this fund have been discussed in the Town's business-type activities.

Capital Assets and Debt Administration

Capital Assets. The Town of Pine Level's investments in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$3,841,320 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Capital Assets and Debt Administration (continued)

The Town of Pine Level's Capital Assets

	Governmental		Business-type		Totals	Totals
	Activities		Activities			
	2021	2020	2021	2020		
Land	\$ 67,200	\$ 67,200	\$ 39,115	\$ 39,115	\$ 106,315	\$ 106,315
Construction in progress	-	-	779,666	-	779,666	-
Buildings & infrastructure	930,296	930,296	-	-	930,296	930,296
Plant and distribution systems		-	4,636,862	4,636,862	5,792,279	4,636,862
Equipment and vehicles	1,155,417	1,136,787	246,025	218,457	574,432	1,355,244
Recreation park and equipment	328,407	328,407	-	-	328,407	328,407
Infrastructure	201,316	201,316	-	-	201,316	201,316
Total depreciable assets	2,615,436	2,596,806	4,882,887	4,855,319	7,826,730	7,452,125
Less - accumulated depreciation	1,623,031	1,539,090	2,919,953	2,815,769	4,542,984	4,354,859
Total depreciable assets, net	992,405	1,057,716	1,962,934	2,039,550	3,283,746	3,097,266
Total capital assets, net	\$ 1,059,605	\$ 1,124,916	\$ 2,781,715	\$ 2,078,665	\$ 3,841,320	\$ 3,203,581

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

Long-term debt. As of June 30, 2021, the Town of Pine Level had total debt outstanding of \$4,244,885.

The Town of Pine Level's Outstanding Debt

	Governmental		Business-type		Totals	Totals
	Activities		Activities			
	2021	2020	2021	2020		
Installment purchase notes	\$ 790,847	\$ 819,301	\$ 53,578	\$ 63,698	\$ 844,425	\$ 882,999
Revenue bonds	-	-	2,868,000	865,000	2,868,000	865,000
Compensated absences	36,755	31,453	19,567	19,052	56,322	50,505
Pension related debt (LGERS)	186,688	133,895	76,316	60,547	263,004	194,442
Pension related debt (LEO)	213,134	153,121	-	-	213,134	153,121
Total	\$ 1,227,424	\$ 1,137,770	\$ 3,017,461	\$ 1,008,297	\$ 4,244,885	\$ 2,146,067

Town of Pine Level, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Long-term debt (continued)

The Town of Pine Level's total debt increased by \$2,098,818 during the fiscal year.

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Pine Level is presently at \$10,705,357 (the amount of additional debt the town could obligate itself to under NC General Statute).

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town and surrounding area is 4.1% at June 30, 2021. This comparison is higher than the state's rate of 6.0% but lower than the national rate of 11.1%.

Request for Information

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

Basic Financial Statements

Town of Pine Level, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 1,238,015	\$ 1,888,312	\$ 3,126,327
Taxes receivable (net)	1,171	-	1,171
Due from other governments	47,225	-	47,225
Accounts receivable (net)	39,661	85,299	124,960
Internal Balances	(25,829)	25,829	-
Inventories	-	3,641	3,641
Restricted cash and cash equivalents	173,399	66,935	240,334
Total current assets	1,473,642	2,070,016	3,543,658
Non-current assets:			
Capital assets (Note 3)			
Land	67,200	818,781	885,981
Other capital assets, net of depreciation	992,405	1,962,934	2,955,339
Total capital assets	1,059,605	2,781,715	3,841,320
Total assets	2,533,247	4,851,731	7,384,978
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension deferrals	156,173	44,443	200,616
Total deferred outflows of resources	156,173	44,443	200,616
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	61,168	15,093	76,261
Unearned revenue	-	1,544	1,544
Current portion of long-term liabilities	18,536	74,355	92,891
Customer deposits	-	66,935	66,935
Total current liabilities	79,704	157,927	237,631
Long-term liabilities:			
Net pension liability	186,688	76,316	263,004
Total pension liability	213,134	-	213,134
Due in more than one year	772,311	2,847,223	3,619,534
Compensated absences	36,755	19,567	56,322
Total liabilities	1,288,592	3,101,033	4,151,994
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension deferrals	2,748	-	2,748
Total deferred inflows of resources	2,748	-	2,748
<u>NET POSITION</u>			
Net investment in capital assets	268,758	1,068,889	1,337,647
Restricted for:			
Debt service	34,847	45,839	80,686
Streets	142,129	-	142,129
Stabilization by State Statute	88,626	-	88,626
Economic development	31,270	-	31,270
Pursuant to loan requirements	-	1,208,752	1,208,752
Unrestricted	832,450	(528,339)	304,111
Total net position	\$ 1,398,080	\$ 1,795,141	\$ 3,193,221

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

Town of Pine Level, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major Fund</u>	<u>PT George Endowment</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Nonmajor Fund</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,238,015	\$ -	\$ 1,238,015
Restricted cash	142,129	31,270	173,399
Property taxes receivable - net	1,171	-	1,171
Due from other governments	47,225	-	47,225
Due from other funds	1,740	-	1,740
Accounts receivable - net	39,661	-	39,661
Total assets	<u>1,469,941</u>	<u>31,270</u>	<u>1,501,211</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	61,168	-	61,168
Due to other fund	27,569	-	27,569
Total liabilities	<u>88,737</u>	<u>-</u>	<u>88,737</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	1,171	-	1,171
Total deferred inflows of resources	<u>1,171</u>	<u>-</u>	<u>1,171</u>
<u>FUND BALANCES</u>			
Restricted:			
Stabilization by State Statute	88,626	-	88,626
Streets	142,129	-	142,129
Debt services	34,847	-	34,847
Economic development	-	31,270	31,270
Unassigned	1,114,431	-	1,114,431
Total fund balances	<u>1,380,033</u>	<u>31,270</u>	<u>1,411,303</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,469,941</u>	<u>\$ 31,270</u>	

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

Town of Pine Level, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position		
Total Fund Balance, Governmental Funds		\$ 1,411,303
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 2,682,636	
Accumulated depreciation	<u>(1,623,031)</u>	1,059,605
Deferred outflows of resources related to pensions are not reported in the funds		
		156,173
Earned revenues considered deferred inflows of resources in fund statements		
		1,171
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt, beginning	(819,301)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	28,454	
Net pension liability	(186,688)	
Compensated absences	(36,755)	
Total pension liability	<u>(213,134)</u>	(1,227,424)
Deferred inflows of resources related to pensions are not reported in the funds		
		<u>(2,748)</u>
Net position of governmental activities		<u><u>\$ 1,398,080</u></u>

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

Town of Pine Level, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>PT George Endowment Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 618,241	\$ -	\$ 618,241
Unrestricted intergovernmental	337,827	-	337,827
Restricted intergovernmental	50,043	-	50,043
Permits and fees	4,660	-	4,660
Sales and services	263,877	-	263,877
Investment earnings	283	1,187	1,470
Miscellaneous	94,167	-	94,167
Total revenues	<u>1,369,098</u>	<u>1,187</u>	<u>1,370,285</u>
Expenditures:			
General government	363,591	-	363,591
Transportation	157,651	-	157,651
Environmental protection	99,420	-	99,420
Public safety	321,805	-	321,805
Cultural and recreation	94,311	-	94,311
Debt Service:			
Principal	28,454	-	28,454
Interest	17,512	-	17,512
Total expenditures	<u>1,082,744</u>	<u>-</u>	<u>1,082,744</u>
Revenues over (under) expenditures	<u>286,354</u>	<u>1,187</u>	<u>287,541</u>
Net change in fund balances	286,354	1,187	287,541
Fund balance - beginning of year	<u>1,093,679</u>	<u>30,083</u>	<u>1,123,762</u>
Fund balance - end of year	<u>\$ 1,380,033</u>	<u>\$ 31,270</u>	<u>\$ 1,411,303</u>

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

Town of Pine Level, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	287,541
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 18,630	
Depreciation expense for governmental assets	(83,941)	(65,311)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		23,689
Benefit payments paid and administrative expense for the LEOSSA are not included in the Statement of Activities		12,775
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred revenue for tax revenues		(1,603)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt	28,454	28,454
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	(5,302)	
Pension expense	(74,248)	
Total pension expense (LEO)	(21,702)	(101,252)
Total change in net position of governmental activities	\$	184,293

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

Town of Pine Level, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 572,700	\$ 581,775	\$ 618,241	\$ 36,466
Unrestricted intergovernmental	269,150	303,150	337,827	34,677
Restricted intergovernmental	53,200	53,200	50,043	(3,157)
Permits and fees	2,500	2,500	4,660	2,160
Sales and services	284,956	284,956	263,877	(21,079)
Investment earnings	500	500	283	(217)
Miscellaneous	10,000	36,800	94,167	57,367
Total revenues	<u>1,193,006</u>	<u>1,262,881</u>	<u>1,369,098</u>	<u>106,217</u>
Expenditures:				
General government	384,116	419,771	363,591	56,180
Streets	210,737	158,010	157,651	359
Environmental protection	83,510	150,512	99,420	51,092
Public safety	340,390	347,640	321,805	25,835
Cultural and recreation	132,016	139,241	94,311	44,930
Debt service				
Principal	32,582	28,635	28,454	181
Interest	9,655	19,072	17,512	1,560
Total expenditures	<u>1,193,006</u>	<u>1,262,881</u>	<u>1,082,744</u>	<u>180,137</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>286,354</u>	<u>286,354</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>286,354</u>	<u>\$ 286,354</u>
Fund balance, beginning			<u>1,093,679</u>	
Fund balance, ending			<u>\$ 1,380,033</u>	

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

Town of Pine Level, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2021

	Enterprise Fund
	Water and Sewer Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 1,888,312
Accounts receivable - net	85,299
Due from other funds	27,569
Inventories	3,641
Restricted cash and cash equivalents	66,935
Total current assets	2,071,756
Non-current assets:	
Capital assets:	
Land	818,781
Other capital assets, net of depreciation	1,962,934
Total capital assets	2,781,715
Total assets	4,853,471
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension deferrals	44,443
Total deferred outflows of resources	44,443
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued expenses	15,093
Due to other funds	1,740
Unearned revenue	1,544
Revenue bond payable- current	64,209
Installment purchase contract-current	10,146
Customer deposits	66,935
Total current liabilities	159,667
Noncurrent liabilities:	
Net pension liability	76,316
Revenue bond payable- noncurrent	2,803,791
Installment purchase payable-noncurrent	43,432
Compensated absences	19,567
Total noncurrent liabilities	2,943,106
Total liabilities	3,102,773
<u>NET POSITION</u>	
Net investment in capital assets	1,068,889
Pursuant to loan requirements	1,208,752
Restricted for Debt Service	45,839
Unrestricted	(528,339)
Total net position	\$ 1,795,141

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

Town of Pine Level, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	Enterprise Fund
	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 948,808
Other operating revenues	165
Total operating revenues	948,973
 Operating expenses:	
Administration	264,165
Other operating expenses	565,553
Depreciation	104,184
Total operating expenses	933,902
 Operating income	15,071
 Non-operating revenues (expenses):	
Investment earnings	2,775
Interest and other charges	(30,806)
Total non-operating revenues (expenses)	(28,031)
 Change in net position	(12,960)
 Total net position, beginning	1,808,101
Total net position, ending	\$ 1,795,141

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

Town of Pine Level, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Enterprise Fund Water and Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 948,973
Cash paid for goods and services	(579,885)
Cash paid to employees	(248,646)
Net cash provided (used) by operating activities	<u>120,442</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(807,234)
Debt issuance	2,020,000
Principal paid on bond maturities and equipment contracts	(27,120)
Interest paid on bond maturities and equipment contracts	(30,806)
Net cash provided (used) by capital and related financing activities	<u>1,154,840</u>
Cash flows from investing activities	
Interest on investments	2,775
Net cash provided (used) by investing activities	<u>2,775</u>
Net increase (decrease) in cash	1,278,057
Cash and cash equivalents - Beginning of year	<u>677,190</u>
Cash and cash equivalents - End of year	<u>\$ 1,955,247</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ 15,071</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	104,184
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	14,611
Increase (decrease) in accounts payable and accrued liabilities	(32,207)
Increase (decrease) in customer deposits	(20)
Increase (decrease) in unearned revenue	1,544
Increase (decrease) in due to other funds	1,740
(Increase) decrease in deferred outflows of resources - pensions	(765)
Increase (decrease) in compensated absences	515
Increase (decrease) in net pension liability	15,769
Total adjustments	<u>105,371</u>
Net cash provided (used) by operating activities	<u>\$ 120,442</u>

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

Town of Pine Level, North Carolina
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A - Reporting Entity

The Town of Pine Level is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the financial activity of the Town.

B - Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – government and proprietary – are presented. The emphasis of the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Town has no fiduciary funds to report. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major Governmental fund:

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

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation - Fund Accounting (continued)

The Town reports the following non-major Governmental fund:

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

Proprietary Funds include the following fund type:

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

C - Measurement Focus and Basis of Accounting

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

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

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

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

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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

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

D - Budgetary Data

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

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

Deposits and Investments

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

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

The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2 a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating, and is measured at fair value. As of June 30, 2021, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deposits and Investments (continued)

Cash and Cash Equivalents

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

Restricted Assets

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

Governmental Activities:	
General Fund	
Powell Bill	\$ 142,129
PT George Endowment Fund	31,270
Total Governmental Activities	173,399
Business-type Activities:	
Water and Sewer Fund	
Customer deposits	66,935
Total Business-type Activities	66,935
Total restricted cash	\$ 240,334

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

Allowance for Doubtful Accounts

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

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventory

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

Capital Assets

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

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

Deferred outflows/inflows of resources

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Long-Term Obligations (continued)

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

Compensated Absences

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

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

Net Position / Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position / Fund Balances (continued)

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

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

Restricted for Capital Reserves- funds are restricted for the capital project.

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

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

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Pine Level’s employer contributions are recognized when due and the Town of Pine Level has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

None

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

None

C - Excess of Expenditures over Appropriations

None

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

Deposits

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

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

At June 30, 2021, the Town's deposits had a carrying amount of \$3,335,554 and a bank balance of \$3,334,335. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$1,056.

Investments

F H George Fund has invested with Citigroup 6.3% preferred shares. The securities have a purchased amount of \$26,326 with a current market value of \$27,120. Principal amount is restricted and earnings are disbursed to the local beautification committee as expenditures are presented for reimbursement.

At June 30, 2021, the Town's investment balances were as follows:

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

Investments by Type	Fair Value at 6/30/2021	Maturity	Rating
Citigroup Inc.	\$ 27,120	N/A	N/A
Stifel Bank and Trust	4,150	N/A	N/A
Total	\$ 31,270		

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowance for doubtful accounts:

General Fund:			
Accounts receivable	\$	11,837	
Total General Fund		11,837	
Enterprise Fund:			
Water and Sewer Fund- accounts receivable		31,640	
Total Enterprise Fund		31,640	
Total	\$	43,477	

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 67,200	\$ -	\$ -	\$ 67,200
Total capital assets not being depreciated	67,200	-	-	67,200
Capital assets being depreciated:				
Buildings and improvements	930,296	-	-	930,296
Equipment and vehicles	1,136,787	18,630	-	1,155,417
Recreation park and equipment	328,407	-	-	328,407
Infrastructure	201,316	-	-	201,316
Total capital assets being depreciated	2,596,806	18,630	-	2,615,436
Less accumulated depreciation for:				
Buildings and improvements	228,394	23,257	-	251,651
Equipment and vehicles	886,351	42,102	-	928,453
Recreation park and equipment	293,488	8,516	-	302,004
Infrastructure	130,857	10,066	-	140,923
Total accumulated depreciation	1,539,090	83,941	-	1,623,031
Total capital assets being depreciated, net	1,057,716			992,405
Governmental activities capital assets, net	\$ 1,124,916			\$ 1,059,605

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

Capital Assets (continued)

General government	\$	29,875	
Public safety		19,113	
Transportation		12,255	
Environmental protection		12,071	
Cultural and recreational		10,627	
Total depreciation expense	\$	83,941	

Business-type activities:	Beginning			Ending
Water and sewer fund	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 39,115	\$ -	\$ -	\$ 39,115
Construction in progress	-	779,666	-	779,666
Total capital assets not being depreciated	39,115	779,666	-	818,781
 Capital assets being depreciated:				
Plant and distribution systems	4,636,862	-	-	4,636,862
Furniture and maintenance equipment	136,798	27,568	-	164,366
Vehicles	81,659	-	-	81,659
Total capital assets being depreciated	4,855,319	27,568	-	4,882,887
 Less accumulated depreciation for:				
Plant and distribution systems	2,635,302	94,302	-	2,729,604
Furniture and maintenance equipment	133,576	4,915	-	138,491
Vehicles	46,891	4,967	-	51,858
Total accumulated depreciation	2,815,769	104,184	-	2,919,953
Total capital assets being depreciated, net	2,039,550			1,962,934
Water and sewer fund capital assets, net	\$ 2,078,665			\$ 2,781,715

B - Liabilities

Pension Plan and Postemployment Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Pine Level is a participating employer in the statewide Local Governmental Employees' Retirement System (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Pine Level employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Pine Level's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Pine Level were \$30,764 for the year ended June 30, 2021.

Refunds of Contributions – Town employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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

At June 30, 2021, the Town reported a liability of \$263,004 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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 0.00736%, which was an increase of 0.00024% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$96,608. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,213	\$ -
Changes of assumptions	19,573	-
Net difference between projected and actual earnings on pension plan investment	37,011	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	12,424	-
Town contributions subsequent to the measurement date	30,764	-
Total	\$ 132,985	\$ -

\$30,764 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:			
2022	\$	30,188	
2023		38,328	
2024		22,751	
2025		10,953	
2026		-	
Thereafter		-	
		\$ 102,220	

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 533,607	\$ 263,004	\$ 38,114

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance’s membership consisted of:

Inactive members currently receiving benefits	1
Active plan members	5
Total	6

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019. Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

4. Contributions

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

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

At June 30, 2021, the Town reported a total pension liability of \$213,134. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$21,702.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,634	\$ -
Changes of assumptions	54,997	2,748
Total	\$ 67,631	\$ 2,748

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

Year ended June 30:		
2022	\$	13,163
2023		13,352
2024		12,060
2025		12,133
2026		10,064
Thereafter		4,111
	\$	64,883

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 228,891	\$ 213,134	\$ 198,541

	2021
Beginning balance	\$ 153,121
Service cost	3,755
Interest on the total pension liability	4,784
Differences between expected and actual experience in the measurement of the total pension liability	4,864
Changes of assumptions or other inputs	59,385
Benefit payments	(12,775)
Ending balance of the total pension liability	\$ 213,134

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 96,608	\$ 21,702	\$ 118,310
Pension liability	263,004	213,134	476,138
Proportionate share of the net pension liability	0.00736%	n/a	
Deferred of outflows of resources			
Differences between expected and actual experience	33,213	12,634	45,847
Changes of assumptions	19,573	54,997	74,570
Net difference between projected and actual earnings on plan investments	37,011	-	37,011
Changes in proportion and differences between contributions and proportionate share of contributions	12,424	-	12,424
Benefit payments and administrative costs paid subsequent to the measurement date	30,764	-	30,764
Deferred of inflows of resources			
Changes of assumptions	-	2,748	2,748

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021, were \$16,772, which consisted of \$9,817 from the Town and \$5,969 from the law enforcement officers.

Risk Management

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

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

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Long-Term Obligations

Installment Purchase

Governmental activities:

On February 8, 2010 the Town of Pine Level entered into a direct placement installment purchase contract with USDA to finance the refurbishment of the Town Hall for \$725,000 with an interest rate of 3.75%. The property is pledged as collateral for the debt while the debt is outstanding. The balance of the loan at June 30, 2021 is \$628,971.

On June 15, 2021 the Town of Pine Level entered into a direct placement installment purchase contract with USDA to finance a garbage truck for \$196,000 with an interest rate of 4.13% for twenty years. The loan was financed between the General Fund and the Water and Sewer Fund. The balance of the loan portion for the General Fund at June 30, 2021 is \$161,876.

The future payments of these installment purchases for the year ending June 30, 2021 are as follows:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2022	\$ 18,535	\$ 26,993
2023	19,136	26,375
2024	19,748	26,218
2025	20,400	25,567
2026	21,064	24,903
2027-2031	116,086	113,745
2032-2036	136,417	93,414
2037-2041	149,778	69,354
2042-2046	131,585	44,809
2047-2052	158,098	21,128
Total	\$ 790,847	\$ 472,506

Business activities:

In 2019, the Town of Pine Level entered into a direct placement installment purchase in the amount of \$117,418 in the Water and Sewer Fund with Johnston County for water main line purchase of \$9,032 due on October 1st each year. Payments are due October 1 (interest only) at 2.66% with principal and interest payments due on April 1st for seventeen years. The balance of the loan at June 30, 2021 is \$27,097.

On June 15, 2021 the Town of Pine Level entered into a direct placement installment purchase contract with USDA to finance a garbage truck for \$196,000 with an interest rate of 4.13% for twenty years. The loan was financed between the General Fund and Water and Sewer Fund. The balance of the loan portion for the Water and Sewer Fund at June 30, 2021 is \$26,352.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Long-Term Obligations (continued)

Installment Purchase (continued)

The future payments of these installment purchases for the year ending June 30, 2021 are as follows:

Years Ending June 30:	Business-Type Activities	
	Principal	Interest
2022	\$ 10,146	\$ 1,587
2023	10,173	1,320
2024	10,198	934
2025	1,195	545
2026	1,224	516
2027-2031	6,566	2,133
2032-2036	7,384	1,315
2037-2040	6,563	394
Total	<u>\$ 53,449</u>	<u>\$ 8,744</u>

Revenue Bond

Business activities:

In 2019, the Town of Pine Level was issued a revenue bond in the amount of \$998,000 financed through the Water and Sewer Fund for the construction of a water tank. Principal installments are due annually for forty years on June 1st, at an annual interest rate of 3.375%. The balance of the revenue bond as of June 30, 2021 is \$848,000.

In 2021, the Town of Pine Level was issued a revenue bond in the amount of \$2,020,000 financed through the Water and Sewer Fund for the 2017 RDA Water and Sewer Project Fund. Principal installments are to begin once the project is complete, at an annual interest rate of 2.750%. The balance of the revenue bond as of June 30, 2021 is \$2,020,000.

The future payments of the revenue bond for the year ending June 30, 2021 as follows:

Years Ending June 30:	Business-Type Activities	
	Principal	Interest
2022	\$ 46,209	\$ 84,322
2023	47,135	82,787
2024	48,938	81,378
2025	50,761	79,914
2026	54,472	98,536
2027-2031	288,117	367,897
2032-2036	333,712	322,737
2037-2041	385,929	270,482
2042-2046	448,611	209,843
2047-2051	473,069	139,111
2052-2057	347,115	81,730
2058-2062	343,932	32,654
Total	<u>\$ 2,868,000</u>	<u>\$ 1,737,005</u>

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Changes in Debt

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Direct Placement:					
Installment purchase	\$ 819,301	\$ -	\$ (28,454)	\$ 790,847	\$ 18,536
Compensated absences	31,453	5,802	(500)	36,755	-
Total Pension Liability (LEO)	153,121	60,013	-	213,134	-
Net pension liability (LGERS)	133,895	52,793	-	186,688	-
Governmental activity long-term liabilities	<u>\$ 1,137,770</u>	<u>\$ 118,608</u>	<u>\$ (28,954)</u>	<u>\$ 1,227,424</u>	<u>\$ 18,536</u>
Business-type activities:					
Direct Placement:					
Installment purchase	63,698	\$ -	\$ (10,249)	\$ 53,449	\$ 10,146
Revenue bonds	865,000	2,020,000	(17,000)	2,868,000	46,209
Compensated absences	19,052	3,567	(3,052)	19,567	-
Net pension liability (LGERS)	60,547	15,769	-	76,316	-
Business-type activity long-term liabilities	<u>\$ 1,008,297</u>	<u>\$ 2,039,336</u>	<u>\$ (30,301)</u>	<u>\$ 3,017,332</u>	<u>\$ 56,355</u>

C - Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 1,059,605	\$ 2,781,715
less: long-term debt	(790,847)	(1,712,826)
Net investment in capital assets	<u>\$ 268,758</u>	<u>\$ 1,068,889</u>

D - Interfund Balances and Activity

Balance due to/from other funds at June 30, 2021, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer	Governmental Fund	\$ 27,569
Governmental Fund	Water and Sewer Fund	1,740
Total		<u>\$ 27,569</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.

Town of Pine Level, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

D - Interfund Balances and Activity

	Amount
From the General Fund to the Water and Sewer Fund to reimburse expenditures at June 30, 2021.	\$ 27,569
From the Water and Sewer Fund to the General Fund to reimburse expenditures at June 30, 2021.	1,740
	\$ 29,309

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 – RELATED PARTY

Adam Stuckey is the President of RD Braswell Construction Company and contractor on the Town’s 2017 Water and Sewer Project. Adam Stuckey is the son of the Town’s Public Works Superintendent who was employed with the Town thru the date of the report.

On June 29, 2020, the Town entered a contract with RD Braswell Construction Company for improvements to the Town’s water and sewer system, known as the 2017 Water and Sewer Project. Under the project, the Town expects to pay RD Braswell Construction Company approximately \$2,148,796. For the year ended June 30, 2021, the Town paid \$583,520 to RD Braswell.

Adam Stuckey is also the owner of Stuckey’s Backhoe Service, Inc. For the year ended June 30, 2021, the Town paid \$4,880 to Stuckey’s Backhoe Service, Inc.

NOTE 6 - FUND BALANCE

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

Total Fund Balance - General Fund	\$ 1,380,033
Less:	
Stabilization by State Statute	88,626
Streets - Powell Bill	142,129
Debt service	34,847
Remaining fund balance	\$ 1,114,431

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events were evaluated through November 19, 2021, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pine Level's proportion of the net pension liability (asset) (%)	0.00736%	0.00712%	0.00692%	0.00681%	0.00748%	0.00080%	0.00080%	0.00080%
Pine Level's proportion of the net pension liability (asset) (\$)	\$ 263,004	\$ 194,442	\$ 104,038	\$ 104,038	\$ 158,750	\$ 44,251	\$ (48,064)	\$ 98,841
Pine Level's covered-employee payroll	\$ 528,723	\$ 527,215	\$ 531,559	\$ 509,981	\$ 587,823	\$ 485,836	\$ 481,547	\$ 499,936
Pine Level's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.74%	36.88%	19.57%	19.57%	27.01%	9.11%	-9.98%	19.77%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35	96.45

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

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

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 30,764	\$ 48,658	\$ 42,246	\$ 41,273	\$ 38,407	\$ 39,941	\$ 34,942	\$ 34,417
Contributions in relation to the contractually required contribution	30,764	48,658	42,246	41,273	38,407	39,941	34,942	34,417
Contribution deficiency (excess)	<u>\$ -</u>							
Pine Level's covered-employee payroll	\$ 512,712	\$ 528,723	\$ 527,215	\$ 531,559	\$ 509,981	\$ 587,823	\$ 485,836	\$ 481,547
Contributions as a percentage of covered-employee payroll	6.00%	9.20%	8.01%	7.76%	7.53%	6.79%	7.19%	7.15%

Town of Pine Level, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 153,121	\$ 141,173	\$ 132,388	\$ 114,409	\$ 108,867
Service cost	3,755	4,417	5,210	4,385	4,214
Interest on the total pension liability	4,784	4,954	4,183	4,416	3,887
Differences between expected and actual experience in the measurement of the total pension liability	4,864	8,813	3,923	2,342	-
Changes of assumptions or other inputs	59,385	3,888	(4,531)	6,836	(2,559)
Benefit payments	(12,775)	(10,124)	-	-	-
Ending balance of the total pension liability	<u>\$ 213,134</u>	<u>\$ 153,121</u>	<u>\$ 141,173</u>	<u>\$ 132,388</u>	<u>\$ 114,409</u>

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

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

Town of Pine Level, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 213,134	\$ 153,121	\$ 141,173	\$ 132,388	\$ 114,409
Covered payroll	186,086	213,130	199,000	192,630	157,198
Total pension liability as a percentage of covered payroll	114.54%	71.84%	70.94%	68.73%	72.78%

Notes to the schedules:

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

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

Individual Fund Statements and Schedules

Town of Pine Level, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 616,660	\$
Penalties and interest		1,581	
Total	<u>581,775</u>	<u>618,241</u>	<u>36,466</u>
Unrestricted intergovernmental:			
Local option sales taxes		249,172	
Telecommunications sales tax		4,514	
Utility sales tax		53,098	
Gas tax		4,296	
Solid waste disposal tax		1,430	
Video franchise fee		4,019	
Beer and wine tax		7,981	
ABC profit distribution		13,317	
Total	<u>303,150</u>	<u>337,827</u>	<u>34,677</u>
Restricted intergovernmental:			
Powell Bill allocation		50,043	
Total	<u>53,200</u>	<u>50,043</u>	<u>(3,157)</u>
Permits and fees:			
Zoning permits		4,660	
Total	<u>2,500</u>	<u>4,660</u>	<u>2,160</u>
Sales and services:			
Garbage fees		247,701	
Recreation department fees		16,176	16,176
Total	<u>284,956</u>	<u>263,877</u>	<u>(21,079)</u>
Investment earnings:	<u>500</u>	<u>283</u>	<u>(217)</u>
Miscellaneous:			
Insurance reimbursement		7,000	
Miscellaneous		87,167	
Total	<u>36,800</u>	<u>94,167</u>	<u>57,367</u>
Total revenues	<u>\$ 1,262,881</u>	<u>\$ 1,369,098</u>	<u>\$ 106,217</u>

Town of Pine Level, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits	\$	\$ 121,356	\$
Other operating expenditures		242,235	
Total	<u>419,771</u>	<u>363,591</u>	<u>56,180</u>
Total general government	<u>419,771</u>	<u>363,591</u>	<u>56,180</u>
Transportation:			
Salaries and employee benefits		76,453	
Other operating expenditures		81,198	
Total transportation	<u>158,010</u>	<u>157,651</u>	<u>359</u>
Environmental:			
Salaries and employee benefits		23,528	
Other operating expenditures		68,203	
Capital outlay		7,689	
Total environmental	<u>150,512</u>	<u>99,420</u>	<u>51,092</u>
Public safety:			
Police:			
Salaries and employee benefits		268,357	
Other operating expenditures		42,507	
Capital outlay		10,941	
Total	<u>347,640</u>	<u>321,805</u>	<u>25,835</u>
Total public safety	<u>\$ 347,640</u>	<u>\$ 321,805</u>	<u>\$ 25,835</u>

Town of Pine Level, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Culture and Recreation:			
Parks and recreation:			
Salaries and employee benefits	\$	\$ 44,139	\$
Other operating expenditures		50,172	
Total culture and recreation	139,241	94,311	44,930
Debt service			
Principal retirement		28,454	
Interest		17,512	
Total debt service	47,707	45,966	1,741
Total expenditures	1,262,881	1,082,744	180,137
Revenues over (under) expenditures	-	286,354	(286,354)
Net change in fund balance	\$ -	286,354	\$ -
Fund balance, beginning		1,093,679	
Fund balance, ending		\$ 1,380,033	

Town of Pine Level, North Carolina
Nonmajor Governmental Funds- PT George Endowment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2021

	<u>PT George Endowment Fund</u>
Revenues:	
Investment earnings	\$ 1,187
Total revenues	<u>1,187</u>
Revenues over (under) expenditures	1,187
Fund balance, beginning	<u>30,083</u>
Fund balance, ending	<u><u>\$ 31,270</u></u>

Town of Pine Level, North Carolina
Enterprise Fund - Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenue:			
Water sales	\$	\$ 392,124	\$
Sewer sales		556,684	
Other operating revenue		165	
Total operating revenues	<u>951,900</u>	<u>948,973</u>	<u>(2,927)</u>
Nonoperating revenues			
Interest earnings		227	
Total nonoperating revenues	<u>225</u>	<u>227</u>	<u>2</u>
Total revenues	<u>952,125</u>	<u>949,200</u>	<u>(2,925)</u>
Expenditures:			
Water and sewer operations:			
Salaries and employee benefits		249,161	
Contracted services		412,301	
Repairs and maintenance		62,740	
Other operating expenditures		90,512	
Capital outlay		27,568	
Total water and sewer administration	<u>895,119</u>	<u>842,282</u>	<u>52,837</u>
Debt Service			
Principal repayment		27,120	
Interest		30,806	
Total debt service	<u>57,006</u>	<u>57,926</u>	<u>(920)</u>
Total expenditures	<u>952,125</u>	<u>900,208</u>	<u>51,917</u>
Revenues over (under) expenditures	-	48,992	48,992
Appropriated fund balance	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 48,992</u>	<u>\$ 48,992</u>

Town of Pine Level, North Carolina
Enterprise Fund- Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance (continued)
For the Year Ended June 30, 2021

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

Revenues over (under) expenditures	\$ 48,992
Reconciling items:	
Principal retirement	27,120
Capital outlay	27,568
Interest income	2,548
Increase in deferred outflows of resources - pensions	765
Increase in net pension liability	(15,769)
Depreciation	<u>(104,184)</u>
Total reconciling items	<u>(61,952)</u>
Change in net position	<u>\$ (12,960)</u>

Town of Pine Level, North Carolina
Capital Projects Fund
2017 RDA Water & Sewer Project
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2021

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Grant proceeds - USDA	\$ 669,000	\$ -		\$ -	\$ (669,000)
Interest income	-	-	2,548	2,548	2,548
Total revenues	<u>669,000</u>	<u>-</u>	<u>2,548</u>	<u>2,548</u>	<u>(666,452)</u>
Expenditures:					
Interest	30,500	-	-	-	30,500
Construction	2,093,500	-	583,520	583,520	1,509,980
Engineering	314,500	-	183,446	183,446	131,054
Legal fees	25,000	-	8,500	8,500	16,500
Administration	2,000	-	40	40	1,960
Permit fees	1,300	-	4,160	4,160	(2,860)
Additional services	14,500	-	-	-	14,500
Equipment	3,000	-	-	-	3,000
Contingency	209,200	-	-	-	209,200
Total expenditures	<u>2,693,500</u>	<u>-</u>	<u>779,666</u>	<u>779,666</u>	<u>1,913,834</u>
Revenues over (under) expenditures	<u>(2,420,000)</u>	<u>-</u>	<u>(777,118)</u>	<u>(777,118)</u>	<u>(2,580,286)</u>
Other financing sources:					
Loan proceeds	2,020,000	-	2,020,000	2,020,000	-
Transfer from Water and Sewer Fund	4,500	-	-	-	(4,500)
Total other financing sources (uses)	<u>2,420,000</u>	<u>-</u>	<u>2,020,000</u>	<u>2,020,000</u>	<u>566,109</u>
Revenues and other financing sources over (under) expenditures and other (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,242,882</u>	<u>\$ 1,242,882</u>	<u>\$ 83,592</u>

Other Schedules

Town of Pine Level, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2021</u>
2020-2021	\$ -	\$ 615,558	\$ 614,848	\$ 710
2019-2020	1,566	-	1,286	280
2018-2019	19	-	-	19
2017-2018	-	-	-	-
2016-2017	10	-	-	10
2015-2016	133	-	-	133
2014-2015	-	-	-	-
2013-2014	-	-	-	-
2012-2013	267	-	267	-
2011-2012	471	-	452	19
2010-2011	308	-	308	-
	<u>\$ 2,774</u>	<u>\$ 615,558</u>	<u>\$ 617,161</u>	<u>1,171</u>

Less: allowance for uncollectible accounts - General Fund -

Ad valorem taxes receivable - net \$ 1,171

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 618,241
Penalties collected on ad valorem taxes	(1,581)
Reconciling items:	
Discounts allowed	<u>501</u>
Total collections and credits	<u>\$ 617,161</u>

Town of Pine Level, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2021

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 133,816,957	0.46	\$ 615,558	\$ 539,405	\$ 76,153
Releases			-	-	-
Net levy			615,558	539,405	76,153
Less - uncollected taxes at June 30, 2021			710	710	-
Current year's taxes collected			<u>\$ 614,848</u>	<u>\$ 538,695</u>	<u>\$ 76,153</u>
Current levy collection percentage			<u>99.88%</u>	<u>99.87%</u>	<u>100.00%</u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pine Level, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Pine Level's basic financial statements and have issued our report thereon dated November 19, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency (2021-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pine Level's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which is described in the schedule of findings and responses as item 2021-002.

Purpose of this Report

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

S. Porter Douglas & Associates, LLP

Lumberton, North Carolina
November 19, 2021

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Pine Level's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Pine Level's major federal programs for the year ended June 30, 2021. The Town of Pine Level's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Pine Level's compliance.

Opinion on Each Major State Program

In our opinion the Town of Pine Level complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

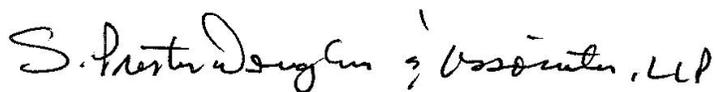
Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Lumberton, North Carolina
November 19, 2021

Town of Pine Level, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section I. Summary of Auditor's Results
--

Financial Statements

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

Federal Awards

Internal control over major federal programs		
• Material weakness(es) identified?	_____ yes	<u> X </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	_____ yes	<u> X </u> no

Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ yes <u> X </u> no

Identification of major federal programs:

<u>Names of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
Water and Waste Disposal Systems for Rural Communities	10.760

Dollar threshold used to distinguish between Type A And Type B programs	\$750,000
---	-----------

Auditee qualified as low-risk auditee?	_____ yes <u> X </u> no
--	---------------------------

**Town of Pine Level, North Carolina
Schedule of Findings and Responses (continued)
For the Year Ended June 30, 2021**

Section II. Financial Statement Findings

Significant Deficiencies

Finding: 2021 – 001

Segregation of Duties

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

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

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

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

Repeat finding: This is a repeat finding.

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

Views of responsible officials and planned corrective actions:

The Town agrees with this finding and will adhere to the corrective action plan on page 63 in this report.

Significant Deficiencies/ Material noncompliance

Finding 2021 – 002

Investment of Donated Funds

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

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

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

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

Repeat finding: This is a repeat finding.

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

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and will adhere to the corrective action plan on page 63 of this report.

Mayor
Jeff Holt

Mayor Pro-Tem
Greg Baker

Board of Commissioners
Jimmy Garner
Phil Pittman
Bill Radford



Town Clerk
Connie N. Capps

Police Chief
Ashley Woodard

Public Works Supt.
Ray Stuckey

Rec. Coordinator
Scottie Hayes

**Town of Pine Level, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2021**

Finding: 2021-001

Segregation of Duties

Name of contact person:

Connie Capps, Town Clerk

Corrective Action:

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

Proposed Completion Date:

The board will implement the above procedure immediately.

Finding: 2021-002

Investment of Donated Funds

Name of contact person:

Connie Capps, Town Clerk

Corrective Action:

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

Proposed Completion Date:

The board will implement the above procedure immediately.

Town of Pine Level, North Carolina
Schedule of Prior Year Findings
For the Year Ended June 30, 2021

Finding: 2020-1
Status: This finding has not been corrected.

Finding: 2020-2
Status: This finding has not been corrected.

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

Town of Pine Level, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2021

Grantor/Pass-through Grant/Program Title	Federal CFDA Number	Award Number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
Federal Grants:				
Direct Programs:				
<u>US Department of Agriculture</u>				
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 779,666	\$ -
State Grants:				
Direct Programs:				
<u>NC Department of Transportation</u>				
Powell Bill			-	-
<u>Total assistance</u>			<u>\$ 779,666</u>	<u>\$ -</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Pine Level under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Pine Level, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Pine Level.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

Note 4: Loan Balance

The outstanding balance of the USDA revenue bonds is \$2,020,000.