

FINANCIAL STATEMENTS
TOWN OF PINETOPS
PINETOPS, NORTH CAROLINA
FOR THE YEAR ENDED
JUNE 30, 2021

BOARD OF COMMISSIONERS

**BRENDA HARRELL
MAYOR**

**DONALD WEBB
COMMISSIONER**

**DENNIS SUGG
COMMISSIONER**

**OSCAR MABRY
COMMISSIONER**

**BARBARA TAYLOR
COMMISSIONER**

**WANDA HARRISON
COMMISSIONER**

**TOWN OF PINETOPS
TABLE OF CONTENTS
JUNE 30, 2021**

	EXHIBIT	PAGE
FINANCIAL SECTION		
Independent Auditors' Report		6
Management's Discussion and Analysis		8
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	19
Statement of Activities	2	20
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	21
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	3	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	5	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	6	24
Statement of Net Position - Proprietary Funds	7	25
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8	26
Statement of Cash Flows - Proprietary Funds	9	27
Notes to the Basic Financial Statements		29
REQUIRED SUPPLEMENTAL FINANCIAL DATA		
Local Government Employees' Retirement System:		
Schedule of the Proportionate Share of the Net Pension Liability		54
Schedule of Contributions		55
Law Enforcement Officers' Special Separation Allowance:		
Schedule of the Changes in Total Pension Liability		56

**TOWN OF PINETOPS
TABLE OF CONTENTS
JUNE 30, 2021**

	EXHIBIT	PAGE
Schedule of Total Pension Liability as a Percentage of Covered Payroll		57
Other Post-Employment Benefits:		
Schedule of Changes in Total OPEB Liability		58
Individual Fund Financial Statements and Schedules:		
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	A-1	60
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Electric Fund	B-1	63
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund	B-2	65
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - H-SRP-D-17-0072 Project Fund	B-3	67
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - H-SRP-D-17-1043 Project Fund	B-4	68
OTHER INFORMATION		
Schedule of Ad Valorem Taxes Receivable	C-1	69
Analysis of Current Tax Levy - Town Wide Levy	C-2	70
COMPLIANCE SECTION		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		71
Schedule of Findings and Responses		73
Corrective Action Plan		75
Summary of Prior Year Audit Findings		76
Schedule of Expenditures of Federal and State Awards		77

THIS PAGE INTENTIONALLY LEFT BLANK



PETWAY

MILLS &

PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 17, the Local Government

Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 53 through 54, respectively, the Law Enforcement Officers' Special Separation Allowance Schedules in Total Pension Liability as a Percentage of Covered Payroll on pages 55 and 56, respectively and the Other Postemployment Benefits' Schedules of Funding Progress and Schedule of Employer Contributions, on page 57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the 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 issued our report dated June 7, 2022 on our consideration of the Town of Pinetops' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pinetops' internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

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

June 7, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis FY 2021

As management of the Town of Pinetops, we offer readers of the Pinetops' financial statements this narrative overview and analysis of the financial activities of the Town of Pinetops for the fiscal year ended June 30, 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

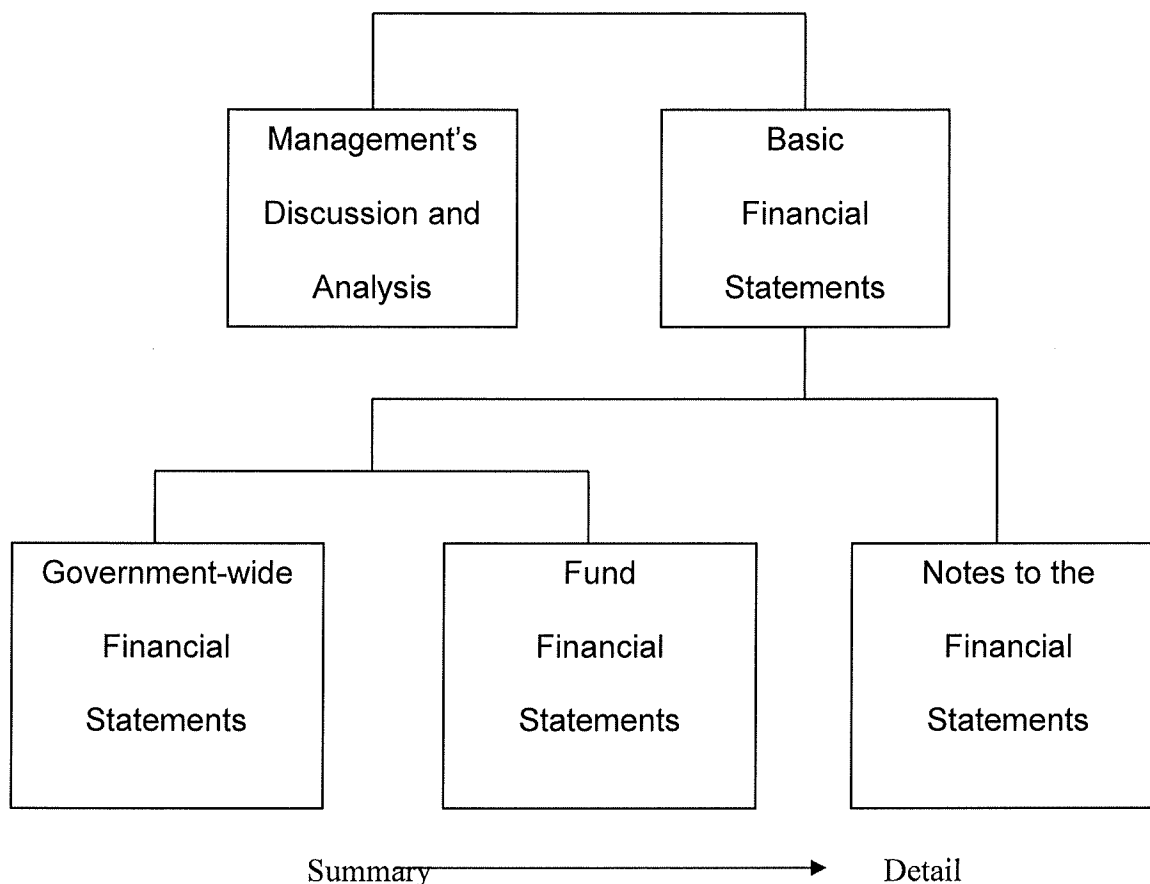
- The assets and deferred outflows of resources of the Town of Pinetops exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,255,299 (net position).
- The government's total net position increased by \$229,369 due to an increase in the business-type activities net position of \$309,017 and a decrease of \$79,643 in governmental activities net position.
- As of the close of the current fiscal year, the Town of Pinetops' governmental funds reported combined ending fund balances of \$688,059 an increase of \$123,190 in comparison with the prior year. Approximately 45.98% of this total amount, or \$316,359 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$316,359 or 26.02 % of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Pinetops, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Pinetops can be divided into two categories: governmental funds and proprietary funds.

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

Town of Pinetops

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 29 to 52 of this report.

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

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2019
Current assets	\$ 749,642	\$ 656,444	\$ 2,264,784	\$ 1,617,450	\$ 3,014,426	\$ 2,273,894
Capital assets	670,869	776,214	5,563,661	5,471,706	6,234,530	6,247,920
Total assets	1,420,511	1,432,658	7,828,445	7,089,156	9,248,956	8,521,814
Deferred Outflow of Resources	213,264	130,133	121,176	106,042	334,440	236,175
Total deferred outflow of resources	213,264	130,133	121,176	106,042	334,440	236,175
Current liabilities	92,535	99,289	456,568	236,517	549,103	335,806
Long term liabilities	653,457	488,821	1,088,152	856,618	1,741,609	1,345,439
Total liabilities	745,992	588,110	1,544,720	1,093,135	2,290,712	1,681,245
Deferred Inflows of Resources	25,443	32,672	11,942	18,116	37,385	50,788
Total deferred inflows of resources	25,443	32,672	11,942	18,116	37,385	50,788
Net position:						
Net investment in capital assets	418,698	508,407	4,597,235	4,740,659	5,015,933	5,249,066
Restricted	371,700	262,301	-	-	371,700	262,301
Unrestricted	71,942	171,275	1,795,724	1,343,288	1,867,666	1,514,563
Total net position	\$ 862,340	\$ 941,983	\$ 6,392,959	\$ 6,083,947	\$ 7,255,299	\$ 7,025,930

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Pinetops exceeded liabilities and deferred inflows of resources by \$7,255,299 as of June 30, 2021. The Town's net position increased by \$229,369 for the fiscal year ended June 30, 2021. However, \$5,015,953 or 69.13% reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Pinetops uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pinetops' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Pinetops' net position, \$371,700 or 5.13% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 1,867,666 (25.74%) is unrestricted.

Town of Pinetops

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

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

Town of Pinetops'
Changes in Net Position
Figure 3

	Governmental Activities 2021	Governmental Activities 2020	Business Type Activities 2021	Business Type Activities 2020	Total 2021	Total 2019
Revenues:						
Program revenues:						
Charges for services	\$ 151,298	\$ 174,804	\$ 3,556,784	\$ 3,527,943	\$ 3,708,082	\$ 3,702,747
Operating grants and contributions	107,212	62,583	169,664	-	276,876	62,583
Capital grants and contributions	-	-	34,102	-	34,102	-
General revenues:					-	-
Property taxes	291,503	275,151	-	-	291,503	275,151
Other taxes	-	8,800	-	-	-	8,800
Other	440,024	375,132	(4,017)	35	436,007	375,167
Total revenues	990,037	896,470	3,756,533	3,527,978	4,746,570	4,424,448
Expenses:						
General government	261,759	274,866	-	-	261,759	274,866
Public safety	864,546	795,412	-	-	864,546	795,412
Transportation	178,335	134,528	-	-	178,335	134,528
Environmental protection	146,716	145,106	-	-	146,716	145,106
Interest on long-term debt	(6,676)	8,388	-	-	(6,676)	8,388
Water and sewer			718,927	689,223	718,927	689,223
Electric			2,353,594	2,300,630	2,353,594	2,300,630
Total expenses	1,444,680	1,358,300	3,072,521	2,989,853	4,517,201	4,348,153
Transfers	375,000	434,211	(375,000)	(434,211)		
Increase in net position	(79,643)	(27,619)	309,012	103,914	229,369	76,295
Net position, beginning	941,983	969,602	6,083,947	5,980,033	7,025,930	6,949,635
Net position, ending	\$ 862,340	\$ 941,983	\$ 6,392,959	\$ 6,083,947	\$ 7,255,299	\$ 7,025,930

Town of Pinetops

Governmental activities: Governmental activities decreased the Town's net position by \$454,643 before transfers.

Business-type activities: Business-type activities increased the Town of Pinetops net position by \$684,012 before transfers.

Financial Analysis of the Town Funds

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

Governmental Funds. The focus of the Town of Pinetops' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Pinetops. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$316,359 while total fund balance reached \$688,059. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 26.02% of total General Fund expenditures.

At June 30, 2021, the governmental funds of Pinetops reported a combined fund balance of \$688,059 a 21.81 % percent increase over the prior year.

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

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$413,434 and those for the Electric Fund amounted to \$1,382,290. The change in net position for was a decrease in the Water and Sewer Fund of \$24,176 and an increase of \$333,188 for the Electric Fund prior to transfers to other funds. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Town of Pinetops**Capital Asset and Debt Administration**

Capital assets. The Town of Pinetops' investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$6,234,530 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Pinetops's
Capital Assets**

Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2019
Land	\$ 47,300	\$ 47,300	\$ 37,100	\$ 37,100	\$ 84,400	\$ 84,400
Construction in progress	\$ 137,022	\$ 137,022	\$ 1,105,201	\$ 840,781	\$ 1,242,223	\$ 977,803
Buildings	366,203	370,522	-	-	366,203	370,522
Equipment and furniture	26,845	53,328				
Plant & Distribution System	-	-	4,345,707	4,488,211	4,345,707	4,488,211
Vehicles and equipment	93,499	168,042	75,653	105,614	169,152	273,656
Total	\$ 670,869	\$ 776,214	\$ 5,563,661	\$ 5,471,706	\$ 6,207,685	\$ 6,194,592

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

Town of Pinetops**Long-term Debt.**

The Town of Pinetops' total debt increased by \$219,743 during the past fiscal year.

**Town of Pinetops
Outstanding Debt
Note Payable**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2019
USDA Installment debt	\$ 252,171	\$ 267,807	\$ 19,902	\$ 29,903	\$ 272,073	\$ 297,710
NCDEQ Revolving loan	-	-	946,524	701,144	946,524	701,144
Total long term obligations	\$ 252,171	\$ 267,807	\$ 966,426	\$ 731,047	\$ 1,218,597	\$ 998,854

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin is the difference between the 8 percent of total assessed value of taxable property and outstanding debt. The legal debt margin for Town of Pinetops as of June 30 2021 is \$2,882,444.

Additional information regarding the Town of Pinetops' long-term debt can be found in note III.B.6.b beginning on page 47 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The Town is continuing to hold tax and electric rates steady, with projected increases in the water and sewer rates for the 2020-2021 year

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property tax rates are stable while the staff has been very active in improving collections. The Town anticipates improved collections of prior years taxes. Budget expenditures are being held in check in order to improve the fund balance. The 2022 budget anticipates only requires expenditures during the year.

Business – type Activities: The overall water and sewer basic rates have proposed increase of 25% effective July 2021. The electric rate has no proposed increase. The budgeted electric revenues and expenditures will increase slightly. The budgeted water and sewer revenues and expenditures will remain steady.

Town of Pinetops

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Tammy Keesler, Town Administrator, Town of Pinetops, Post Office Drawer C, Pinetops, NC 27864. The town administrator can also be reached at (252) 827-4435, visit the town's website at www.pinetopsnc.com or send an email to town@pinetopsnc.com for more information.

Town of Pinetops, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 146,709	\$ 1,556,487	\$ 1,703,196
Restricted cash	247,973	128,370	376,343
Investments	216,179	-	216,179
Taxes receivable	47,117	-	47,117
Accounts receivable - trade	51,774	429,435	481,209
Internal balances	(32,063)	32,063	-
Due from other governments	71,953	15,501	87,454
Inventory	-	102,928	102,928
Total Current Assets	749,642	2,264,784	3,014,426
Non-current Assets:			
Land, non-depreciable improvements, and construction in progress	184,322	1,142,301	1,326,623
Other capital assets, net of depreciation	486,547	4,421,360	4,907,907
Total Capital Assets	670,869	5,563,661	6,234,530
Total Assets	1,420,511	7,828,445	9,248,956
Deferred Outflows of Resources			
Contribution to pension plan in current fiscal year	49,769	32,210	81,979
Contribution to OPEB plan in current fiscal year	8,149	5,274	13,423
Contribution to LEO pension plan in current fiscal year	9,238	-	9,238
Pension deferrals	114,624	74,182	188,806
OPEB deferrals	1,271	9,510	10,781
LEO pension deferrals	30,213	-	30,213
Total Deferred Outflows of Resources	213,264	121,176	334,440
Liabilities:			
Current Liabilities:			
Accounts payable and accrued expenses	14,466	225,561	240,027
Accrued interest	1,805	15,877	17,682
Customer deposits	-	128,370	128,370
Current portion of long-term debt	19,243	85,295	104,538
Compensated absences payable	57,022	1,465	58,487
Long Term Liabilities:			
Net pension liability	288,751	186,872	475,623
Total LEO pension liability	95,065	-	95,065
Net OPEB liability	36,712	20,149	56,861
Due in more than one year	232,928	881,131	1,114,059
Total Liabilities	745,992	1,544,720	2,290,712
Deferred Inflows of Resources			
Pension deferrals	3,808	2,464	6,272
OPEB deferrals	11,804	9,478	21,282
LEO pension deferrals	9,831	-	9,831
Total Deferred Inflows of Resources	25,443	11,942	37,385
Net Position:			
Net investment in capital assets	418,698	4,597,235	5,015,933
Restricted for:			
Stabilization by State Statute	123,727	-	123,727
Debt service	9,636	-	9,636
Fire Department	30,458	-	30,458
Streets	207,879	-	207,879
Unrestricted	71,942	1,795,724	1,867,666
Total Net Position	\$ 862,340	\$ 6,392,959	\$ 7,255,299

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

Town of Pinetops, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 261,759	\$ 7,641	\$ 21,150	\$ -	\$ (232,968)	\$ -	\$ (232,968)
Public safety	864,546	-	46,348	-	(818,198)	-	(818,198)
Transportation	178,335	-	39,714	-	(138,621)	-	(138,621)
Environmental protection	146,716	143,657	-	-	(3,059)	-	(3,059)
Interest on long-term debt	(6,676)	-	-	-	6,676	-	6,676
Total Governmental Activities	1,444,680	151,298	107,212	-	(1,186,170)	-	(1,186,170)
Business-type Activities:							
Water and Sewer	718,927	660,649	-	34,102	-	(24,176)	(24,176)
Electric	2,353,594	2,896,135	169,664	-	-	712,205	712,205
Total Business-type Activities	3,072,521	3,556,784	169,664	34,102	-	688,029	688,029
Total Primary Government	\$ 4,517,201	\$ 3,708,082	\$ 276,876	\$ 34,102	(1,186,170)	688,029	(498,141)
General Revenues:							
Ad valorem taxes					291,503	-	291,503
Unrestricted intergovernmental					406,761	-	406,761
Unrestricted investment earnings					1,538	-	1,538
Other revenues					18,525	-	18,525
Gain on disposal of fixed assets					13,200	(4,017)	9,183
Transfers					375,000	(375,000)	-
Total General Revenues and Transfers					1,106,527	(379,017)	727,510
Change in net position					(79,643)	309,012	229,369
Net position, beginning,					941,983	6,083,947	7,025,930
Net position, ending					\$ 862,340	\$ 6,392,959	\$ 7,255,299

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

Town of Pinetops, North Carolina
Balance Sheet - Governmental Funds
June 30, 2021

	Major Fund
	General Fund
Assets:	
Cash and cash equivalents	\$ 146,709
Restricted cash	247,973
Investments	216,179
Taxes receivable	47,117
Accounts receivable - trade	51,774
Due from other governments	71,953
Total Assets	781,705
Liabilities:	
Accounts payable - trade and accrued liabilities	14,466
Due to other funds	32,063
Total Liabilities	46,529
Deferred Inflows of Resources:	
Property taxes receivable	47,117
Total Deferred Inflows of Resources	47,117
Fund Balances:	
Non-spendable:	
Prepaid expenses	-
Restricted:	
Stabilization by State Statute	123,727
Streets	207,879
Debt service	9,636
Fire Department	30,458
Unassigned	316,359
Total Fund Balances	688,059
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 781,705
Fund balances as reported in the balance sheet above:	\$ 688,059
Amounts reported for governmental activities in the statement of net position are different because:	
Contributions to the pension and OPEB plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	67,156
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	670,869
Pension related deferrals	120,665
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	47,117
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Accrued interest	(1,805)
Compensated absences payable	(57,022)
Net Pension Liability	(288,751)
Total LEO pension liability	(95,065)
OPEB Liability	(36,712)
Notes payable	(252,171)
Net position of governmental activities	\$ 862,340

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

**Town of Pinetops, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021**

	<u>Major Fund</u>
	<u>General Fund</u>
Revenues:	
Ad valorem taxes	\$ 265,381
Unrestricted intergovernmental	406,761
Restricted intergovernmental	107,212
Sales and services	151,298
Investment earnings	1,538
Miscellaneous	18,525
Total Revenues	<u>950,715</u>
Expenditures:	
General government	203,412
Public safety	730,299
Transportation	119,612
Environmental protection	146,716
Debt Service:	
Principal	15,636
Interest	(6,576)
Capital Outlay	6,626
Total Expenditures	<u>1,215,725</u>
Revenues Over (Under) Expenditures	(265,010)
Other Financing Sources:	
Operating transfers in (out):	
Electric Fund	375,000
Water and Sewer Fund	-
Proceeds from sale of fixed assets	13,200
Total other financing sources	<u>388,200</u>
Net Change in Fund Balances	123,190
Fund Balances, Beginning of year	564,869
Fund Balances, End of year	<u>\$ 688,059</u>

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

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

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

Net change in fund balances - governmental funds	\$ 123,190
Governmental funds report capital outlay as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.	(105,346)
Revenues in the Statement of Activities that do not provide current financial resource are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	(26,231)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	67,156
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	15,636
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
OPEB expenses	(40,889)
Interest expense	(1,805)
Pension expenses	(130,651)
Compensated absences	(8,322)
Total Change in Net Position of Governmental Activities	\$ (107,262)

Town of Pinetops, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 219,250	\$ 219,450	\$ 265,381	\$ 45,931
Unrestricted intergovernmental	278,000	296,975	406,761	109,786
Restricted intergovernmental	75,063	91,945	107,212	15,267
Sales and services	140,000	143,250	151,298	8,048
Investment earnings	-	3,950	1,538	(2,412)
Miscellaneous	-	1,500	18,525	17,025
Total Revenues	712,313	757,070	950,715	193,645
Expenditures:				
General Government	236,055	220,954	203,412	17,542
Public Safety	679,037	740,109	730,299	9,810
Transportation	155,516	150,386	119,612	30,774
Environmental Protection	163,560	160,850	146,716	14,134
Debt Service:				
Principal	16,751	16,751	15,636	1,115
Interest	7,945	7,945	(6,576)	14,521
Capital Outlay	-	6,626	6,626	-
Total Expenditures	1,258,864	1,303,621	1,215,725	87,896
Revenues Over (Under) Expenditures	(546,551)	(546,551)	(265,010)	281,541
Other Financing Sources (Uses):				
Operating transfers in (out)	546,551	546,551	375,000	(171,551)
Sale of capital assets	-	-	13,200	13,200
Appropriated fund balances	-	-	-	-
Total Other Sources (Uses)	546,551	546,551	388,200	(158,351)
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	123,190	<u>\$ 123,190</u>
Fund Balances, Beginning of year			<u>564,869</u>	
Fund Balances, End of year			<u>\$ 688,059</u>	

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

Town of Pinetops, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2021

	Electric Fund	Water and Sewer Fund	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,226,662	\$ 329,825	\$ 1,556,487
Restricted cash	80,620	47,750	128,370
Due from other funds	32,063	-	32,063
Accounts receivable (net) - trade	319,829	109,606	429,435
Due from other governments	4,727	10,774	15,501
Inventory	29,136	73,792	102,928
Total Current Assets	<u>1,693,037</u>	<u>571,747</u>	<u>2,264,784</u>
Noncurrent Assets:			
Capital Assets:			
Land and other non-depreciable assets	11,600	1,130,701	1,142,301
Other capital assets	1,443,874	10,220,973	11,664,847
Less: accumulated depreciation	(1,296,511)	(5,946,976)	(7,243,487)
Capital Assets (Net)	<u>158,963</u>	<u>5,404,698</u>	<u>5,563,661</u>
Total Noncurrent Assets	<u>158,963</u>	<u>5,404,698</u>	<u>5,563,661</u>
Total Assets	<u>1,852,000</u>	<u>5,976,445</u>	<u>7,828,445</u>
Deferred Outflows of Resources			
Contributions to pension plan	22,602	9,608	32,210
Contributions to OPEB plan	3,701	1,573	5,274
Pension deferrals	52,054	22,128	74,182
OPEB deferrals	6,673	2,837	9,510
Total deferred outflows of resources	<u>85,030</u>	<u>36,146</u>	<u>121,176</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	158,296	67,265	225,561
Accrued interest	210	15,667	15,877
Customer deposits	80,620	47,750	128,370
Compensated absences	1,465	-	1,465
Notes payable - current	6,602	78,693	85,295
Total Current Liabilities	<u>247,193</u>	<u>209,375</u>	<u>456,568</u>
Other Liabilities:			
Net Pension Liability	131,129	55,743	186,872
Net OPEB Liability	15,677	4,472	20,149
Notes payable - more than one year	13,300	867,831	881,131
Total Other Liabilities	<u>160,106</u>	<u>928,046</u>	<u>1,088,152</u>
Total Liabilities	<u>407,299</u>	<u>1,137,421</u>	<u>1,544,720</u>
Deferred Inflows of Resources			
Pension deferrals	1,729	735	2,464
OPEB deferrals	6,651	2,827	9,478
Total deferred inflows of resources	<u>8,380</u>	<u>3,562</u>	<u>11,942</u>
Net Position			
Net investment in capital assets	139,061	4,458,174	4,597,235
Unrestricted	1,382,290	413,434	1,795,724
Total Net Position	<u>\$ 1,521,351</u>	<u>\$ 4,871,608</u>	<u>\$ 6,392,959</u>

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

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

	Electric Fund	Water and Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 2,776,436	\$ 659,971	\$ 3,436,407
Other operating revenues	119,699	678	120,377
Total Operating Revenues	<u>2,896,135</u>	<u>660,649</u>	<u>3,556,784</u>
Operating Expenses:			
Administration and operations	754,915	504,832	1,259,747
Electrical power purchases	1,553,387	-	1,553,387
Depreciation	42,955	178,490	221,445
Total Operating Expenses	<u>2,351,257</u>	<u>683,322</u>	<u>3,034,579</u>
Operating Income (Loss)	<u>544,878</u>	<u>(22,673)</u>	<u>522,205</u>
Non-operating Revenues (Expenses):			
Grants	169,664	34,102	203,766
Interest on long-term debt	(2,337)	(35,605)	(37,942)
Loss on disposal of fixed assets	(4,017)	-	(4,017)
Total Non-operating Revenues (Expenses)	<u>163,310</u>	<u>(1,503)</u>	<u>161,807</u>
Income (Loss) before Contributions and Transfers	<u>708,188</u>	<u>(24,176)</u>	<u>684,012</u>
Capital contributions	-	-	-
Transfers (to) from other funds	(375,000)	-	(375,000)
Total Contributions and Transfers	<u>(375,000)</u>	<u>-</u>	<u>(375,000)</u>
Change in Net Position	<u>333,188</u>	<u>(24,176)</u>	<u>309,012</u>
Net Position:			
Beginning of Year	1,188,163	4,895,784	6,083,947
End of Year	<u>\$ 1,521,351</u>	<u>\$ 4,871,608</u>	<u>\$ 6,392,959</u>

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

Town of Pinetops, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Electric Fund	Water and Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 2,758,384	\$ 654,742	\$ 3,413,126
Cash paid for goods and services	(1,631,583)	(185,053)	(1,816,636)
Cash paid to or on behalf of employees	(472,752)	(159,568)	(632,320)
Customer deposits received (net)	(3,253)	(935)	(4,188)
Other operating revenues	43,193	678	43,871
Net Cash Provided (Used) By Operating Activities	<u>693,989</u>	<u>309,864</u>	<u>1,003,853</u>
Cash Flows from Non-Capital Financing Activities:			
Interfund activity	(7,824)	(95,772)	(103,596)
Transfers (to) from other funds	(375,000)	-	(375,000)
Net Cash Used By Non-Capital Financing Activities	<u>(382,824)</u>	<u>(95,772)</u>	<u>(478,596)</u>
Cash Flows from Capital and Related Financing Activities:			
Grants and other income	169,664	34,102	203,766
Proceeds from loans	-	274,632	274,632
Proceeds from disposal of fixed assets	9,000	-	9,000
Principal paid on long-term debt	(10,001)	(29,252)	(39,253)
Interest paid on long-term debt	(2,337)	(19,938)	(22,275)
Acquisition of capital assets	(2,162)	(316,220)	(318,382)
Net Cash Used By Capital and Related Financing Activities	<u>164,164</u>	<u>(56,676)</u>	<u>107,488</u>
Cash Flows from Investing Activities:			
Interest earned on investments	-	-	-
Net Increase (Decrease) In Cash	475,329	157,416	632,745
Cash at Beginning of Year	831,953	220,159	1,052,112
Cash at End of Year	<u>\$ 1,307,282</u>	<u>\$ 377,575</u>	<u>\$ 1,684,857</u>

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

Town of Pinetops, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating Income (Loss)	\$ 544,878	\$ 73,099	\$ 617,977
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	42,955	178,490	221,445
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(16,440)	(1,819)	(18,259)
(Increase) decrease in due from other governments	(1,612)	(3,410)	(5,022)
(Increase) decrease in inventory	4,346	4,346	8,692
(Increase) decrease in deferred outflows of resources - pensions/OPEB	3,162	(18,295)	(15,133)
Increase (decrease) in net pension liability	23,042	16,193	39,235
Increase (decrease) in deferred inflows of resources - pensions/OPEB	(6,022)	(152)	(6,174)
Increase (decrease) in accounts payable and accrued liabilities	112,745	62,347	175,092
Increase (decrease) in customer deposits	(3,253)	(935)	(4,188)
Increase (decrease) in net OPEB liability	4,074	-	4,074
Increase (decrease) in compensated absences	(13,886)	-	(13,886)
Total adjustments	<u>149,111</u>	<u>236,765</u>	<u>385,876</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 693,989</u></u>	<u><u>\$ 309,864</u></u>	<u><u>\$ 1,003,853</u></u>

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

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Pinetops conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

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

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

C. Measurement Focus and Basis of Accounting

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred inflows of resources at June 30, 2021 because they are intended to finance the Town's operations during the 2021 fiscal year.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Water and Sewer Fund and the Electric Fund. All annual

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund which is consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$500. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 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.

2. Cash and Cash Equivalents

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

Restricted Cash

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

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Inventories and Prepaid Items

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

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

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

5. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost policies were established at \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has four items that meet this criterion, contributions made to the pension plan in the 2021 fiscal year, pension deferrals, OPEB deferrals, and LEO pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meets the criterion for this category – property taxes receivable, OPEB deferrals, LEO pension deferrals, and deferrals of pension expense that result from the implementation of GASB Statement 68.

7. Long-Term Obligations

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

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

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

8. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

9. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

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 sources for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

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

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

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

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

10. Pensions

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

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

The audit report was submitted late due to illness of the lead auditor and staff turnover at the audit firm. No finding is considered necessary since the matter was out of the Town's control.

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

2. Contractual Violations
None.

B. Deficit in Fund Balance or Net Position of Individual Funds
None.

C. Excess of Expenditures over Appropriations
None.

III. Detail Notes on All Funds

A. Assets

1. Deposits and Investments

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,178,183 and a bank balance of \$2,401,991. Of the bank balance, \$282,629 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining \$2,119,361 was covered by collateral held under the pooling method. The Town's petty cash totaled \$1,655 at June 30, 2021.

2. Investments

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

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Amortized Cost	\$115,880	N/A	AAA

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

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

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

3. Receivables - Allowances for Doubtful Accounts

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

Fund	June 30, 2021
General Fund	\$ 12,449
Electric	73,320
Water and Sewer	28,278
	<u>\$ 114,047</u>

4. Capital Assets

Primary Government

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

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 47,300	\$ -	\$ -	\$ 47,300
Construction in progress	137,022	-	-	137,022
Total capital assets not being depreciated	<u>184,322</u>	-	-	<u>184,322</u>
Capital assets being depreciated:				
Buildings and streets	664,959	6,626	-	671,585
Vehicles and motorized equipment	1,253,270	-	199,369	1,053,901
Equipment	271,290	-	-	271,290
Total capital assets being depreciated	<u>2,189,519</u>	6,626	199,369	<u>1,996,776</u>
Less accumulated depreciation for				
Buildings and streets	294,437	10,945	-	305,382
Vehicles and motorized equipment	1,085,228	74,543	199,369	960,402
Equipment	217,962	26,483	-	244,445
Total accumulated depreciation	<u>1,597,627</u>	<u>\$ 111,971</u>	<u>\$ 199,369</u>	<u>1,510,229</u>
Total capital assets being depreciated, net	<u>591,892</u>			<u>486,547</u>
Governmental activity capital assets, net	<u>\$ 776,214</u>			<u>\$ 670,869</u>

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

General government	\$ 13,436
Transportation	81,740
Environmental protection	-
Public safety	16,795
Total	<u>\$ 111,971</u>

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

Capital asset activity for the Town's business-type activities for the year ended June 30, 2021, was as follows:

Business-type activities:	Beginning Balances	Increases	Decreases	Ending Balances
Electric Fund:				
Capital assets not being depreciated				
Land	\$ 11,600	\$ -	\$ -	\$ 11,600
Capital assets being depreciated				
Plant and distributions systems	579,253	-	-	579,253
Vehicles and equipment	875,460	2,162	13,000	864,622
Total capital assets being depreciated	1,454,713	2,162	13,000	1,443,875
Less accumulated depreciation for				
Plant and distributions systems	490,269	16,672	-	506,941
Vehicles and equipment	771,304	26,283	8,016	789,571
Total accumulated depreciation	1,261,573	\$ 42,955	\$ 8,016	1,296,512
Total capital assets being depreciated, net	193,140			147,363
Electric capital assets, net	\$ 204,740			\$ 158,963

	Beginning Balances	Increases	Decreases	Ending Balances
Water and Sewer Fund:				
Capital assets not being depreciated				
Land	\$ 25,500	\$ -	\$ -	\$ 25,500
Construction in progress	840,781	264,420	-	1,105,201
Total capital assets not being depreciated	866,281	264,420	-	1,130,701
Capital assets being depreciated				
Plant and distribution systems	10,045,589	51,800	-	10,097,389
Vehicles and equipment	123,583	-	-	123,583
Capital assets being depreciated	10,169,172	51,800	-	10,220,972
Less accumulated depreciation for				
Plant and distribution systems	5,646,362	177,632	-	5,823,994
Vehicles and equipment	122,125	856	-	122,981
Accumulated depreciation	5,768,487	\$ 178,488	\$ -	5,946,975
Capital assets being depreciated, net	4,400,685			4,273,997
Water and Sewer Fund capital assets, net	\$ 5,266,966			\$ 5,404,698

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Pinetops is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2021 was 12.10% of compensation for law enforcement officers and 11.35% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$81,979 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.

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 \$475,623 for its proportionate share of the net pension liability. The new 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 asset was

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

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 0.01161%, which was a decrease of 0.00059% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$169,960. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,063	\$ -
Changes of assumptions	35,396	-
Net difference between projected and actual earnings on pension plan investments	66,931	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,416	6,272
Employer contributions subsequent to the measurement date	81,979	-
Total	\$ 270,785	\$ 6,272

\$81,979 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Future amortization:

Year Ended June 30:

2022	\$ 52,038
2023	68,591
2024	42,097
2025	19,808
2026	-
Thereafter	-
	\$ 182,534

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 measurements.

Inflation	3.0 percent
Salary increase	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.

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

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 measurements.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 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	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, an investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 964,987	\$ 475,623	\$ 68,927

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

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

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

The Separation Allowance covers all full time law enforcement officers of the Town. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	<u>7</u>
Total	<u><u>7</u></u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies*

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

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

3. *Actuarial Assumptions*

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

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

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

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.

4. Contributions.

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

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

At June 30, 2021 the Town reported a total pension liability of \$95,065. 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 \$14,437.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,719	\$ 8,248
Changes of assumptions	28,494	1,582
Benefit payments and administrative expenses subsequent to the measurement date	9,238	-
	<u>\$ 39,451</u>	<u>\$ 9,830</u>

\$9,238 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows.

Year Ended	
June 30	Amount
2022	\$ 3,070
2023	3,070
2024	3,350
2025	3,697
2026	4,564
2027	2,632
	<u>\$ 20,383</u>

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

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	\$ 107,263	\$ 95,065	\$ 84,212

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

	2021
Beginning balance	\$ 52,335
Service cost	9,658
Interest on the total pension liability	1,706
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	1,081
Changes of assumptions or other inputs	30,285
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 95,065</u>

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

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

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

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:

	LGERS	LEOSSA	Total
Pension Expense	\$ 169,960	\$ 14,437	\$ 184,397
Pension Liability	475,623	95,065	570,688
Proportionate share of the net pension liability	0.01161%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	60,063	1,719	61,782
Changes of assumptions	35,396	28,494	63,890
Net difference between projected and actual earning on plan investments	66,931	-	66,931
Changes in proportion and differences between contributions and proportionate share of contributions	26,416	-	26,416
Benefit payments and administrative costs paid subsequent to the measurement date	81,979	9,238	91,217
Deferred Inflows of Resources			
Differences between expected and actual experience	-	8,248	8,248
Changes of assumptions	-	1,582	1,582
Net difference between projected and actual earning on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,272	-	6,272

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also,

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

the law enforcement officers may make voluntary contributions to the plan. The Town's contributions for the year ended June 30, 2021 were \$15,602. The contributions from the law enforcement officers were \$10,644.

d. Other Post-Employment Benefits

Healthcare Benefits

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

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

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	21
Total	<u>21</u>

Total OPEB Liability

The Town's total OPEB liability of \$56,861 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Medical – 7.25%
	Prescription – 7.25%
	Admin Expenses – 3.00%

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability as of July 1, 2019	\$ 34,611
Changes for the year:	
Service cost	2,443
Interest	-
Changes of benefit terms	6,307
Differences between expected and actual experience	37,625
Changes in assumptions or other inputs	(24,125)
Benefit payments	-
Other	-
Net Changes	22,250
Total OPEB Liability as of June 30, 2020	\$ 56,861

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period June 2018 through June 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease	Discount Rate (2.21%)	1% Increase
Total OPEB Liability	\$ 61,783	\$ 56,861	\$ 52,254

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

	Discount Rate (Medical – 7.25%, Prescription – 7.25%, Admin	
1% Decrease		1% Increase

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

		<u>Expenses – 3.0%)</u>	
Total OPEB Liability	\$ 50,955	\$ 56,861	\$ 63,546

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$2,443. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,256	\$ 22,959
Changes of assumptions	7,524	1,166
Town benefit payments and plan administrative expenses made subsequent to the measurement date	13,423	-
Total	<u>\$ 24,203</u>	<u>\$ 24,125</u>

\$13,423 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 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	\$ (419)
2023	(419)
2024	(1,350)
2025	(2,054)
2026	(2,054)
Thereafter	(78)
	<u>\$ (6,374)</u>

e. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2021, the Town made contributions to the State for death benefits of \$3,900. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to the pension plan in the current fiscal year - LGERS/LEO	\$ 91,217
OPEB contributions to the plan in the current year	13,423
Pension deferrals - LGERS	188,806
Pension deferrals - LEO	30,213
OPEB deferrals	10,781
	<u>\$ 334,440</u>

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

General Fund:	<u>Amount</u>
Taxes receivable	\$ 47,117
	<u>\$ 47,117</u>
 Government-wide Activities:	 <u>Amount</u>
Pension deferrals - LGERS	\$ 6,272
Pension deferrals - LEO	9,831
OPEB deferrals	24,125
	<u>\$ 40,228</u>

3. Risk Management

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

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

\$50,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance for another \$5,000,000 of coverage per structure.

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

4. Long-Term Obligations

The Town entered into a direct placement agreement with the United States Department of Agriculture (USDA) for the purchase of a garbage/recycle truck in the amount of \$225,000 on April 7, 2017. The Town obtained a 20 year note with an interest rate of 3.375 percent. The Town will pay \$15,654 yearly with the final payment due on April 7, 2037. The Town made payments of \$8,332 for the year ended June 30, 2021.

The Town entered into a direct placement agreement with the United States Department of Agriculture (USDA) for the purchase of police vehicles in the amount of \$85,800 on May 5, 2017. This note is split between the General Fund (42%) and the Electric Fund (58%). The Town obtained a 7 year note with an interest rate of 3.375 percent. The Town will pay \$13,968 yearly with the final payment due on May 5, 2024. The Town made payments of \$14,845 for the year ended June 30, 2021.

The Town entered into a direct placement agreement with the United States Department of Agriculture (USDA) for the purchase of police vehicles in the amount of \$45,600 on September 24, 2019. The Town obtained a 7 year note with an interest rate of 3.50 percent. Annual principal payments and interest are due beginning September 1, 2020. The Town will pay \$7,458 yearly with the final payment due on September 1, 2027. The town made payments of \$5,858 for the year ended June 30, 2021.

On July 31, 2019, the Town entered into a direct placement agreement with the State of North Carolina. This is a 20 year revolving loan with 1.74 percent interest and the total amount owed under this agreement will be \$622,340. The Town will pay \$31,177 yearly plus interest with the final payment due on May 1, 2039. The Town made principal payments of \$31,177 plus interest for the year ended June 30, 2021. The Town has drawn \$572,575 on this loan and repaid \$29,252 as of June 30, 2021.

On March 16, 2020, the Town entered into a direct placement agreement with the State of North Carolina. This is a 20 year revolving loan with 1.74 percent interest and the total amount owed under this agreement will be \$970,150. Annual principal payments of \$48,506 and interest are due beginning November 1, 2021 and ending on May 1, 2041. The Town has drawn \$403,921 on this loan as of June 30, 2021.

At June 30, 2021, the Town of Pinetops has a legal debt margin of \$2,882,444.

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

a. Changes in Long-Term Liabilities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion
Governmental activities:					
Total LEO liability	\$ 52,335	\$ 42,730	\$ -	\$ 95,065	\$ -
Net OPEB liability	18,537	18,175	-	36,712	-
Net pension liability	169,423	119,328	-	288,751	-
Compensated absences	48,700	8,322	-	57,022	-
USDA installment purchases	267,807	-	15,636	252,171	19,243
Governmental activity long-term liabilities	<u>\$ 556,802</u>	<u>\$ 188,555</u>	<u>\$ 15,636</u>	<u>\$ 729,721</u>	<u>\$ 19,243</u>
Business-type activities:					
Electric Fund:					
OPEB liability	\$ 11,603	\$ 4,074	\$ -	\$ 15,677	\$ -
Net pension liability	108,087	23,042	-	131,129	-
Compensated absences	15,351	-	13,886	1,465	-
USDA installment purchase	29,903	-	10,001	19,902	6,602
Total Electric Fund	<u>164,944</u>	<u>27,116</u>	<u>23,887</u>	<u>168,173</u>	<u>6,602</u>
Water and Sewer Fund:					
OPEB liability	4,472	-	-	4,472	-
Net pension liability	39,550	16,193	-	55,743	-
Compensated absences	-	-	-	-	-
NCDEQ Revolving Loan - 3184-H	199,289	203,912	-	403,201	48,508
NCDEQ Revolving Loan - 3184-G	501,855	70,720	29,252	543,323	30,185
Total Water and Sewer Fund	<u>\$ 745,166</u>	<u>\$ 290,825</u>	<u>\$ 29,252</u>	<u>\$ 1,006,739</u>	<u>\$ 78,693</u>
Total Business-type activities	<u>\$ 910,110</u>	<u>\$ 317,941</u>	<u>\$ 53,139</u>	<u>\$ 1,174,912</u>	<u>\$ 85,295</u>

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

Governmental Activities				
Year Ending June 30	Principal	Interest	Total	
2022	\$ 19,243	\$ 9,545	\$ 28,788	
2023	20,146	8,876	29,022	
2024	20,834	8,188	29,022	
2025	21,545	7,477	29,022	
2026	22,329	6,693	29,022	
2027-2032	72,503	26,602	99,105	
2033-2038	62,115	16,155	78,270	
2039-2040	13,456	4,978	18,434	
	<u>\$ 252,171</u>	<u>\$ 88,514</u>	<u>\$ 340,685</u>	
Business-Type Activities				
Year Ending June 30	Principal	Interest	Total	
2022	\$ 86,226	\$ 31,714	\$ 117,940	
2023	86,226	25,758	111,984	
2024	85,922	24,125	110,047	
2025	79,624	22,471	102,095	
2026	79,624	45,990	125,614	
2027-2032	398,120	18,950	417,070	
2033-2040	150,684	5,414	156,098	
	<u>\$ 966,426</u>	<u>\$ 174,422</u>	<u>\$ 1,140,848</u>	

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

5. Fund Balance

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

Total fund balance - General Fund	\$ 688,059
Less:	
Nonspendable - prepaid expenses	-
Restricted - Stabilization by State Statute	123,727
Restricted - Streets	207,879
Restricted - Debt service	9,636
Restricted - Fire Department	30,458
Remaining Fund Balance	\$ 316,359

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

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

COVID-19 Contingencies

The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2021, and additional impact on operational and financial performance may occur.

V. Subsequent Events

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued, which is the date of the independent auditors' report. Subsequent events after that date have not been evaluated. There were no subsequent events during this period that require disclosure.

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

VI. Special Item – Disposal of Fixed Assets

Management elected to dispose of a truck owned by the General Fund. The Town received \$13,000 for the truck and since the truck was fully depreciated recorded a gain of \$13,000.

Management elected to dispose of a truck owned by the Electric Fund. The Town received \$9,000 for the truck and recorded a loss on disposal of \$4,017.

VII. Transfers

During the year, the Electric Fund transferred \$375,000 to the General Fund to finance operating expenses.

VIII. Internal Balances

The General Fund owes the Electric Fund \$32,063 for reimbursements of expenditures that were accrued at year-end.

Due to the use of pooled cash, the Electric Fund and the Water and Sewer Fund used cash to finance operations due to cash shortages.

IX. Commitments

The Town has entered into a lease agreement with Marshall and Judy Dunn to rent property from March 1, 2020 through February 28, 2023. Rental obligations are \$1,750 per month. The Town paid \$7,000 in rent during the year ended June 30, 2021.

The Town has entered into a contract with Edgecombe County to collect taxes levied by the county or the town on its behalf. This contract will take effect on July 1, 2020, and will endure for a term of one year, with option for automatic renewal each year. Edgecombe County will be compensated by the Town to the sum of 2% of all revenues collected on behalf of the Town.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

Schedule of Contributions for the Local Government Employees' Retirement System

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

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

Schedule of Changes in the Total OPEB Liability

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Pinetops's proportion of the net pension liability (asset) (%)	0.01161%	0.01161%	0.01220%	0.01208%	0.01309%	0.01191%	0.01378%	0.01340%
Pinetops's proportion of the net pension liability (asset) (\$)	\$ 475,623	\$ 317,060	\$ 289,426	\$ 184,549	\$ 277,814	\$ 53,451	\$ (81,267)	\$ 40,622
Pinetops's covered-employee payroll	\$ 916,982	\$ 748,518	\$ 847,600	\$ 763,453	\$ 689,461	\$ 689,000	\$ 835,349	\$ 787,222
Pinetops's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.87%	42.36%	34.15%	24.17%	40.29%	7.76%	-9.73%	5.16%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Pinetops
Town of Pinetops's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 81,979	\$ 79,657	\$ 60,274	\$ 66,213	\$ 58,033	\$ 47,752	\$ 49,515	\$ 59,572
Contributions in relation to the contractually required contribution.	81,979	79,657	60,274	66,213	58,033	47,752	49,515	59,572
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pinetops's covered-employee payroll	\$ 932,290	\$ 916,982	\$ 748,518	\$ 847,600	\$ 763,453	\$ 689,461	\$ 689,000	\$ 835,349
Contributions as a percentage of covered-employee payroll	8.79%	8.69%	8.05%	7.81%	7.60%	6.93%	7.19%	7.13%

Town of Pinetops
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 52,335	\$ 50,403	\$ 43,577	\$ 40,174	\$ 34,740
Service cost	9,658	6,562	6,173	4,486	5,415
Interest on the total pension liability	1,706	1,835	1,377	1,551	1,240
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	1,081	(8,469)	1,496	(6,387)	-
Changes of assumptions or other inputs	30,285	2,004	(2,220)	3,753	(1,221)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending Balance of the Total Pension Liability	<u>\$ 95,065</u>	<u>\$ 52,335</u>	<u>\$ 50,403</u>	<u>\$ 43,577</u>	<u>\$ 40,174</u>

Town of Pinetops
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 95,065	\$ 52,335	\$ 50,403	\$ 43,577	\$ 40,174
Covered Payroll	349,382	318,603	248,585	232,940	292,079
Total Pension Liability as a Percentage of Covered Payroll	27.21%	16.43%	20.28%	18.71%	13.75%

Notes to the schedules:

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

Town of Pinetops
Schedule of Changes in Total OPEB Liability
Required Supplementary Information
For the Year Ended June 30, 2021

Total OPEB Liability	2021	2020	2019	2018
Service Cost	\$ 2,443	\$ 1,483	\$ 4,679	\$ 4,955
Interest	-	1,196	2,086	1,718
Changes of benefit terms	6,307	-	-	-
Difference between expected and actual experience	37,625	-	(35,691)	13,600
Changes of assumptions	(24,125)	1,179	1,084	(3,086)
Benefit payments	-	-	-	(31,103)
Other	-	-	-	-
Net change in Total OPEB Liability	22,250	3,858	(27,842)	(13,916)
Total OPEB Liability - Beginning	34,611	30,753	58,595	72,511
Total OPEB Liability - Ending	<u>\$ 56,861</u>	<u>\$ 34,611</u>	<u>\$ 30,753</u>	<u>\$ 58,595</u>

SUPPLEMENTAL INFORMATION

Town of Pinetops, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad Valorem Taxes:			
Current year	\$	\$ 254,843	
Prior years		10,425	
Penalties and interest		113	
Total Ad Valorem Taxes	<u>219,450</u>	<u>265,381</u>	<u>45,931</u>
Unrestricted Intergovernmental:			
Beer and wine tax		5,200	
Sales tax refunds		10,356	
Solid waste disposal tax		1,159	
Local option sales tax		372,515	
Telecommunications tax		12,605	
Video programming district.		4,926	
Total Unrestricted Intergovernmental	<u>296,975</u>	<u>406,761</u>	<u>109,786</u>
Restricted Intergovernmental:			
Powell Bill allocation		39,714	
Fire Department grant		31,591	
Police Department grant		14,757	
ABC		11,150	
CARES Act		10,000	
Total Restricted Intergovernmental	<u>91,945</u>	<u>107,212</u>	<u>15,267</u>
Sales, Services and Fees:			
Cemetery sales		6,400	
Garbage collection fee		143,657	
Other fees		1,241	
Total Sales, Services and Fees	<u>143,250</u>	<u>151,298</u>	<u>8,048</u>
Investment Earnings	<u>3,950</u>	<u>1,538</u>	<u>(2,412)</u>
Miscellaneous:			
Other		18,525	
Total Miscellaneous	<u>1,500</u>	<u>18,525</u>	<u>17,025</u>
Total Revenues	<u>757,070</u>	<u>950,715</u>	<u>193,645</u>

Town of Pinetops, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits		15,534	
Other operating expenses		31,900	
Total Governing Body	47,631	47,434	197
Administration:			
Salaries and employee benefits		59,195	
Capital Outlay		6,626	
Operating expenses		96,783	
Total Administration	179,949	162,604	17,345
Total General Government	227,580	210,038	17,542
Public Safety:			
Police Department:			
Salaries and employee benefits		590,753	
Other operating expenditures		63,477	
Capital outlay		-	
Total Police Department	663,859	654,230	9,629
Fire and Rescue:			
Operating expenses		-	
Capital outlay		76,069	
Total Fire and Rescue	76,250	76,069	181
Total Public Safety	740,109	730,299	9,810
Transportation:			
Streets and Highways:			
Salaries and employee benefits		77,213	
Operating expenses		26,065	
Powell Bill expenditures		16,334	
Total Transportation	150,386	119,612	30,774
Environmental Protection:			
Sanitation and Landfill:			
Salaries and employee benefits		72,021	
Operating expenses		74,695	
Total Environmental Protection	160,850	146,716	14,134

Town of Pinetops, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Debt Service:			
Interest and fees		(6,576)	-
Debt principal		15,636	-
Total Debt Service	<u>24,696</u>	<u>9,060</u>	<u>15,636</u>
Total Expenditures	<u>1,303,621</u>	<u>1,215,725</u>	<u>87,896</u>
Revenues Over (Under) Expenditures	<u>(546,551)</u>	<u>(265,010)</u>	<u>281,541</u>
Other Financing Sources (Uses):			
Operating Transfers In (Out):			
Electric fund	464,091	375,000	(89,091)
Water and Sewer fund	82,460	-	(82,460)
Sale of capital assets	-	13,200	13,200
Appropriated fund balance	-	-	-
Total Other Financing Sources (Uses)	<u>546,551</u>	<u>388,200</u>	<u>(158,351)</u>
Revenues and Other Financing Sources			
(Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>123,190</u>	<u>\$ 123,190</u>
Fund Balances:			
Beginning of year, July 1		<u>564,869</u>	
End of year, June 30		<u>\$ 688,059</u>	

Town of Pinetops, North Carolina
Electric Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Operating Revenues:			
Charges for Services:			
Electricity sales	\$ 2,625,000	\$ 2,656,119	
Other Operating Revenues:			
Resale tax refund	-	-	
Franchise tax	8,250	9,542	
Sales and use taxes	110,000	110,775	
Total Operating Revenues	<u>2,743,250</u>	<u>2,776,436</u>	<u>33,186</u>
Non-operating Revenues:			
Interest income	-	-	
Other	18,500	43,193	
Total Non-operating Revenues	<u>18,500</u>	<u>43,193</u>	<u>24,693</u>
Total Revenues	<u>2,761,750</u>	<u>2,819,629</u>	<u>57,879</u>
Expenditures:			
Administration and Operations:			
Salaries and employee benefits		427,833	
Office supplies		13,636	
Utility sales taxes		123,404	
Insurance		26,717	
Professional services		14,700	
Utilities		27,904	
Capital outlay		2,162	
Other operating expenditures		39,717	
Total Administration and Operations	<u>816,228</u>	<u>676,073</u>	<u>140,155</u>
Electrical Power Purchases	<u>1,471,247</u>	<u>1,553,387</u>	<u>(82,140)</u>
Debt Service:			
Interest and fees	2,384	2,337	
Debt principal	10,001	10,001	
Total Debt Service	<u>12,385</u>	<u>12,338</u>	<u>47</u>
Total Expenditures	<u>2,299,860</u>	<u>2,241,798</u>	<u>58,062</u>
Revenues Over (Under) Expenditures	<u>461,890</u>	<u>577,831</u>	<u>115,941</u>

Town of Pinetops, North Carolina
Electric Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other Financing Sources (Uses):			
Operating Transfers In (Out):			
General Fund	(461,890)	(375,000)	86,890
Sale of Fixed Assets	-	9,000	9,000
Grants	-	169,664	169,664
Total Other Financing Sources (Uses)	<u>(461,890)</u>	<u>(196,336)</u>	<u>265,554</u>
Revenues and Other Financing Sources			
Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 381,495</u>	<u>\$ 381,495</u>

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

Revenues and Other Financing Sources	
Over Expenditures and Other Uses	<u>\$ 381,495</u>
Reconciling Items:	
Capital outlay	2,162
Loss on disposal of fixed assets	(13,983)
Principal repayment on long-term debt	10,001
Depreciation expense	(42,955)
Increase (Decrease) in deferred outflows of resources - pensions	(3,162)
(Increase) Decrease in net pension liability	(23,042)
(Increase) Decrease in deferred inflows of resources - pensions	6,022
(Increase) Decrease in compensated absences	13,886
Pension expense	15,838
Net effect of OPEB liability	(4,074)
Total Reconciling Items	<u>(48,307)</u>
Net Income (Loss)	<u>\$ 333,188</u>

Town of Pinetops, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating Revenues:			
Charges for Services:			
Water and sewer sales	\$ 649,000	\$ 659,971	
Other Operating Revenues:			
Tapping fees and other	250	678	
Total Operating Revenues	<u>649,250</u>	<u>660,649</u>	<u>11,399</u>
Total Revenues	<u>649,250</u>	<u>660,649</u>	<u>11,399</u>
Expenditures:			
Administration and Operations:			
Salaries and employee benefits	194,335	157,314	
Utilities	72,200	70,391	
Maintenance and supplies	95,250	90,746	
Other operating expenditures	104,015	142,409	
Total Administration and Operations	<u>465,800</u>	<u>460,860</u>	<u>4,940</u>
Capital Outlay	<u>51,800</u>	<u>51,800</u>	<u>-</u>
Debt Service:			
Interest and fees	19,938	19,938	
Debt principal	29,252	29,252	
Total Debt Service	<u>49,190</u>	<u>49,190</u>	<u>-</u>
Total Expenditures	<u>566,790</u>	<u>561,850</u>	<u>4,940</u>
Revenues Over (Under) Expenditures	<u>82,460</u>	<u>98,799</u>	<u>16,339</u>
Other Financing Sources (Uses):			
NCDEQ Loan Proceeds	-	-	-
Rural Economic Development Center Grant	-	-	-
Operating Transfers In (Out):			
General Fund	(82,460)	-	82,460
Appropriated Fund Balance	-	-	-
Total Other Financing Sources (Uses)	<u>(82,460)</u>	<u>-</u>	<u>82,460</u>
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 98,799</u>	<u>\$ 98,799</u>

Town of Pinetops, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Financing Sources (Uses)			
Over (Under) Expenditures and Other Uses		\$ 98,799	
Reconciling Items:			
Capital outlay		51,800	
Grants		34,102	
Depreciation expense		(178,490)	
Principal repayment on long-term debt		29,252	
(Increase) in accrued interest		(15,667)	
Increase (Decrease) in deferred outflows of resources - pensions		18,294	
(Increase) Decrease in net pension liability		(16,193)	
Pension expense		2,127	
(Increase) Decrease in deferred inflows of resources - pensions		152	
Total Reconciling Items		<u>(74,623)</u>	
Net Income (Loss)		<u><u>\$ 24,176</u></u>	

Town of Pinetops
H-SRP-D-17-0072 Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	Project	Actual		Total Project	Variance
	Authorization	Prior	Current	To Date	Over (Under)
		Years	Year		
Revenues:					
NC Department of Commerce	\$ 34,102	\$ -	\$ 34,102	\$ 34,102	\$ -
NC Department of Environmental Quality	722,998	622,340	70,720	693,060	29,938
Total revenues	757,100	622,340	104,822	727,162	29,938
Expenditures:					
Construction	757,100	622,340	967	623,307	133,793
Total expenditures	757,100	622,340	967	623,307	133,793
Revenues over expenditures	\$ -	\$ -	\$ 103,855	\$ 103,855	\$ (103,855)

Town of Pinetops
H-SRP-D-17-1043 Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

			Actual		
	Project	Prior	Current	Total Project	Variance
	Authorization	Years	Year	To Date	Over (Under)
Revenues:					
NC Department of Environmental Quality	\$ 970,150	\$ 237,089	\$ 203,912	\$ 441,001	\$ 529,149
Expenditures:					
Construction	970,150	237,089	263,453	500,542	469,608
Total expenditures	970,150	237,089	263,453	500,542	469,608
Revenues over expenditures	\$ -	\$ -	\$ (59,541)	\$ (59,541)	\$ 59,541

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

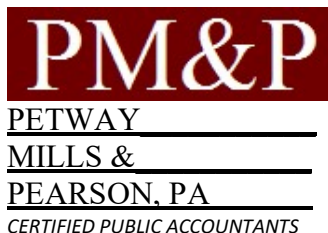
Year of Levy	Uncollected Balance July 1, 2020	Additions	Collections And Credits	Abatements/ Adjustments	Uncollected Balance June 30, 2021
2020	\$ -	\$ 230,231	\$ (220,060)	\$ -	\$ 10,171
2019	22,395	-	(2,813)	(3,136)	16,446
2018	15,991	-	(997)	(6,423)	8,571
2017	4,723	-	-	(9,329)	(4,606)
2016	5,424	-	(74)	-	5,350
2015	3,280	-	(3)	-	3,277
2014	3,259	-	(27)	-	3,232
2013	1,546	-	(169)	-	1,377
2012	1,255	-	(157)	-	1,098
2011	643	-	-	-	643
2010	1,750	-	(192)	-	1,558
Total	\$ 60,266	\$ 230,231	\$ (224,492)	\$ (18,888)	\$ 47,117

Reconcilement with Revenues:

Taxes - Ad Valorem (including penalties and interest)	\$ 265,381
Less: Adjustments	(11,358)
Less penalties and interest	(113)
DMV taxes	(29,418)
	<u>\$ 224,492</u>

Town of Pinetops, North Carolina
Analysis of Current Tax Levy
Town Wide Levy
For the Fiscal Year Ended June 30, 2021

	Total Property Valuation	Rate	Total	Property excluding Registered Vehicles	Registered Motor Vehicles
Original levy:					
Property tax at current rate	\$ 48,608,533	0.46	\$ 223,599	\$ 223,599	\$ -
Motor vehicles	2,654,484	0.46	12,211	-	12,211
Utilities	-	0.46	-	-	-
Senior Citizen Exemption	-	0.46	-	-	-
Total	51,263,017		235,810	223,599	12,211
Discoveries	-	0.46	-	-	-
Abatements & adjustments	-	0.46	(5,579)	(5,579)	-
Net Levy	<u>\$ 51,263,017</u>		230,231	218,020	12,211
Less uncollected taxes at June 30, 2021			(10,171)	(10,171)	-
Current year's taxes collected			<u>\$ 220,060</u>	<u>\$ 207,849</u>	<u>\$ 12,211</u>
Current levy collection percentage			<u>95.58%</u>	<u>95.33%</u>	<u>100.00%</u>



C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Pinetops, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Pinetops' basic financial statements, and have issued our report thereon dated June 7, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pinetops' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

Purpose of this Report

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

Petway Mills & Pearson, PA

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

June 7, 2022

**Town of Pinetops, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2021**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

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

Noncompliance material to financial
statements noted? _____ yes X no

**Town of Pinetops, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2021**

Section II - Financial Statement Findings

None reported.

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

Section II - Financial Statement Findings

None required.

**Town of Pinetops, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

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

Grantor/Pass-through Grantor/Program Title	CFDA Number	State / Pass- through Grantor's Number	Federal Expenditures	State Expenditures	Total Expenditures
FEDERAL AWARDS					
U.S. Department of Homeland Security					
Passed through NC Department of Public Safety - Division of Emergency Management Public Assistance Program Hurricane Matthew	97.036		\$ 127,248	\$ -	\$ 127,248
U.S. Department of Treasury					
Passed Through Office of State Budget and Management: NC Pandemic Recovery Office Passed Through Edgecombe County Coronavirus Relief Fund	21.019		9,662	-	9,662
U.S. Department of Justice					
Passed through the NC Department of Public Safety Byrne Justice Assistance Grant - BYRNE - Jag	16.738		5,795	-	5,795
TOTAL FEDERAL AWARDS			142,705	-	142,705
STATE AWARDS					
NC Department of Commerce					
Direct Program Water and Sewer Grant			-	34,102	34,102
NC Department of Environmental Quality					
Direct Program Division of Water Infrastructure State Reserve Loan Program		H-SRP-D-17-0072	-	70,720	70,720
State Reserve Loan Program		H-SRP-D-17-1043	-	203,912	203,912
NC Department of Insurance					
Direct Program Fire Department Grant		17-175-4079	-	30,091	30,091
NC Department of Transportation					
Direct Program Powell Bill		DOT-4	-	16,334	16,334
NC Department of Public Safety					
Direct Program Division of Emergency Management Public Assistance Program Hurricane Matthew				42,416	42,416
Direct Program Police Grant				14,757	14,757
TOTAL STATE AWARDS			-	412,332	555,037
TOTAL FEDERAL AND STATE AWARDS			\$ 142,705	\$ 412,332	\$ 555,037

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

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the Town under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. Because the Schedule presents only a selected portion of the operations of the Town of Pinetops, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Pinetops.

Summary of Significant Accounting Policies

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

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

Loans Outstanding

The Town of Pinetops had the following loan balances outstanding at June 30, 2021. The loan made during the year is included in the Schedule of Federal and State Awards in the state expenditures presented in the schedule. Balances and transactions related to these programs are included in the Town's basic financial statements.

<u>Program Name</u>		<u>Outstanding Amount</u>
State of North Carolina		
State Reserve Loan program	H-SRP-D-17-0072 \$	543,323
State Reserve Loan program	H-SRP-D-17-1043	403,201
	<u>\$</u>	<u>946,524</u>