

**TOWN OF PITTSBORO
NORTH CAROLINA**

Financial Statements and
Supplementary Information

Year Ended June 30, 2021

Governing Board

James W. Nass, Mayor
Pamela Baldwin
J.A. (Jay) Farrell
Michael A. Fiocco
Kyle Shipp
John Bonitz

Town Officials

Chris Kennedy, Town Manager
Cassandra M. Bullock, Town Clerk
Heather E.R. Meacham, Finance Officer

TOWN OF PITTSBORO, NORTH CAROLINA

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FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 an opinion on these financial statements based on our audit. We did not audit the financial statement of the Town of Pittsboro ABC Board, which represented 100 percent of the assets, net position and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Pittsboro ABC Board, is based solely on the report of another auditor. 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. The Town of Pittsboro ABC Board was not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Pittsboro, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year 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 4 through 14, Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 58 through 59, and the Law Enforcement's Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 60 through 61 and the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 62, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Pittsboro, North Carolina. The combining and individual nonmajor fund statements, budgetary schedules, and other schedules are presented for additional analysis and are a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 1, 2021 on our consideration of the Town of Pittsboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pittsboro's internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina
December 1, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Pittsboro, we offer readers of the Town of Pittsboro's financial statements this narrative overview and analysis of the financial activities of the Town of Pittsboro 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

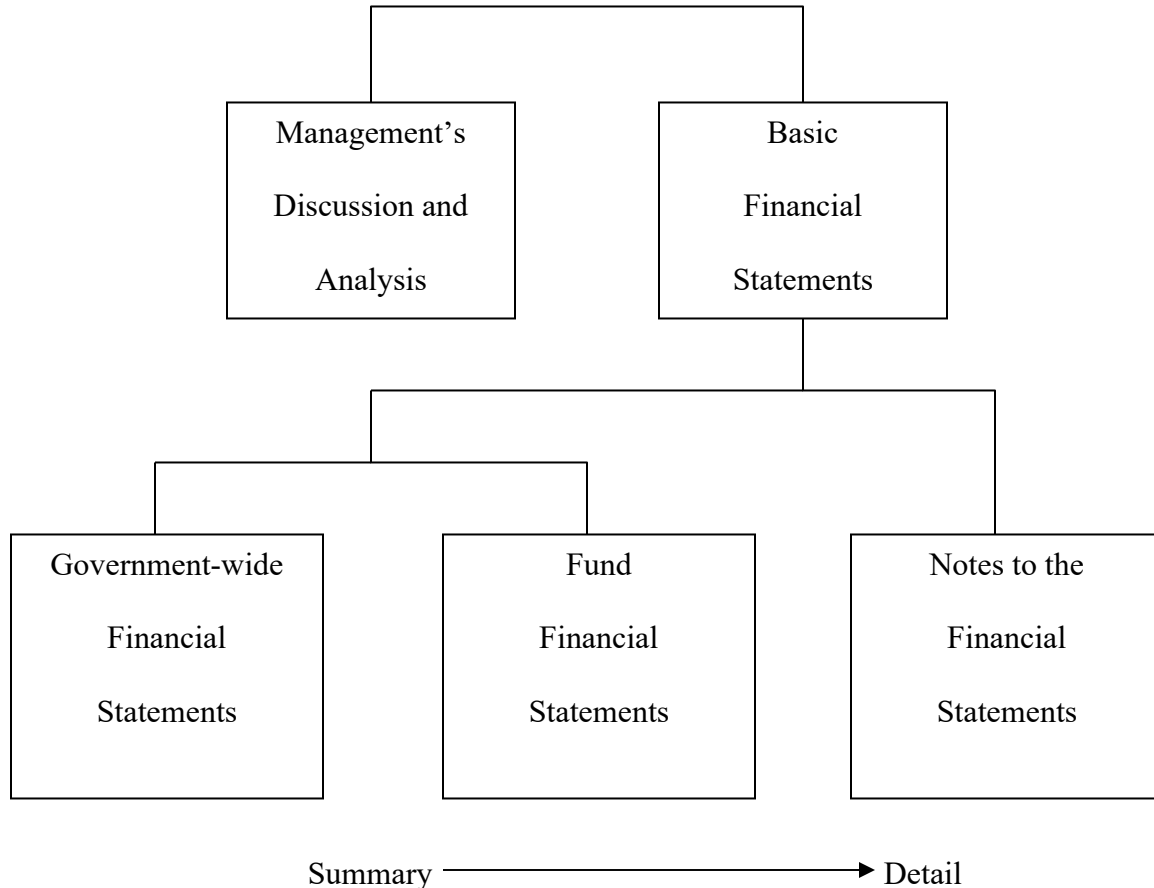
- The assets of the Town of Pittsboro exceeded its liabilities at the close of the fiscal year by \$24,807,940 (**net position**).
- The government's total net position *increased* by \$1,094,055 due to an *increase* in both *governmental* activities net position and *business-type* activities net position.
- As of the close of the current fiscal year, Pittsboro's governmental funds reported combined ending fund balances of \$6,567,646 an increase of \$1,263,406 in comparison with the prior year. Approximately 41.86% of this total amount, or \$2,749,359, is non-spendable, assigned or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,897,711 or 69.07% of total General Fund – Fund Balance for the fiscal year.
- The Town of Pittsboro's total debt (net of compensated absences, net pension liability and other postemployment benefits) decreased by \$35,130 during the current fiscal year. The key factors in this decrease were regular loan payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Pittsboro's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town of Pittsboro through the use of government-wide financial 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 Pittsboro.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**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 of Pittsboro'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 of Pittsboro'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 of Pittsboro's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town of Pittsboro'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 of Pittsboro's net position and how it has changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town of Pittsboro's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town of Pittsboro's basic services such as public safety, sanitation, street maintenance, recreation and parks, and general administration. Property taxes, sales taxes, charges for services, 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 services offered by the Town of Pittsboro. The final category is the component unit. Although legally separate from the Town of Pittsboro, the Pittsboro ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits, if any, to the Town of Pittsboro.

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

Fund Financial Statements

The fund financial statements (See figure 1) provide a more detailed look at the Town of Pittsboro'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 Pittsboro, 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 of Pittsboro's budget ordinance. All of the funds of the Town of Pittsboro 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 of Pittsboro'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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Pittsboro 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, 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

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

activities. The budgetary statements provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town of Pittsboro succeeded in providing the services a 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 statements 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 – The Town of Pittsboro has one kind of proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Pittsboro uses an Enterprise Fund to account for its water and sewer activities. The fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-Wide Financial Analysis

**The Town of Pittsboro's Net Position
Figure 2**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and other assets | \$ 8,235,968 | \$ 7,607,708 | \$ 5,543,971 | \$ 4,964,124 | \$ 13,779,939 | \$ 12,571,832 |
| Capital assets | 5,604,986 | 5,657,380 | 11,706,191 | 12,006,362 | 17,311,177 | 17,663,742 |
| Deferred outflows of resources | 722,743 | 443,811 | 386,931 | 271,730 | 1,109,674 | 715,541 |
| | | | | | | |
| Total assets and deferred outflow of resources | 14,563,697 | 13,708,899 | 17,637,093 | 17,242,216 | 32,200,790 | 30,951,115 |
| | | | | | | |
| Long-term liabilities outstanding | 2,430,562 | 2,170,574 | 2,240,815 | 2,256,224 | 4,671,377 | 4,426,798 |
| Other liabilities | 1,233,922 | 1,817,434 | 426,207 | 384,359 | 1,660,129 | 2,201,793 |
| Deferred inflows of resources | 832,511 | 576,014 | 228,833 | 32,625 | 1,061,344 | 608,639 |
| | | | | | | |
| Total liabilities and deferred outflow of resources | 4,496,995 | 4,564,022 | 2,895,855 | 2,673,208 | 7,392,850 | 7,237,230 |
| | | | | | | |
| Net position | | | | | | |
| Net investment in capital assets | 5,233,918 | 5,372,889 | 10,433,503 | 10,611,968 | 15,667,421 | 15,984,857 |
| Restricted | 1,630,428 | 2,407,856 | 3,870,762 | 579,109 | 5,501,190 | 2,986,965 |
| Unrestricted | 3,202,356 | 1,364,132 | 436,973 | 3,377,931 | 3,639,329 | 4,742,063 |
| | | | | | | |
| Total net position | \$10,066,702 | \$9,144,877 | \$14,741,238 | \$14,569,008 | \$24,807,940 | \$23,713,885 |

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 Pittsboro exceeded liabilities and deferred inflows by \$24,710,058 as of June 30, 2021. The Town's net position *increased* by \$996,173 for the fiscal year ended June 30, 2021. However, the largest portion, \$15,667,421 (63.4%), reflects the Town's investment in capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pittsboro's 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 Pittsboro's net position, \$1,759,852 (7.12%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,282,785 (29.48%) is unrestricted. With the GASB Statement 73 reporting change, the Town has allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Pittsboro's management.

The Town of Pittsboro's financial operations positively influenced the total unrestricted governmental net position by:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.23% for the year ending June 30, 2021.
- Conservative spending habits within departments.

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Town of Pittsboro's Changes in Net Position
Figure 3

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|--------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 721,009 | \$ 851,940 | \$ 3,910,434 | \$ 4,358,386 | \$ 4,631,443 | \$ 5,210,326 |
| Operating grants and contributions | 527,900 | 376,560 | - | - | 527,900 | 376,560 |
| Capital grants and contributions | - | 23,000 | 97,882 | - | 97,882 | 23,000 |
| General revenues | | | | | | |
| Property taxes | 2,599,133 | 2,461,923 | - | - | 2,599,133 | 2,461,923 |
| Other taxes | 1,867,270 | 1,661,264 | - | - | 1,867,270 | 1,661,264 |
| Grants and contributions not restricted to specific programs | 56,582 | 277,787 | - | - | 56,582 | 277,787 |
| Other | 118,278 | 111,709 | 73,516 | 84,139 | 191,794 | 195,848 |
| Total revenues | <u>5,890,172</u> | <u>5,764,183</u> | <u>4,081,832</u> | <u>4,442,525</u> | <u>9,972,004</u> | <u>10,206,708</u> |
| Expenses | | | | | | |
| General government | 1,176,855 | 1,405,113 | - | - | 1,176,855 | 1,405,113 |
| Public safety | 2,108,703 | 2,152,880 | - | - | 2,108,703 | 2,152,880 |
| Transportation | 728,639 | 715,797 | - | - | 728,639 | 715,797 |
| Economic & physical development | 278,367 | 261,010 | - | - | 278,367 | 261,010 |
| Environmental protection | 476,028 | 466,010 | - | - | 476,028 | 466,010 |
| Culture and recreation | 96,129 | 195,411 | - | - | 96,129 | 195,411 |
| Main street/downtown | 96,000 | 105,231 | - | - | 96,000 | 105,231 |
| Interest on long-term debt | 7,626 | 3,860 | - | - | 7,626 | - |
| Water and sewer | | | 3,909,602 | 3,894,860 | 3,909,602 | 3,894,860 |
| Total expenses | <u>4,968,347</u> | <u>5,305,312</u> | <u>3,909,602</u> | <u>3,894,860</u> | <u>8,877,949</u> | <u>9,196,312</u> |
| Increase in net position before transfers | 921,825 | 458,871 | 172,230 | 547,665 | 1,094,055 | 1,010,396 |
| Transfers | - | 176,130 | - | (176,130) | - | - |
| Increase in net position | 921,825 | 635,001 | 172,230 | 371,535 | 1,094,055 | 1,006,536 |
| Net position, July 1 (consolidated) | 9,144,877 | 8,509,876 | 14,569,008 | 14,197,473 | 23,713,885 | 22,707,349 |
| Net position, beginning | <u>9,144,877</u> | <u>8,509,876</u> | <u>14,569,008</u> | <u>14,197,473</u> | <u>23,713,885</u> | <u>22,707,349</u> |
| Net position, June 30 | <u>\$10,066,702</u> | <u>\$9,144,877</u> | <u>\$14,741,238</u> | <u>\$14,569,008</u> | <u>\$24,807,940</u> | <u>\$23,713,885</u> |

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental Activities – Governmental activities increased the Town's net position by \$921,825.

Business-type Activities – Business-type activities increased the Town's net position by \$74,348.

Financial Analysis of the Town of Pittsboro's Funds

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

Governmental Funds – The focus of the Town of Pittsboro's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. 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 Pittsboro. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,897,711 while total fund balance reached \$5,528,139. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 82.33% of total General Fund expenditures.

At June 30, 2021, the governmental funds of the Town of Pittsboro reported a combined fund balance of \$6,567,646, a \$1,263,406 increase over last year. Included in this change in fund balance is a small increase in the Non-Major Funds and a large increase in fund balance in the General Fund.

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

Proprietary Funds – The Town of Pittsboro'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 \$339,091. The total net position for the fund increased by \$172,230. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Pittsboro's business-type activities.

Capital Assets and Debt Administration

Capital Assets – The Town of Pittsboro's investment in capital assets for its governmental and business type activities as of June 30, 2021 totals \$17,311,175 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**The Town of Pittsboro's Capital Assets
Figure 4**

(net of depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 1,461,830 | \$ 1,461,830 | \$ 10,200 | \$ 10,200 | \$ 1,472,030 | \$ 1,472,030 |
| Buildings and systems | 213,345 | 222,878 | 22,943 | 27,163 | 236,288 | 250,041 |
| Improvements other than building | | | 9,703,183 | 10,193,028 | 9,703,183 | 10,193,028 |
| Furniture and equipment | 317,298 | 365,462 | 223,960 | 262,531 | 541,258 | 627,993 |
| Infrastructure | 1,740,150 | 1,911,757 | - | - | 1,740,150 | 1,911,757 |
| Vehicles and motorized equipment | 412,348 | 388,322 | 32,498 | 42,498 | 444,846 | 430,820 |
| Construction in progress | 1,460,014 | 1,307,131 | 1,713,406 | 1,470,941 | 3,173,420 | 2,778,072 |
| Total | \$ 5,604,985 | \$ 5,657,379 | \$ 11,706,190 | \$ 12,006,361 | \$ 17,311,175 | \$ 17,663,741 |

Additional information on the Town of Pittsboro's capital assets can be found in the Notes to the Financial Statements, Section II-A-3 (pages 36-37), of the Basic Financial Statements.

Long-term Debt – As of June 30, 2021, the Town of Pittsboro had total debt outstanding of \$4,915,199. This entire amount of debt is backed by the full faith and credit of the Town of Pittsboro.

**The Town of Pittsboro's Outstanding Debt
Figure 5**

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General obligation bonds | | | \$ 276,000 | \$ 293,000 | \$ 276,000 | \$ 293,000 |
| Notes Payable | 351,568 | 284,492 | 1,016,188 | 1,101,394 | 1,367,756 | 1,385,886 |
| Compensated absences | 123,244 | 89,467 | 65,967 | 63,925 | 189,211 | 153,392 |
| OPEB | 581,013 | 765,229 | 420,673 | 502,883 | 1,001,686 | 1,268,112 |
| Pension related debt | 1,490,616 | 1,109,808 | 589,930 | 416,729 | 2,080,546 | 1,526,537 |
| | \$ 2,546,441 | \$ 2,248,996 | \$ 2,368,758 | \$ 2,377,931 | \$ 4,915,199 | \$ 4,626,927 |

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Town of Pittsboro's total debt increased by \$288,272 (6.23%) during the past fiscal year primarily as a result of increased liability related to Other Postemployment Benefits Plan (OPEB) and pension related debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Pittsboro is \$46,440,210. The Town has no bonds authorized at June 30, 2021.

Additional information regarding the Town's long-term debt can be found in the Notes to the Financial Statements, Section II-6 (pages 51-54), of this report.

Economic Factors and Next Year's Budgets and Rates

The Town of Pittsboro continued to experience positive economic growth in Fiscal Year 2020-2021. Despite the sustained effects of the COVID-19 pandemic, the Town saw progressively strong, positive results with our sales tax and ad valorem revenue categories, indicating increasing levels of recovery. The COVID-19 pandemic continued to keep some businesses shuttered or limited in operation and tourist travel remained minimal in comparison to pre-pandemic levels. Pittsboro fared better than expected and better than some other communities, as many of our emerging and growth-indicating markets continued to be classified as "essential" businesses. However, our downtown businesses, many of which are small retail shops and local restaurateurs, will continue to battle the effects for years to come as they attempt to remain open for business. The sourcing of workers and supply chain inconsistencies continued to rear a negative impact on our entire economy, particularly our local businesses.

Pandemic-related fiscal prognostication, especially on the sales tax revenue side, pushed most municipalities to reduce their expected revenues to fractions of the original projections as travel and in-person shopping was halted. The Town continued with its conservative approach to that end but projected revenue closer to the pre-pandemic levels in FY 2020-21 as businesses progressively reopened and online shopping produced better sales tax revenue receipts. The Town also maintained its policy of waiving all late fees and disconnections on the enterprise fund side of the operation in direct response to the pandemic. These waivers generated more accounts in arrears that directly correlate to fund balance in our retained earnings but allowed our customers the ability to delay payment in a volatile and sometimes fragile job market created by the pandemic.

Construction and planning of new residential and commercial projects continued in earnest. Chatham Park, Mosaic and Northwood Landing expanded their construction with many new residences and the opening of commercial businesses in these developments. Smaller infill and reuse projects also occurred throughout Town. Utility capacity, particularly on the wastewater side, continued to slow development growth. The Town intensified its efforts to increase water and wastewater capacities by partnering with Chatham County and the City of Sanford on several studies, in addition to the Town's participation in the Western Intake Partnership, that seek to bring greater flexibility to our utility systems.

As we look ahead to FY 2021-22 and beyond, the effects of the COVID-19 pandemic and minimal wastewater treatment capacity availability will continue to persist and stifle our full economic growth potential. On the positive side, the 2021 Chatham County Property Reappraisal indicated nearly a 40% increase in property value in Pittsboro alone, and nearly 15% countywide. This increase in value on the ad valorem side of the budget denotes an increasingly strong real estate market, which will surely assist the

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Town in the implementation of much needed capital projects and expanded services. Conversely, on the negative side, rapid inflation and supply chain concerns will be prevalent in the year to come. Materials for daily operations and capital projects are more costly and more difficult to obtain in a timely manner than even a year ago. These budget and schedule busting aspects, compounded with an existing market shortage on contractors and subcontractors like surveyors, electricians, building inspectors and other necessary trades, will limit the Town's ability to deliver necessary projects as originally scheduled. Aging infrastructure and the need for more staff will also require a reevaluation of our current fee schedules and structures. The Town's operational costs have increased and will likely continue to increase for the foreseeable future as most sectors are seeing cost increases in the double-digits of percentages with others seeing increases double or triple of that of their pre-pandemic pricing. The Town will continue to assess the market conditions and project conservatively so that we can continue to enhance our service levels to our citizens, residents and customers.

Budget Highlights for the Year Ending June 30, 2022

Governmental Activities –An ad valorem tax rate of \$0.4333 per \$100.00 assessed value was recommended and adopted in the base budget for the official tax rate for the Town of Pittsboro for fiscal year 2021-2022. This rate is based on the most recent valuation and uses and anticipated collection rate of 97.5% which is 1.5% increase from prior years based on the current economic environment. The revenue neutral tax rate is \$0.3419 per \$100.00 assessed value.

Ad valorem taxes (\$3,286,761) account for 45% of the total General Fund revenue. Other major revenue streams for the Town include sales taxes, tipping fees and utility franchise taxes. These revenues are projected to bring in \$1,167,300 (16.03%), \$484,800 (6.66%) and \$216,900 (3%) respectively. These four revenues account for 70.69% of the total General Fund revenues.

The fiscal year 2021-2022 original General Fund budget of \$7,281,645 is a 34.5% increase over the fiscal year 2020-2021 original budget.

Enterprise Activities

Operating revenues in the Enterprise Fund are generated primarily through the sale of water and sewer utilities. It is anticipated that \$3,983,479 will be generated in fiscal year 2021-2022. This represents 64.05% of the revenues in the Enterprise Fund. Other revenues include reuse water charges - \$74,880 (1.2%), credit card payment fees - \$10,000 (0.16%).

At \$6,219,162 the fiscal year 2021-2022 original Enterprise Fund Budget is 55.73% more than the fiscal year 2020-2021 original budget.

Requests for Information

This report is designed to provide an overview of the Town of Pittsboro's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager or Finance Officer.

Town of Pittsboro
P.O. Box 759
Pittsboro, North Carolina 27312
919-542- 4621
www.pittsboronc.gov

BASIC FINANCIAL STATEMENTS

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Net Position
June 30, 2021

Exhibit 1

| | Primary Government | | | Town of Pittsboro ABC Board |
|--|------------------------------------|-------------------------------------|---------------|--|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 6,526,116 | \$ 4,762,428 | \$ 11,288,544 | \$ 261,960 |
| Taxes receivables (net) | 79,424 | - | 79,424 | - |
| Accrued interest receivable on taxes | - | - | - | - |
| Accounts receivable | 21,510 | 498,161 | 519,671 | - |
| Due from other governments | 444,467 | 143,305 | 587,772 | - |
| Due from component unit | 17,040 | - | 17,040 | - |
| Inventories | - | - | - | 136,703 |
| Prepaid items | - | - | - | 6,428 |
| Restricted cash | 1,147,411 | 140,077 | 1,287,488 | 461,163 |
| Total current assets | 8,235,968 | 5,543,971 | 13,779,939 | 866,254 |
| Non-current assets: | | | | |
| Capital assets: | | | | |
| Land, non-depreciable improvements and construction in progress | 2,921,844 | 1,723,607 | 4,645,451 | 6,750 |
| Other capital assets, net of depreciation | 2,683,142 | 9,982,584 | 12,665,726 | 61,232 |
| Total capital assets | 5,604,986 | 11,706,191 | 17,311,177 | 67,982 |
| Total assets | 13,840,954 | 17,250,162 | 31,091,116 | 934,236 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension deferrals | 722,743 | 386,931 | 1,109,674 | - |
| Total deferred outflows of resources | 722,743 | 386,931 | 1,109,674 | - |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 254,168 | 172,554 | 426,722 | 147,590 |
| Accrued interest payable | - | 5,134 | 5,134 | - |
| Customer deposits | 863,875 | 120,577 | 984,452 | - |
| Current portion of long-term liabilities | 115,879 | 127,942 | 243,821 | - |
| Total current liabilities | 1,233,922 | 426,207 | 1,660,129 | 147,590 |
| Long-term liabilities: | | | | |
| Net pension liability | 814,784 | 589,930 | 1,404,714 | - |
| Total pension liability | 675,832 | - | 675,832 | - |
| Due in more than one year | 939,946 | 1,650,885 | 2,590,831 | - |
| Total liabilities | 3,664,484 | 2,667,022 | 6,331,506 | 147,590 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Prepaid taxes | 20,855 | - | 20,855 | - |
| Deferred rent | 450,000 | - | 450,000 | - |
| OPEB deferrals | 309,446 | 224,049 | 533,495 | - |
| Pension deferrals | 52,210 | 4,784 | 56,994 | - |
| Total deferred inflows of resources | 832,511 | 228,833 | 1,061,344 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 5,233,918 | 10,433,503 | 15,667,421 | 67,982 |
| Restricted for: | | | | |
| Stabilization by State Statue | 483,017 | - | 483,017 | - |
| Other functions | 1,147,411 | 3,870,762 | 5,018,173 | 704,359 |
| Unrestricted | 3,202,356 | 436,973 | 3,639,329 | 14,305 |
| Total net position | \$ 10,066,702 | \$ 14,741,238 | \$ 24,807,940 | \$ 786,646 |

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

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Activities
For the year ended June 30, 2021

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|-----------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Town of Pittsboro ABC Board |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 1,176,855 | \$ 225,162 | \$ 206,331 | \$ - | \$ (745,362) | \$ - | \$ (745,362) | \$ - |
| Public safety | 2,108,703 | 509 | 10,440 | - | (2,097,754) | - | (2,097,754) | - |
| Transportation | 728,639 | - | 123,012 | - | (605,627) | - | (605,627) | - |
| Economic and physical development | 278,367 | - | 165,042 | - | (113,325) | - | (113,325) | - |
| Environmental protection | 476,028 | 494,633 | - | - | 18,605 | - | 18,605 | - |
| Cultural and recreation | 96,129 | 705 | 23,075 | - | (72,349) | - | (72,349) | - |
| Main street/downtown | 96,000 | - | - | - | (96,000) | - | (96,000) | - |
| Interest on long-term debt | 7,626 | - | - | - | (7,626) | - | (7,626) | - |
| Total governmental activities | <u>4,968,347</u> | <u>721,009</u> | <u>527,900</u> | <u>-</u> | <u>(3,719,438)</u> | <u>-</u> | <u>(3,719,438)</u> | <u>-</u> |
| Business-type activities: | | | | | | | | |
| Water and sewer | <u>3,909,602</u> | <u>3,910,434</u> | | <u>97,882.00</u> | <u>-</u> | <u>98,714</u> | <u>98,714</u> | <u>-</u> |
| Total primary government | <u>\$ 8,877,949</u> | <u>\$ 4,631,443</u> | <u>\$ 527,900</u> | <u>\$ 97,882</u> | <u>(3,719,438)</u> | <u>98,714</u> | <u>(3,620,724)</u> | <u>-</u> |
| Component unit | | | | | | | | |
| ABC Board | <u>\$ 1,749,952</u> | <u>\$ 2,015,088</u> | <u>\$ -</u> | <u>\$ -</u> | | | | <u>265,136</u> |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purpose | | | | | 2,599,133 | - | 2,599,133 | - |
| Other taxes | | | | | 1,867,270 | - | 1,867,270 | - |
| Grants and contributions not restricted to specific programs | | | | | 56,582 | - | 56,582 | - |
| Unrestricted investment earnings | | | | | 2,124 | 1,406 | 3,530 | 111 |
| Miscellaneous | | | | | 116,154 | 72,110 | 188,264 | 125 |
| Transfers | | | | | - | - | - | (81,637) |
| Total general revenues and transfers | | | | | <u>4,641,263</u> | <u>73,516</u> | <u>4,714,779</u> | <u>(81,401)</u> |
| Change in net position | | | | | 921,825 | 172,230 | 1,094,055 | 183,735 |
| Net position, beginning | | | | | <u>9,144,877</u> | <u>14,569,008</u> | <u>23,713,885</u> | <u>602,911</u> |
| Net position, ending | | | | | <u>\$ 10,066,702</u> | <u>\$ 14,741,238</u> | <u>\$ 24,807,940</u> | <u>\$ 786,646</u> |

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

TOWN OF PITTSBORO, NORTH CAROLINA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2021**

| | <u>Major Fund</u> | | <u>Total</u> |
|---|--------------------------|--|--------------------------------------|
| | <u>General</u> | <u>Total Non- Major Funds</u> | <u>Governmental Funds</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 5,486,609 | \$ 1,039,507 | \$ 6,526,116 |
| Restricted cash | 1,147,411 | - | 1,147,411 |
| Taxes receivable - net | 79,424 | - | 79,424 |
| Accounts receivable | 21,510 | - | 21,510 |
| Due from other governments | 444,467 | - | 444,467 |
| Due from component unit | 17,040 | - | 17,040 |
| Total assets | <u>\$ 7,196,461</u> | <u>\$ 1,039,507</u> | <u>\$ 8,235,968</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 254,168 | \$ - | \$ 254,168 |
| Deposit | 863,875 | - | 863,875 |
| Total liabilities | <u>1,118,043</u> | <u>-</u> | <u>1,118,043</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid taxes, licenses and fees | 20,855 | - | 20,855 |
| Prepaid rent | 450,000 | - | 450,000 |
| Taxes receivable | 79,424 | - | 79,424 |
| Total deferred inflows of resources | <u>550,279</u> | <u>-</u> | <u>550,279</u> |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid items | - | - | - |
| Restricted: | | | |
| Stabilization by State Statute | 483,017 | - | 483,017 |
| Streets | 123,587 | - | 123,587 |
| Public Safety | 145,520 | - | 145,520 |
| General Government | 863,875 | - | 863,875 |
| Assigned: | | | |
| Subsequent year's expenditures | 14,429 | - | 14,429 |
| Capital Projects Funds | - | 1,039,507 | 1,039,507 |
| Unassigned | 3,897,711 | - | 3,897,711 |
| Total fund balances | <u>5,528,139</u> | <u>1,039,507</u> | <u>6,567,646</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 7,196,461</u> | <u>\$ 1,039,507</u> | <u>\$ 8,235,968</u> |

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

TOWN OF PITTSBORO, NORTH CAROLINA
Reconciliation of the Balance Sheet - Governmental Funds to the
Statement of Net Position
June 30, 2021

Exhibit 3

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

| | | |
|--|--------------------|-----------------------------|
| Total Fund Balance, Governmental Funds | | \$ 6,567,646 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Gross capital assets at historical cost | \$ 9,198,124 | |
| Accumulated depreciation | <u>(3,593,138)</u> | 5,604,986 |
| Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position | | 722,743 |
| Earned revenues considered deferred inflows of resources in fund statements. | | 79,424 |
| Deferred inflows of resources related to OPEB are not reported in the funds | | (309,446) |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds | | |
| Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year). | | (474,812) |
| Pension related deferrals | | (52,210) |
| Net pension liability | | (814,784) |
| Total pension liability | | (675,832) |
| OPEB liability | | <u>(581,013)</u> |
| Net position of governmental activities | | <u><u>\$ 10,066,702</u></u> |

The accompanying notes to the financial statements are an integral part of these statements

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

Exhibit 4

| | <u>Major Fund</u> | | <u>Total</u> |
|---|----------------------------|----------------------------|----------------------------|
| | <u>General Fund</u> | <u>Total Non-</u> | <u>Governmental</u> |
| | | <u>Major Funds</u> | <u>Funds</u> |
| REVENUES | | | |
| Ad valorem taxes | \$ 2,617,365 | \$ - | \$ 2,617,365 |
| Other taxes and licenses | 1,867,270 | - | 1,867,270 |
| Unrestricted intergovernmental | 56,582 | - | 56,582 |
| Restricted intergovernmental | 527,900 | - | 527,900 |
| Permits and fees | 88,144 | - | 88,144 |
| Sales and services | 632,865 | - | 632,865 |
| Investment earnings | 2,122 | 2 | 2,124 |
| Miscellaneous | 116,152 | - | 116,152 |
| Total revenues | <u>5,908,400</u> | <u>2</u> | <u>5,908,402</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 1,002,901 | - | 1,002,901 |
| Public safety | 2,154,823 | - | 2,154,823 |
| Transportation | 480,907 | 6,500 | 487,407 |
| Economic and physical development | 278,367 | 146,383 | 424,750 |
| Environmental protection | 476,028 | - | 476,028 |
| Cultural and recreational | 62,538 | - | 62,538 |
| Main street/downtown | 96,000 | - | 96,000 |
| Debt service: | | | |
| Principal | 78,424 | - | 78,424 |
| Interest | 7,625 | - | 7,625 |
| Total expenditures | <u>4,637,613</u> | <u>152,883</u> | <u>4,790,496</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,270,787</u> | <u>(152,881)</u> | <u>1,117,906</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer from other funds | - | 153,900 | 153,900 |
| Transfer to other funds | (153,900) | - | (153,900) |
| Proceeds from loan | 145,500 | - | 145,500 |
| Total other financing sources (uses) | <u>(8,400)</u> | <u>153,900</u> | <u>145,500</u> |
| Net change in fund balance | 1,262,387 | 1,019 | 1,263,406 |
| Fund balances, beginning | <u>4,265,752</u> | <u>1,038,488</u> | <u>5,304,240</u> |
| Fund balances, ending | <u><u>\$ 5,528,139</u></u> | <u><u>\$ 1,039,507</u></u> | <u><u>\$ 6,567,646</u></u> |

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

TOWN OF PITTSBORO, NORTH CAROLINA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Exhibit 4

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

| | |
|--|--------------|
| Net changes in fund balances- total governmental funds | \$ 1,263,406 |
|--|--------------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|--|------------------|----------|
| Capital outlay expenditures which were capitalized | 321,355 | |
| Depreciation expense for governmental assets | <u>(373,750)</u> | (52,395) |

| | |
|--|---------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 146,551 |
|--|---------|

OPEB benefit payments and administrative costs made in the current

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes 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.

| | | |
|--------------------------------------|---------------|----------|
| New long-term debt issues | (145,500) | |
| Principal payments on long-term debt | <u>78,424</u> | (67,076) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|--|----------|
| Change in unavailable revenue for tax revenues | (18,232) |
|--|----------|

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|----------------------|-----------------|------------------|
| Compensated absences | (33,775) | |
| Pension expense | (297,156) | |
| OPEB plan expense | <u>(19,498)</u> | <u>(350,429)</u> |

| | |
|--|-------------------|
| Total changes in net position of governmental activities | <u>\$ 921,825</u> |
|--|-------------------|

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

TOWN OF PITTSBORO, NORTH CAROLINA

Exhibit 5

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Year Ended June 30, 2021

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|--------------|--------------|----------------|--|
| | Budget | | Actual Amounts | |
| | Original | Final | | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 2,486,661 | \$ 2,486,661 | \$ 2,617,365 | \$ 130,704 |
| Other taxes and licenses | 1,460,050 | 1,460,050 | 1,867,270 | 407,220 |
| Unrestricted intergovernmental | 140,000 | 140,000 | 56,582 | (83,418) |
| Restricted intergovernmental | 355,224 | 561,555 | 527,900 | (33,655) |
| Permits and fees | 87,800 | 87,800 | 88,144 | 344 |
| Sales and services | 629,700 | 629,701 | 632,865 | 3,164 |
| Investment earnings | 3,000 | 3,000 | 2,122 | (878) |
| Miscellaneous | 70,000 | 120,000 | 116,152 | (3,848) |
| Total revenues | 5,232,435 | 5,488,767 | 5,908,400 | 419,633 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,211,269 | 1,261,390 | 1,002,901 | 258,489 |
| Public safety | 2,379,271 | 2,585,602 | 2,154,823 | 430,779 |
| Transportation | 651,134 | 665,439 | 480,907 | 184,532 |
| Economic and physical development | 293,028 | 293,028 | 278,367 | 14,661 |
| Environmental protection | 480,000 | 480,000 | 476,028 | 3,972 |
| Cultural and recreational | 215,970 | 215,970 | 62,538 | 153,432 |
| Main street/downtown | 96,000 | 96,000 | 96,000 | - |
| Debt Service: | | | | |
| Principal | 78,424 | 78,425 | 78,424 | 1 |
| Interest | 7,625 | 7,626 | 7,625 | 1 |
| Total expenditures | 5,412,721 | 5,683,480 | 4,637,613 | 1,045,867 |
| Revenues over (under) expenditures | (180,286) | (194,713) | 1,270,787 | 1,465,500 |
| Other financing sources (uses): | | | | |
| Transfers to other funds | - | (153,900) | (153,900) | - |
| Proceeds from loan | 145,500 | 145,500 | 145,500 | - |
| Fund balance appropriated | 34,786 | 203,113 | - | (203,113) |
| Total other financing sources (uses) | 180,286 | 194,713 | (8,400) | (203,113) |
| Net change in fund balance | \$ - | \$ - | 1,262,387 | \$ 1,262,387 |
| Fund balance, beginning | | | 4,265,752 | |
| Fund balance, ending | | | \$ 5,528,139 | |

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

TOWN OF PITTSBORO, NORTH CAROLINA

Exhibit 6

Statement of Net Position

Proprietary Fund

June 30, 2021

| | Major Enterprise Fund |
|--|------------------------------|
| | Water and Sewer Fund |
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 4,762,428 |
| Accounts receivable (net) - billed | 438,702 |
| Accounts receivable (net) - unbilled | 59,459 |
| Due from other governments | 143,305 |
| Restricted cash and cash equivalents | 140,077 |
| Total current assets | <u>5,543,971</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Land and construction in progress | 1,723,607 |
| Other capital assets, net of depreciation | 9,982,584 |
| Total capital assets | <u>11,706,191</u> |
| Total noncurrent assets | <u>11,706,191</u> |
| Total assets | <u><u>\$ 17,250,162</u></u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Contributions to pension plan in current fiscal year | <u>386,931</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | \$ 172,554 |
| Accrued bond interest | 5,134 |
| Customer deposits | 120,577 |
| Current portion of long-term debt | 127,942 |
| Total current liabilities | <u>426,207</u> |
| Noncurrent liabilities: | |
| Accrued vacation | 65,966 |
| Total OPEB liability | 420,673 |
| Net pension liability | 589,930 |
| Non-current portion of long-term debt | 1,164,246 |
| Total noncurrent liabilities | <u>2,240,815</u> |
| Total liabilities | <u>2,667,022</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| OPEB deferrals | 224,049 |
| Pension deferrals | 4,784 |
| Total deferred inflows of resources | <u>228,833</u> |
| NET POSITION | |
| Net investment in capital assets | 10,433,503 |
| Restricted for capital projects | 3,870,762 |
| Unrestricted | 436,973 |
| Total net position | <u><u>\$ 14,741,238</u></u> |

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

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

Exhibit 7

| | <u>Major Enterprise Fund</u> <u>Water and Sewer Fund</u> |
|---|---|
| OPERATING REVENUES | |
| Water sales | \$ 1,820,899 |
| Sewer charges | 1,454,049 |
| Reuse water charges | 78,017 |
| Miscellaneous | 72,110 |
| Total operating revenues | <u>3,425,075</u> |
| OPERATING EXPENSES | |
| Administrative | 808,746 |
| Water operations | 1,171,401 |
| Sewer treatment | 659,161 |
| Public utilities | 672,179 |
| Depreciation | 580,847 |
| Total operating expenses | <u>3,892,334</u> |
| Operating income (loss) | <u>(467,259)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | 1,406 |
| Interest and other charges | (17,268) |
| Grant proceeds | 97,882 |
| Water and sewer access charges | 557,469 |
| Total nonoperating revenues (expenses) | <u>639,489</u> |
| Income (loss) before contributions and transfers | 172,230 |
| Transfer from other funds | 2,002,784 |
| Transfer to other funds | <u>(2,002,784)</u> |
| Change in net position | 172,230 |
| Total net position, beginning | <u>14,569,008</u> |
| Total net position, ending | <u><u>\$ 14,741,238</u></u> |

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

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

Exhibit 8

| | <u>Major Enterprise Fund</u> |
|--|-------------------------------------|
| | <u>Water and Sewer Fund</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 3,235,849 |
| Cash paid for goods and services | (1,936,935) |
| Cash paid to or on behalf of employees for services | (1,149,787) |
| Customer deposits received | (1,147) |
| Other operating revenues | 72,110 |
| Net cash provided (used) by operating activities | <u>220,090</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital contribution - access fees | 557,469 |
| Proceeds received from bonds/loan | 19,500 |
| Principal paid on bonds/loans | (121,706) |
| Interest paid on bonds/loans | (17,268) |
| Acquisition and construction of capital assets | (280,676) |
| Net cash provided (used) by capital and related financing activities | <u>157,319</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | <u>1,406</u> |
| Net increase (decrease) in cash and cash equivalents | 378,815 |
| Balances, beginning | <u>4,523,690</u> |
| Balances, ending | <u><u>\$ 4,902,505</u></u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | |
| Operating income (loss) | <u>\$ (467,259)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | |
| Depreciation | 580,847 |
| Changes in assets and liabilities: | |
| Decrease (increase) in accounts receivable | (130,112) |
| Decrease (increase) in due from other governments | 12,996 |
| Increase (decrease) in accounts payable and accrued liabilities | 36,759 |
| Decrease (increase) in prepaid items | 13,966 |
| Increase (decrease) in net pension liability | 173,201 |
| Increase (decrease) in customer deposits | (1,147) |
| Increase (decrease) in accrued vacation | 2,042 |
| (Increase) decrease in deferred outflows of resources for pensions | (115,201) |
| Increase (decrease) in deferred inflows of resources for pensions | (2,234) |
| Increase (decrease) in deferred inflows of resources - OPEB | 198,442 |
| Increase (decrease) in OPEB liability | (82,210) |
| Total adjustments | <u>687,349</u> |
| Net cash provided by operating activities | <u><u>\$ 220,090</u></u> |

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Pittsboro (“the Town”) and its discretely presented component unit, the Town of Pittsboro ABC Board, 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 Pittsboro is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town’s financial statements in order to emphasize that it is legally separate from the Town.

Town of Pittsboro ABC Board

The members of the ABC Board’s governing board are appointed by the Town. In addition, the ABC Board is required by State Statute to distribute its surpluses, if any, to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at the Town of Pittsboro ABC Board, P.O. Box 642, Pittsboro, North Carolina 27312.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods 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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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 result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental fund:

Capital Projects Funds. The Capital Projects Funds were established to account for funds that are restricted for use for a particular purpose, mainly the acquisition of equipment, construction of special projects and renovations of the Town's capital assets. The projects include the Capital Projects Fund and the Town Hall Project.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Pittsboro because the tax is levied by Chatham County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants,

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Appropriations are made at the departmental level and are amended as necessary by the governing board. The manager may make interdepartmental transfers (limited to 10% of the department's budget) without Board approval. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. All amendments greater than 10% of a department's budget must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town and the ABC Board 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 and ABC Board 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 City and the ABC Board 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 City's and the ABC Board's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is 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. The Town and ABC Board consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

3. Restricted Assets

The unexpended loan proceeds from a loan agreement entered into by the Town are classified as restricted assets because their use is completely restricted to the purposes of purchasing police vehicles. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Any unexpended balances of grant or loan funds for the Capital Projects Funds are classified as restricted assets in the appropriate fund because their use is completely restricted to the purpose for which the grants and/or loans were intended. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintain, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Pittsboro Restricted Cash

Governmental Activities

General Fund

| | |
|-------------------------------|------------------|
| Streets | \$ 123,587 |
| General Government | 863,875 |
| Public Safety | <u>159,949</u> |
| Total Governmental Activities | <u>1,147,411</u> |

Business-type Activities

Water and Sewer Fund

| | |
|--------------------------------|----------------|
| Unexpended loan proceeds | 19,500 |
| Customer deposits | <u>120,577</u> |
| Total Business-type Activities | <u>140,077</u> |

| | |
|-----------------------|---------------------|
| Total Restricted Cash | <u>\$ 1,287,488</u> |
|-----------------------|---------------------|

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

6. Inventory and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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 estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 |
|----------------------------|---------------------------|
| Buildings and improvements | 15 - 50 years |
| Furniture and equipment | 5 - 40 years |
| Infrastructure | 15 - 25 years |
| Vehicles | 5 - 8 years |

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

| Asset Class | Estimated Useful Lives |
|--------------------------------------|---------------------------|
| Buildings and leasehold improvements | 5 - 30 years |
| Store and administrative equipment | 7 years |

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expenditure until then. The Town has one item that meets this criterion, pension deferrals in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that met this criterion for this category – prepaid rent, prepaid property taxes, property taxes receivable and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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 Items – Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid operational expenses on goods and services which is not a spendable resource.

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

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

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

Restricted for Public Safety – portion of fund balance that represents funds from the equitable sharing program and loan proceeds restricted for public safety.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

Restricted for General Government – portion of fund balance that represents loan proceeds restricted for general government use.

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 Pittsboro’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. 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 Pittsboro intends to use for specific purposes.

Assigned for Capital Projects Funds – portion of fund balance assigned by the Board of Commissioners for capital expenditures.

Subsequent Year’s Expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriation within a fund up to 10% of any department’s appropriation.

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

The Town of Pittsboro does not have a formal revenue spending policy for programs with multiple revenue sources.

The Town of Pittsboro has not adopted a minimum fund balance policy for the General Fund.

12. Deferred Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Pittsboro’s employer contributions are recognized when due and the Town of Pittsboro 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.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board 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 or the ABC Board'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 for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board'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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization. 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 formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has not adopted a formal policy regarding custodial risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$9,302,131 and a bank balance of \$9,485,167. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$722,123 and the bank balance was \$714,354. Of the bank balance, \$250,000 was covered by federal depository insurance and \$464,354 was covered by collateral under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$300.

2. Investments

At June 30, 2021, the Town had \$3,273,601 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

3. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$1,883.

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

| | |
|-----------------------|------------------|
| General Fund: | |
| Taxes receivable | \$ - |
| Accounts receivable | - |
| Total General Fund | - |
| | |
| Water and Sewer Fund: | |
| Accounts receivable | <u>16,901</u> |
| Total | <u>\$ 16,901</u> |

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

4. Capital Assets

Primary Government

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-----------|-----------|---------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,461,830 | \$ - | \$ - | \$ 1,461,830 |
| Construction in progress | 1,307,131 | 152,883 | - | 1,460,014 |
| Total capital assets not being depreciated | 2,768,961 | 152,883 | - | 2,921,844 |
| Capital assets being depreciated: | | | | |
| Buildings | 430,418 | - | - | 430,418 |
| Furniture and equipment | 1,034,111 | - | 290,244 | 743,867 |
| Vehicles | 1,210,812 | 168,472 | 212,509 | 1,166,775 |
| Infrastructure | 3,935,221 | - | - | 3,935,221 |
| Total assets being depreciated | 6,610,562 | 168,472 | 502,753 | 6,276,281 |
| Less accumulated depreciation for: | | | | |
| Buildings | 207,540 | 9,533 | - | 217,073 |
| Furniture and equipment | 668,649 | 48,164 | 290,244 | 426,569 |
| Vehicles | 822,490 | 144,446 | 212,509 | 754,427 |
| Infrastructure | 2,023,464 | 171,607 | - | 2,195,071 |
| Total accumulated depreciation | 3,722,143 | 373,750 | 502,753 | 3,593,140 |
| Total capital assets being depreciated, net | 2,888,419 | | | 2,683,141 |
| Total governmental activities capital assets, net | <u>\$ 5,657,380</u> | | | <u>\$ 5,604,985</u> |

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

| | |
|--------------------------|-------------------|
| General government | \$ 21,061 |
| Public safety | 77,179 |
| Transportation | 244,183 |
| Environmental protection | - |
| Recreation | 31,327 |
| | <u>\$ 373,750</u> |

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-----------|-----------|---------------------|
| Business-type activities – Water and Sewer Fund: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 10,200 | \$ - | \$ - | \$ 10,200 |
| Construction in progress | 1,470,941 | 242,465 | - | 1,713,406 |
| Total capital assets not being depreciated | 1,481,141 | 242,465 | - | 1,723,606 |
| Capital assets being depreciated: | | | | |
| Buildings | 163,682 | - | - | 163,682 |
| Other improvements | 20,132,172 | 31,256 | - | 20,163,428 |
| Vehicles | 49,998 | - | - | 49,998 |
| Equipment | 2,374,238 | 6,955 | 1,813,152 | 568,041 |
| Total assets being depreciated | 22,720,090 | 38,211 | 1,813,152 | 20,945,149 |
| Less accumulated depreciation for: | | | | |
| Buildings | 136,519 | 4,220 | - | 140,739 |
| Other improvements | 9,939,144 | 521,101 | - | 10,460,245 |
| Vehicles | 7,500 | 10,000 | - | 17,500 |
| Equipment | 2,111,707 | 45,526 | 1,813,152 | 344,081 |
| Total accumulated depreciation | 12,194,870 | 580,847 | 1,813,152 | 10,962,565 |
| Total capital assets being depreciated, net | 10,525,221 | | | 9,982,584 |
| Total governmental activities capital assets, net | <u>\$12,006,362</u> | | | <u>\$11,706,190</u> |

Construction Commitments

The Town has no active construction commitments as of June 30, 2021.

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-----------|-----------|--------------------|
| Capital assets being depreciated: | | | | |
| Buildings and leasehold improvements | \$ 193,707 | \$ - | \$ - | \$ 193,707 |
| Store and administrative equipment | 63,147 | 2,495 | - | 65,642 |
| Total assets being depreciated | 256,854 | 2,495 | - | 259,349 |
| Less accumulated depreciation: | | | | |
| Total accumulated depreciation | 180,449 | 10,918 | - | 191,367 |
| Total ABC Board capital assets, net | <u>\$ 76,405</u> | | | <u>\$ 67,982</u> |

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Pittsboro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Pittsboro's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.21% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Pittsboro were \$252,674 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 \$1,404,714 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset 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 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 0.03931%, which was an increase of 0.00083% from its proportion as of June 30, 2019.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

For the year ended June 30, 2021, the Town recognized pension expense of \$481,631. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 177,391 | \$ - |
| Changes of assumptions | 104,538 | - |
| Net difference between projected and actual earnings on pension plan investments | 197,676 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 11,406 | 11,391 |
| Town contributions subsequent to the measurement date | 252,674 | - |
| Total | <u>\$ 743,685</u> | <u>\$ 11,391</u> |

\$252,674 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension 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:

Year ended June 30:

| | |
|------------|------------|
| 2022 | \$ 133,074 |
| 2023 | 178,508 |
| 2024 | 109,536 |
| 2025 | 58,502 |
| 2026 | - |
| Thereafter | - |

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

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

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

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

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

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

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

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

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:

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|--------------------------------|----------------------------------|--------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 2,850,011 | \$ 1,404,714 | \$ 203,570 |

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

| | |
|-----------------------------|-----------|
| Retirees receiving benefits | 2 |
| Active plan members | 12 |
| Total | <u>14</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 the terms of the plan.

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

3. Actuarial Assumptions

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

| | |
|------------------|---|
| Inflation | 2.5 percent |
| Salary increases | 3.25 to 7.75 percent, including inflation and productivity factor |
| Discount rate | 1.93 percent |

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index determined at the end of each month.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. For the current year, the Town paid \$36,893 in benefits. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

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 \$675,832. The total pension liability was measured as of December 31, 2019 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 \$65,074.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 25,569 | \$ 34,915 |
| Changes of assumptions and other inputs | 162,763 | 10,688 |
| Benefit payments and administrative expenses subsequent to the measurement date | - | - |
| Total | <u>\$ 188,332</u> | <u>\$ 45,603</u> |

\$0 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|-----------|
| 2022 | \$ 27,241 |
| 2023 | 28,270 |
| 2024 | 22,529 |
| 2025 | 26,946 |
| 2026 | 32,258 |
| Thereafter | 5,485 |

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

| | <u>1% Decrease (0.93%)</u> | <u>Discount Rate (1.93%)</u> | <u>1% Increase (2.93%)</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 738,811 | \$ 675,832 | \$ 618,995 |

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

| | |
|--|-------------------|
| Beginning balance | \$ 475,678 |
| Service Cost | 23,108 |
| Interest on the total pension liability | 14,906 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 26,270 |
| Changes of assumptions or other inputs | 172,763 |
| Benefit payments | (36,893) |
| Other changes | - |
| Total | <u>\$ 675,832</u> |

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

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

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

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

| | LGERS | LEOSSA | Total |
|---|------------|-----------|------------|
| Pension Expense | \$ 481,631 | \$ 65,074 | \$ 546,705 |
| Pension Liability | 1,404,714 | 675,832 | 2,080,546 |
| Proportionate share of the net pension liability | 0.03931% | n/a | |
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | 177,391 | 25,569 | 202,960 |
| Changes of assumptions | 104,538 | 162,763 | 267,301 |
| Net difference between projected and actual earnings on plan investments | 197,676 | - | 197,676 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 11,406 | - | 11,406 |
| Town benefit payments and plan administrative expense made subsequent to the measurement date | 252,674 | - | 252,674 |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | - | 34,915 | 34,915 |
| Changes of assumptions | - | 10,688 | 10,688 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 11,391 | - | 11,391 |

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2021 were \$49,576, which consisted of \$34,006 from the Town and \$15,570 from the law enforcement officers.

d. Section 401(k) Plan for General Employees

Plan Description. The Town contributes to a 401(k) Plan, a defined contribution plan administered by the Prudential Insurance Company of America. The Plan provides retirement benefits to the general employees, other than law enforcement, employed by the Town.

Funding Policy. The Town annually determines the amount of contributions. For the year ended June 30, 2021, the Town contributed five percent (5.0%) on each general employee's salary. Also, the general employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2021 were \$124,537, which consisted of \$87,833 from the Town and \$36,704 from the general employees.

e. Other Postemployment 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 July 1, 2007, 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 July 1, 2007 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 July 1, 2007 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.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

e. Other Postemployment Benefits (Continued)

| Retired Employees' Years of Creditable Service | Date Hired | |
|---|--------------------------------|--------------------------------|
| | Pre-July 1, 2007 | On or after July 1, 2007 |
| Less than 5 years | Not eligible for coverage | Not eligible for coverage |
| 5 - 20 years | Full coverage paid for by City | Not eligible for coverage |
| 20+ years | Full coverage paid for by City | Full coverage paid for by City |

Membership of the HCB Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

| | General Employees: | Law Enforcement Officers: |
|--|--------------------|---------------------------|
| Retirees and dependents receiving benefits | 8 | 1 |
| Terminated plan members entitled to but not yet receiving benefits | 0 | 0 |
| Active plan members | 32 | 12 |
| Total | 40 | 13 |

Total OPEB Liability

The Town's total OPEB liability of \$1,001,686 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, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|-----------------------------|---|
| Inflation | 2.5 percent |
| Salary increases | 3.5 – 7.75% percent, average, including inflation |
| Discount rate | 2.21 percent |
| Healthcare cost trend rates | Pre-Medicare – 7.0% |

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.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

Changes in the Total OPEB Liability (Continued)

Changes in the Total OPEB Liability

| | |
|--|---------------------|
| Beginning balance | \$ 1,268,111 |
| Service Cost | 108,840 |
| Interest | 47,861 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (547,412) |
| Changes of assumptions or other inputs | 143,437 |
| Benefit payments | (19,152) |
| Total | <u>\$ 1,001,685</u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

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:

| | | <u>Current</u> | |
|----------------------|------------|----------------|--------------|
| Total OPEB Liability | \$ 841,886 | \$ 1,001,686 | \$ 1,201,948 |

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

| | <u>(1.21%)</u> | <u>(2.21%)</u> | <u>(3.21%)</u> |
|----------------------|----------------|----------------|----------------|
| Total OPEB Liability | \$ 1,135,231 | \$ 1,001,686 | \$ 884,949 |

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

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 \$104,115. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>of Resources</u> | <u>of Resources</u> |
|--|---------------------|---------------------|
| Differences between expected and actual experience | \$ - | \$ 499,910 |
| Changes of assumptions and other inputs | 177,657 | 33,585 |
| Benefit payments and administrative expenses subsequent to the measurement date | - | - |
| Total | <u>\$ 177,657</u> | <u>\$ 533,495</u> |

\$0 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:

| | |
|------------|-------------|
| 2022 | \$ (52,586) |
| 2023 | (52,586) |
| 2024 | (52,586) |
| 2025 | (52,586) |
| 2026 | (44,399) |
| Thereafter | (101,095) |

2. Other Employment Benefits

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

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.

3. Deferred Outflows and Inflows of Resources

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

| <u>Source</u> | <u>Amount</u> |
|--|---------------|
| Contributions to pension plan in current fiscal year | \$ 1,109,674 |

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

| | <u>Statement of Net Position</u> | <u>General Fund Balance Sheet</u> |
|---|--------------------------------------|---------------------------------------|
| Prepaid taxes (General Fund) | \$ 20,855 | \$ 20,855 |
| Deferred rent | 450,000 | 450,000 |
| Taxes Receivable, less penalties (General Fund) | - | 79,424 |
| OPEB deferrals | 533,495 | - |
| Pension deferrals | 56,994 | - |
| Total | <u>\$ 1,061,344</u> | <u>\$ 550,279</u> |

4. 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 (3) 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 \$1,000,000 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. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

The Town carries commercial insurance for all other risks of loss. There have been no significant reductions in insurance coverage from 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 \$500,000 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, town clerk and mayor are all bonded for \$50,000 each through a commercial surety bond. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

5. Claims, Judgments and Contingent Liabilities

The Town is contingently liable in respect to other claims in the normal course of its operations. Should the Town become liable in these matters, such liability would be satisfied by budgetary appropriation in excess of insurance coverage in a subsequent year.

6. Long-Term Obligations

a. General Obligation Indebtedness

General obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2021 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

Water and Sewer Bonds (FHA); issued November 1, 1994; maturing serially to June 1, 2034; interest at 5.25%.

\$ 276,000

\$ 276,000

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

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

| Year ended June 30: | <u>General Obligation Bonds</u> | |
|----------------------------|---------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2022 | \$ 18,000 | \$ 14,490 |
| 2023 | 19,000 | 13,545 |
| 2024 | 20,000 | 12,548 |
| 2025 | 21,000 | 11,498 |
| 2026 | 22,000 | 10,395 |
| 2027-2031 | 110,000 | 34,650 |
| 2032-2036 | 66,000 | 6,930 |
| | <u>\$ 276,000</u> | <u>\$ 104,056</u> |

Notes Payable

Serviced by the General Fund:

Direct note payable with a financial institution to finance the purchase of vehicles; issued on August 10, 2018; due in annual installments of \$49,010 including interest at 3.04%; matures August 10, 2022; secured by vehicles. Split between the general and water and sewer funds. \$ 80,854

Direct note payable with a financial institution to finance the purchase of vehicles; issued on September 23, 2020; due in annual installments of \$40,051 including interest at 1.97%; matures September 23, 2024; secured by vehicles. Split between the general and water and sewer funds. 145,500

Direct note payable with a financial institution to finance the purchase of vehicles; issued on September 5, 2019; due in annual installments of \$58,102 including interest at 2.42%; matures September 5, 2023; secured by vehicles. Split between the general and water and sewer funds. 125,214

\$ 351,568

Serviced by the Water and Sewer Fund:

Direct placement ARRA Federal Revolving Loan; issued August 4, 2009; due in twenty annual installments of \$62,319 beginning on May 1st after the project has been completed for six months; non-interest bearing; maximum amount of loan is \$1,246,370; project was completed in December 2010. \$ 547,238

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

Notes Payable (Continued)

Direct note payable with a financial institution to finance the purchase of vehicles; issued on August 10, 2018; due in annual installments of \$49,010 including interest at 3.04%; matures August 10, 2022; secured by vehicles. Split between the general and water and sewer funds.

12,866

Direct placement DEQ Federal Revolving Loan; issued November 29, 2016; due in twenty annual installments of \$24,729 beginning on May 1st after the project has been completed for six months; non-interest bearing; maximum amount of loan is \$494,500.

395,600

Direct note payable with a financial institution to finance the purchase of vehicles; issued on September 23, 2020; due in annual installments of \$40,051 including interest at 1.97%; matures September 23, 2024; secured by vehicles. Split between the general and water and sewer funds.

19,500

Direct note payable with a financial institution to finance the purchase of vehicles; issued on September 5, 2019; due in annual installments of \$58,102 including interest at 2.42%; matures September 5, 2023; secured by vehicles. Split between the general and water and sewer funds.

40,984

\$ 1,016,188

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

| Year ended June 30: | Notes Payable | | Notes Payable | |
|---------------------|-------------------|------------------|---------------------|-------------|
| | Principal | Interest | Principal | Interest |
| 2022 | \$ 115,879 | \$ 8,354 | \$ 109,942 | \$ - |
| 2023 | 118,772 | 5,462 | 110,552 | - |
| 2024 | 79,462 | 2,495 | 104,441 | - |
| 2025 | 37,455 | 738 | 90,547 | - |
| 2026 | - | - | 85,530 | - |
| 2027-2031 | - | - | 366,845 | - |
| 2032-2036 | - | - | 123,625 | - |
| 2037 | - | - | 24,706 | - |
| | <u>\$ 351,568</u> | <u>\$ 17,049</u> | <u>\$ 1,016,188</u> | <u>\$ -</u> |

The Town has a legal debt margin of \$46,440,210 at June 30, 2021.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

b. Change in Long-Term Liabilities

| | Beginning | | | Ending | Current Portion |
|---|--------------------|-------------------|-------------------|--------------------|-------------------|
| | Balance | Increases | Decreases | Balance | of Balance |
| <i>Governmental activities:</i> | | | | | |
| Direct Notes Payable | \$ 284,492 | \$ 145,500 | \$ 78,424 | \$ 351,568 | \$ 115,879 |
| Net pension liability (LGERS) | 634,130 | 180,654 | - | 814,784 | - |
| Total pension liability (LEO) | 475,678 | 200,154 | - | 675,832 | - |
| Compensated absences | 89,467 | 33,777 | - | 123,244 | - |
| Total OPEB liability | 765,229 | - | 184,216 | 581,013 | - |
| Governmental activity long-term liabilities | <u>\$2,248,996</u> | <u>\$ 560,085</u> | <u>\$ 262,640</u> | <u>\$2,546,441</u> | <u>\$ 115,879</u> |
| <i>Business-type activities:</i> | | | | | |
| <u>Water and Sewer Fund</u> | | | | | |
| General obligation bonds | \$ 293,000 | \$ - | \$ 17,000 | \$ 276,000 | \$ 18,000 |
| Direct Notes Payable | 1,101,394 | 19,500 | 104,706 | 1,016,188 | 109,942 |
| Net pension liability (LGERS) | 416,729 | 173,201 | - | 589,930 | - |
| Compensated absences | 63,925 | 2,042 | - | 65,967 | - |
| Total OPEB liability | 502,883 | - | 82,210 | 420,673 | - |
| Water and Sewer Fund long-term liabilities | <u>\$2,377,931</u> | <u>\$ 194,743</u> | <u>\$ 203,916</u> | <u>\$2,368,758</u> | <u>\$ 127,942</u> |
| Business activity long-term liabilities | <u>\$2,377,931</u> | <u>\$ 194,743</u> | <u>\$ 203,916</u> | <u>\$2,368,758</u> | <u>\$ 127,942</u> |

The ABC Board had no long-term debt at June 30, 2021.

c. Interfund Balances and Activity

- Transfer from the General Fund to the Town Hall project fund for project expenditures \$ 10,900
- Transfer from the General Fund to the Traffic Circle project fund for project expenditures \$ 93,000
- Transfer from the Water and Sewer Capital Fund to the Sanford Forcemain Project for project expenditures \$ 245,596
- Transfer from the Water and Sewer Capital Reserve Fund to the Water and Sewer Fund for capital projects \$ 529,269
- Transfer from the Water and Sewer Fund to the Water Plant Improvement Project for project expenditures \$1,200,000

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

d. Net Investment in Capital Assets

Governmental activities:

| | |
|----------------------|---------------------|
| Total capital assets | \$ 5,604,986 |
| Less: Notes payable | <u>351,568</u> |
| | <u>\$ 5,253,418</u> |

Business-type activities:

| | |
|---------------------------|----------------------|
| Total capital assets | \$ 11,706,191 |
| Add: unused loan proceeds | 19,500 |
| Less: Bonds payable | 276,000 |
| Notes payable | <u>1,016,188</u> |
| | <u>\$ 10,433,503</u> |

e. 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 | \$ 5,528,139 |
| Less: | |
| Non spendable – prepaid items | - |
| Stabilization by State Statute | 483,017 |
| Streets-Powell Bill | 123,587 |
| Public Safety | 145,520 |
| General Government | 863,875 |
| Appropriated Fund Balance in 2021 budget | 14,429 |
| Remaining Fund Balance | <u>\$ 3,202,356</u> |

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

The Town had no encumbrances at June 30, 2021.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Jointly Governed Organization

The Town, in conjunction with various counties and other municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member of the Council's governing board. The Town paid membership fees of \$1,800 to the Council during the year ended June 30, 2021.

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

V. Significant Effects of Subsequent Events

Subsequent events have been evaluated December 1, 2021, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

As of the date of issuance of the Town's audit, there is a pandemic situation regarding the COVID-19 virus. The Town is monitoring the effect of this pandemic on its financial operations. At this time, management has evaluated the situation and has concluded no additional disclosures are warranted.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

TOWN OF PITTSBORO, NORTH CAROLINA
Town of Pittsboro's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*

Schedule 1

Local Government Employees' Retirement System

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Pittsboro's proportion of the net pension liability (asset) (%) | 0.0393% | 0.0385% | 0.0356% | 0.0377% | 0.0366% | 0.0348% | -0.0359% | 0.0355% |
| Pittsboro's proportion of the net pension liability (asset) (\$) | \$ 1,404,714 | \$ 1,050,859 | \$ 845,028 | \$ 575,798 | \$ 776,774 | \$ 156,359 | \$ (211,601) | \$ 427,911 |
| Pittsboro's covered-employee payroll | \$ 2,544,219 | \$ 2,408,038 | \$ 2,166,530 | \$ 2,175,276 | \$ 2,030,243 | \$ 1,893,809 | \$ 1,821,230 | \$ 1,861,303 |
| Pittsboro's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 55.21% | 43.64% | 39.00% | 26.47% | 38.26% | 8.26% | -11.62% | 22.99% |
| Plan fiduciary net position as a percentage of the total pension liability ** | 91.63% | 94.18% | 91.47% | 98.09% | 99.07% | 102.64% | 94.35% | 96.45% |

* The amount 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 PITTSBORO, NORTH CAROLINA
Town of Pittsboro's Contributions
Required Supplementary Information
Last Eight Fiscal Years*

Schedule 2

Local Government Employees' Retirement System

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 252,674 | \$ 234,163 | \$ 194,221 | \$ 155,389 | \$ 151,018 | \$ 138,781 | \$ 136,371 | \$ 133,161 |
| Contributions in relation to the contractually required contribution | <u>252,674</u> | <u>234,163</u> | <u>194,221</u> | <u>155,389</u> | <u>151,018</u> | <u>138,781</u> | <u>136,371</u> | <u>133,161</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Pittsboro's covered-employee payroll | \$ 2,432,825 | \$ 2,544,219 | \$ 2,408,038 | \$ 2,166,530 | \$ 2,175,276 | \$ 2,030,243 | \$ 1,893,809 | \$ 1,821,230 |
| Contribution as a percentage of covered-employee payroll | 10.39% | 9.20% | 8.07% | 7.17% | 6.94% | 6.84% | 7.20% | 7.31% |

TOWN OF PITTSBORO, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2021

Schedule 3

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning balance | \$ 475,678 | \$ 490,157 | \$ 493,116 | \$ 439,178 | \$ 441,964 |
| Service Cost | 23,108 | 20,355 | 20,931 | 16,024 | 18,353 |
| Interest on the total pension liability | 14,906 | 17,541 | 15,321 | 16,633 | 15,302 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 26,270 | (49,873) | (4,101) | 10,929 | - |
| Changes of assumptions or other inputs | 172,763 | 14,031 | (18,577) | 26,885 | (9,767) |
| Benefit payments | (36,893) | (16,533) | (16,533) | (16,533) | (26,674) |
| Other changes | - | - | - | - | - |
| Ending balance of the total pension liability | <u>\$ 675,832</u> | <u>\$ 475,678</u> | <u>\$ 490,157</u> | <u>\$ 493,116</u> | <u>\$ 439,178</u> |

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

TOWN OF PITTSBORO, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officer's Special Separation Allowance
June 30, 2021

Schedule 4

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Total pension liability | \$ 675,832 | \$ 475,678 | \$ 490,157 | \$ 493,116 | \$ 439,178 |
| Covered payroll | 798,544 | 695,133 | 619,020 | 581,502 | 648,714 |
| Total pension liability as a percentage of covered payroll | 84.63% | 68.43% | 79.18% | 84.80% | 67.70% |

Notes to the schedules:

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

TOWN OF PITTSBORO, NORTH CAROLINA
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2021

Schedule 5

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|----------------------------|--------------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 108,840 | \$ 100,775 | \$ 80,451 | \$ 86,762 |
| Interest | 47,861 | 42,115 | 35,111 | 28,681 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | (547,412) | (6,822) | (19,811) | (2,609) |
| Changes of assumptions | 143,437 | 56,191 | 14,053 | (66,757) |
| Benefit payments | (19,152) | (13,440) | (13,440) | (11,946) |
| Net change in total OPEB liability | <u>(266,426)</u> | <u>178,819</u> | <u>96,364</u> | <u>34,131</u> |
| Total OPEB liability - beginning | <u>1,268,111</u> | <u>1,089,292</u> | <u>992,928</u> | <u>958,797</u> |
| Total OPEB liability - ending | <u><u>\$ 1,001,685</u></u> | <u><u>\$ 1,268,111</u></u> | <u><u>\$ 1,089,292</u></u> | <u><u>\$ 992,928</u></u> |
| Covered payroll | 2,033,411 | 2,060,483 | 2,060,483 | 1,966,195 |
| Total OPEB liability as a percentage of covered payroll | 49.26% | 61.54% | 52.87% | 50.50% |

Notes to Schedule

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

| <u>Fiscal year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2021 | 2.21% |
| 2020 | 3.50% |
| 2019 | 3.89% |
| 2018 | 3.56% |

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|-----------------------------------|------------------|------------------|------------------------------------|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Taxes - current year | \$ 2,460,661 | \$ 2,581,846 | \$ 121,185 |
| Taxes - prior years | 20,000 | 25,432 | 5,432 |
| Interest and penalties | 6,000 | 10,087 | 4,087 |
| Total | <u>2,486,661</u> | <u>2,617,365</u> | <u>130,704</u> |
| Other taxes and licenses: | | | |
| Local option sales tax | 887,100 | 1,144,737 | 257,637 |
| Hold harmless tax | 290,900 | 360,381 | 69,481 |
| Utilities / cable franchise taxes | 131,800 | 200,203 | 68,403 |
| Telecommunications tax | 21,000 | 17,995 | (3,005) |
| Video sales tax | 27,500 | 27,364 | (136) |
| Other taxes and licenses | 101,750 | 116,590 | 14,840 |
| Total | <u>1,460,050</u> | <u>1,867,270</u> | <u>407,220</u> |
| Unrestricted intergovernmental: | | | |
| ABC Board profit distribution | 140,000 | 56,582 | (83,418) |
| Total | <u>140,000</u> | <u>56,582</u> | <u>(83,418)</u> |
| Restricted intergovernmental: | | | |
| State street aid - Powell Bill | 130,000 | 123,012 | (6,988) |
| Chatham Park Development | 165,000 | 165,042 | 42 |
| Other | 266,555 | 239,846 | (26,709) |
| Total | <u>561,555</u> | <u>527,900</u> | <u>(33,655)</u> |
| Permits and fees: | | | |
| Zoning fees | 28,050 | 44,288 | 16,238 |
| Other fees | 59,000 | 43,348 | (15,652) |
| Off-duty police officer fees | 750 | 508 | (242) |
| Total | <u>87,800</u> | <u>88,144</u> | <u>344</u> |
| Sales and services: | | | |
| Solid waste revenues | 480,000 | 494,633 | 14,633 |
| Recreation | 15,300 | 705 | (14,595) |
| Facilities rental | 7,000 | (220) | (7,220) |
| Other | 127,401 | 137,747 | 10,346 |
| Total | <u>629,701</u> | <u>632,865</u> | <u>3,164</u> |
| Investment earnings | <u>3,000</u> | <u>2,122</u> | <u>(878)</u> |
| Miscellaneous | <u>120,000</u> | <u>116,152</u> | <u>(3,848)</u> |
| Total revenues | <u>5,488,767</u> | <u>5,908,400</u> | <u>419,633</u> |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Continued)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|----------------|----------------|---|
| Expenditures: | | | |
| General government: | | | |
| Governing body: | | | |
| Salaries and employee benefits | \$ 35,674 | \$ 36,582 | \$ (908) |
| Payroll taxes | 2,723 | 2,792 | (69) |
| Travel and training | 2,000 | 20 | 1,980 |
| Postage | 50 | - | 50 |
| Advertising | 50 | 104 | (54) |
| Departmental supplies | 11,500 | 5,527 | 5,973 |
| Contracted services | 48,500 | 36,989 | 11,511 |
| Economic development | 7,000 | 7,467 | (467) |
| Dues and subscriptions | 8,750 | 9,036 | (286) |
| Insurance and bonds | 1,500 | 1,312 | 188 |
| Total | <u>117,747</u> | <u>99,829</u> | <u>17,918</u> |
| Administration: | | | |
| Salaries and employee benefits | 373,925 | 323,364 | 50,561 |
| Payroll taxes | 21,771 | 18,395 | 3,376 |
| Telephone | 8,000 | 7,060 | 940 |
| Travel and training | 6,000 | 5,514 | 486 |
| Maintenance - equipment | 1,250 | 265 | 985 |
| Postage | 650 | 371 | 279 |
| Advertising | 750 | 326 | 424 |
| Supplies | 14,400 | 14,221 | 179 |
| Dues and subscriptions | 7,500 | 8,066 | (566) |
| Insurance and bonds | 5,350 | 4,703 | 647 |
| Tax billing and collection | 13,000 | 14,835 | (1,835) |
| Park reimbursement | 24,507.00 | 24,507 | - |
| Contracted services | 81,357 | 45,024 | 36,333 |
| Capital outlay - equipment | 25,000 | 38,099 | (13,099) |
| Total | <u>583,460</u> | <u>504,750</u> | <u>78,710</u> |
| Planning: | | | |
| Salaries and employee benefits | 134,059 | 122,148 | 11,911 |
| Payroll taxes | 8,021 | 7,397 | 624 |
| Travel and training | 3,500 | 2,296 | 1,204 |
| Telephone | 2,000 | 1,787 | 213 |
| Postage | 1,000 | 336 | 664 |
| Utilities | - | 452 | (452) |
| Advertising | 1,500 | 3,085 | (1,585) |
| Departmental supplies | 16,494 | 15,622 | 872 |
| Dues and subscriptions | 3,000 | 1,547 | 1,453 |
| Contracted services | 9,257 | 9,953 | (696) |
| Insurance and bonds | 3,600 | 3,385 | 215 |
| Total | <u>182,431</u> | <u>168,008</u> | <u>14,423</u> |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Continued)

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------|------------------|------------------|------------------------------------|
| Legal: | | | |
| Dues and subscriptions | \$ 250 | \$ 40 | \$ 210 |
| Travel and training | 750 | 300 | 450 |
| Professional services | 69,000 | 54,000 | 15,000 |
| Total | <u>70,000</u> | <u>54,340</u> | <u>15,660</u> |
| Public buildings (Engineering): | | | |
| Salaries and employee benefits | 120,343 | 50,151 | 70,192 |
| Payroll taxes | 7,165 | 2,772 | 4,393 |
| Telephone | 2,000 | 1,806 | 194 |
| Travel and training | 2,000 | - | 2,000 |
| Advertising | 250 | 1,482 | (1,232) |
| Postage | 250 | 290 | (40) |
| Utilities | - | 452 | (452) |
| Vehicle repairs | 1,000 | 82 | 918 |
| Departmental supplies | 2,000 | 7,315 | (5,315) |
| Dues and subscriptions | 1,000 | 1,000 | - |
| Contracted services | 166,244 | 105,127 | 61,117 |
| Miscellaneous | 2,000 | 2,189 | (189) |
| Insurance | 3,500 | 3,308 | 192 |
| Capital outlay - equipment | 0 | - | - |
| Total | <u>307,752</u> | <u>175,974</u> | <u>131,778</u> |
| Total general government | <u>1,261,390</u> | <u>1,002,901</u> | <u>258,489</u> |
| Public safety: | | | |
| Police: | | | |
| Salaries and employee benefits | 1,188,073 | 783,412 | 404,661 |
| Payroll taxes | 69,724 | 58,203 | 11,521 |
| Separation benefit | 42,174 | 44,283 | (2,109) |
| Federal asset forfeiture | - | 10,232 | (10,232) |
| Telephone | 15,000 | 14,657 | 343 |
| Postage | 500 | 312 | 188 |
| Travel and training | 7,500 | 2,115 | 5,385 |
| Maintenance - equipment | 3,000 | 580 | 2,420 |
| Vehicle repairs | 22,000 | 17,339 | 4,661 |
| Automotive supplies | 31,000 | 25,676 | 5,324 |
| Departmental supplies | 36,400 | 19,310 | 17,090 |
| Advertising | 150 | 113 | 37 |
| Contracted services | 28,700 | 20,656 | 8,044 |
| Uniforms and accessories | 18,000 | 5,517 | 12,483 |
| Dues and subscriptions | 2,800 | 3,617 | (817) |
| Insurance and bonds | 40,100 | 38,583 | 1,517 |
| Investigations | 5,000 | 1,677 | 3,323 |
| Community policing support | 6,500 | 4,068 | 2,432 |
| CRF funds | 206,331.00 | 206,331 | - |
| Capital outlay - equipment | 135,000.00 | 170,492 | (35,492) |
| Total | <u>1,857,952</u> | <u>1,427,173</u> | <u>430,779</u> |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Continued)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-------------------------------------|----------------------|----------------------|---|
| Fire: | | | |
| Pittsboro Volunteer Fire and Rescue | | | |
| Department - contribution | \$ 727,650 | \$ 727,650 | \$ - |
| Total | <u>727,650</u> | <u>727,650</u> | <u>-</u> |
| Total public safety | <u>2,585,602</u> | <u>2,154,823</u> | <u>430,779</u> |
| Transportation: | | | |
| Streets and maintenance: | | | |
| Salaries and employee benefits | 245,794 | 238,426 | 7,368 |
| Payroll taxes | 13,890 | 13,427 | 463 |
| Travel and training | 1,500 | 690 | 810 |
| Telephone and postage | 4,000 | 4,275 | (275) |
| Utilities | 70,000 | 53,944 | 16,056 |
| Maintenance - equipment | 12,000 | 2,197 | 9,803 |
| Vehicle repairs | 9,000 | 4,080 | 4,920 |
| Automotive supplies | 13,000 | 7,001 | 5,999 |
| Maintenance and repairs - building | 2,500 | 250 | 2,250 |
| Departmental supplies | 26,000 | 27,800 | (1,800) |
| Contracted services | 24,805 | 21,273 | 3,532 |
| Dues and subscriptions | 1,000 | 174 | 826 |
| Insurance and bonds | 15,400 | 14,808 | 592 |
| Powell bill | 150,000 | 55,083 | 94,917 |
| Capital outlay - equipment | 10,500.00 | 4,531 | 5,969 |
| Total | <u>599,389</u> | <u>447,959</u> | <u>151,430</u> |
| Public Works: | | | |
| Utilities | 18,000 | 10,706 | 7,294 |
| Maintenance and repairs - building | 15,000 | 579 | 14,421 |
| Maintenance - equipment | 15,000 | 5,876 | 9,124 |
| Contracted services | 13,800 | 12,217 | 1,583 |
| Insurance and bonds | 1,500 | 1,500 | - |
| Departmental supplies | 2,750 | 2,070 | 680 |
| Total | <u>66,050</u> | <u>32,948</u> | <u>33,102</u> |
| Total transportation | <u>665,439</u> | <u>480,907</u> | <u>184,532</u> |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Continued)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|----------------|----------------|---|
| Cultural and recreational: | | | |
| Recreation: | | | |
| Salaries and employee benefits | \$ 54,752 | \$ 940 | \$ 53,812 |
| Payroll taxes | 3,156 | 62 | 3,094 |
| Travel and training | 2,000 | - | 2,000 |
| Contracted services | 36,244 | 25,875 | 10,369 |
| Telephone and postage | 2,250 | 2,346 | (96) |
| Utilities | 7,000 | 7,616 | (616) |
| Departmental supplies | 3,000 | 3,620 | (620) |
| FEMA funds | 26,649 | - | 26,649 |
| Building and grounds maintenance | 30,000 | 12,458 | 17,542 |
| Events and programming | 10,000 | 3,270 | 6,730 |
| Insurance and bonds | 4,300 | 6,306 | (2,006) |
| Dues and subscriptions | 1,000 | 45 | 955 |
| Total | <u>215,970</u> | <u>62,538</u> | <u>153,432</u> |
| Economic and physical development: | | | |
| Salaries and employee benefits | 237,357 | 221,091 | 16,266 |
| Payroll taxes | 13,748 | 13,411 | 337 |
| Travel and training | 2,000 | 255 | 1,745 |
| Telephone and postage | 2,500 | 2,874 | (374) |
| Utilities | 750 | 452 | 298 |
| Maintenance - automotive | 750 | 197 | 553 |
| Contracted services | 24,973 | 32,538 | (7,565) |
| Departmental supplies | 6,000 | 5,394 | 606 |
| Dues and subscriptions | 1,000 | 673 | 327 |
| Insurance and bonds | 3,950 | 1,482 | 2,468 |
| Total | <u>293,028</u> | <u>278,367</u> | <u>14,661</u> |
| Environmental protection: | | | |
| Sanitation | 480,000 | 476,028 | 3,972 |
| Total | <u>480,000</u> | <u>476,028</u> | <u>3,972</u> |
| Main street/downtown: | | | |
| Main Street façade/downtown improvements | 96,000 | 96,000 | - |
| Total | <u>96,000</u> | <u>96,000</u> | <u>-</u> |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Continued)

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|--|----------------------|-------------------------|------------------------------------|
| Debt service: | | | |
| Principal | \$ 78,425 | \$ 78,424 | \$ 1 |
| Interest | <u>7,626</u> | <u>7,625</u> | <u>1</u> |
| Total | <u>86,051</u> | <u>86,049</u> | <u>2</u> |
| Total expenditures | <u>5,683,480</u> | <u>4,637,613</u> | <u>1,045,867</u> |
| Revenues over (under) expenditures | (194,713) | 1,270,787 | 1,465,500 |
| Other financing sources (uses): | | | |
| Transfers (to) from other funds: | (153,900) | (153,900) | - |
| Proceeds from loan | <u>145,500</u> | <u>145,500</u> | <u>-</u> |
| Total | <u>(8,400)</u> | <u>(8,400)</u> | <u>-</u> |
| Fund balance appropriated | <u>203,113</u> | \$ - | <u>203,113</u> |
| Net change in fund balance | <u>\$ -</u> | 1,262,387 | <u>\$ 1,262,387</u> |
| Fund balance, beginning | | <u>4,265,752</u> | |
| Fund balance, ending | | <u>\$ 5,528,139</u> | |

TOWN OF PITTSBORO, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2021

Schedule 7

| | Capital Projects Fund | Town Hall Project | PESR Culvert Project | Traffic Circle Project | Parks and Recreation Project | Total Nonmajor Governmental Funds |
|--|--------------------------------------|------------------------------|-------------------------------------|---------------------------------------|---|--|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 7,050 | \$ 713,158 | \$ 48,151 | \$ 221,148 | \$ 50,000 | \$ 1,039,507 |
| Due from other governments | - | - | - | - | - | - |
| Total assets | <u>\$ 7,050</u> | <u>\$ 713,158</u> | <u>\$ 48,151</u> | <u>\$ 221,148</u> | <u>\$ 50,000</u> | <u>\$ 1,039,507</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | - | - | - |
| Total liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| FUND BALANCES | | | | | | |
| Designated for specific purposes | <u>7,050</u> | <u>713,158</u> | <u>48,151</u> | <u>221,148</u> | <u>50,000</u> | <u>1,039,507</u> |
| Total liabilities and fund balances | <u>\$ 7,050</u> | <u>\$ 713,158</u> | <u>\$ 48,151</u> | <u>\$ 221,148</u> | <u>\$ 50,000</u> | <u>\$ 1,039,507</u> |

TOWN OF PITTSBORO, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2021

Schedule 8

| | Capital Projects Fund | Town Hall Project | PESR Culvert Project | Traffic Circle Project | Parks and Recreation Project | Total Nonmajor Governmental Funds |
|--|----------------------------------|------------------------------|-------------------------------------|-----------------------------------|---|--|
| REVENUES | | | | | | |
| Restricted intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ 50,000 | \$ 50,000 |
| Investment earnings | 2 | - | - | - | - | 2 |
| Total revenues | 2 | - | - | - | 50,000 | 50,002 |
| EXPENDITURES | | | | | | |
| Economic and physical development | - | 146,383 | - | - | - | 146,383 |
| Transportation | - | - | 6,500 | - | - | 6,500 |
| Cultural and recreation | - | - | - | - | - | - |
| Total expenditures | - | 146,383 | 6,500 | - | - | 152,883 |
| Excess (deficiency) of revenues over expenditures | 2 | (146,383) | (6,500) | - | 50,000 | (102,881) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers from other funds | | | | | | |
| General Fund | - | 10,900 | - | 93,000 | - | 103,900 |
| Transfers to other funds: | | | | | | |
| General Fund | - | - | - | - | - | - |
| Net change in fund balance | 2 | (135,483) | (6,500) | 93,000 | 50,000 | 1,019 |
| Fund balances, beginning | 7,048 | 848,641 | 54,651 | 128,148 | - | 1,038,488 |
| Fund balances, ending | \$ 7,050 | \$ 713,158 | \$ 48,151 | \$ 221,148 | \$ 50,000 | \$ 1,039,507 |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 9

Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021**

| | Final Budget | Actual | Positive (Negative) |
|---------------------------------------|-----------------|-----------------|------------------------|
| Revenues: | | | |
| Investment earnings | \$ 20 | \$ 2 | \$ (18) |
| Total revenues | 20 | 2 | (18) |
| Other Financing Sources (Uses) | | | |
| Transfer to General Fund | - | - | - |
| Fund balance appropriated | (10) | - | 10 |
| Net change in fund balance | <u>\$ 10</u> | 2 | <u>\$ (8)</u> |
| Fund balance, beginning | | <u>7,048</u> | |
| Fund balance, ending | | <u>\$ 7,050</u> | |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 10

Capital Projects Fund - Town Hall Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Town contribution | \$2,971,935 | \$2,971,935 | \$ 10,900 | \$2,982,835 | \$ 10,900 |
| Total revenues | 2,971,935 | 2,971,935 | 10,900 | 2,982,835 | 10,900 |
| Expenditures: | | | | | |
| Land purchase | 900,000 | 900,000 | - | 900,000 | - |
| Site assessments | 61,450 | 20,930 | - | 20,930 | 40,520 |
| Closing costs | 8,830 | 10,935 | - | 10,935 | (2,105) |
| Design services | 1,656,630 | 1,022,240 | 132,453 | 1,154,693 | 501,937 |
| Demolition | 157,707 | 157,706 | - | 157,706 | 1 |
| LEED services | 63,400 | - | - | - | 63,400 |
| Water and Sewer design services | 33,300 | - | - | - | 33,300 |
| Solar PV analysis | 2,900 | - | - | - | 2,900 |
| USDA Application services | 17,000 | - | 8,230 | 8,230 | 8,770 |
| Contingency | 70,718 | 11,483 | 5,700 | 17,183 | 53,535 |
| Total expenditures | 2,971,935 | 2,123,294 | 146,383 | 2,269,677 | 702,258 |
| Revenues over (under) expenditures | - | 848,641 | (135,483) | 713,158 | 713,158 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | | | | | |
| General Fund | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | \$ - | \$ 848,641 | (135,483) | \$ 713,158 | \$ 713,158 |
| Fund balance, beginning | | | 848,641 | | |
| Fund balance, ending | | | \$ 713,158 | | |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 11

Capital Projects Fund - PESR Culvert Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------|------------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Town contribution | \$ 147,318 | \$ 147,318 | \$ - | \$ 147,318 | \$ - |
| Total revenues | 147,318 | 147,318 | - | 147,318 | - |
| Expenditures: | | | | | |
| Survey and design services | 147,318 | 92,667 | 6,500 | 99,167 | 48,151 |
| Total expenditures | 147,318 | 92,667 | 6,500 | 99,167 | 48,151 |
| Revenues over (under) expenditures | - | 54,651 | (6,500) | 48,151 | 48,151 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | | | | | |
| General Fund | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 54,651</u> | <u>(6,500)</u> | <u>\$ 48,151</u> | <u>\$ 48,151</u> |
| Fund balance, beginning | | | <u>54,651</u> | | |
| Fund balance, ending | | | <u>\$ 48,151</u> | | |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 12

Capital Projects Fund - Traffic Circle Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------|-------------------|---------------------------|-------------------|------------------------------------|
| Revenues: | | | | | |
| Town contribution | \$ 221,148 | \$ 128,148 | \$ 93,000 | \$ 221,148 | \$ - |
| Total revenues | 221,148 | 128,148 | 93,000 | 221,148 | - |
| Expenditures: | | | | | |
| Waterman upsizing | 95,038 | - | - | - | 95,038 |
| Safety handrails | 13,110 | - | - | - | 13,110 |
| Utility Relocation | 93,000 | - | - | - | 93,000 |
| Utility burial | 20,000 | - | - | - | 20,000 |
| Total expenditures | 221,148 | - | - | - | 221,148 |
| Revenues over (under) expenditures | - | 128,148 | 93,000 | 221,148 | 221,148 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | | | | | |
| General Fund | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 128,148</u> | 93,000 | <u>\$ 221,148</u> | <u>\$ 221,148</u> |
| Fund balance, beginning | | | <u>128,148</u> | | |
| Fund balance, ending | | | <u>\$ 221,148</u> | | |

TOWN OF PITTSBORO, NORTH CAROLINA
Capital Projects Fund - Parks and Recreation Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 13

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Donations | \$ 50,000 | \$ - | \$ 50,000 | \$ 50,000 | \$ - |
| Total revenues | 50,000 | - | 50,000 | 50,000 | - |
| Expenditures: | | | | | |
| General maintenance | 50,000 | - | | - | 50,000 |
| Total expenditures | 50,000 | - | - | - | 50,000 |
| Revenues over (under) expenditures | - | - | 50,000 | 50,000 | 50,000 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | | | | | |
| General Fund | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 50,000 | <u>\$ 50,000</u> | <u>\$ 50,000</u> |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | <u>\$ 50,000</u> | | |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 14

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|--|--------------|--------------|------------------------------------|
| Revenues: | | | |
| Water sales | \$ 1,603,260 | \$ 1,820,899 | \$ 217,639 |
| Sewer charges | 1,358,899 | 1,454,049 | 95,150 |
| Reuse water charges | 55,080 | 78,017 | 22,937 |
| Miscellaneous | 25,000 | 72,110 | 47,110 |
| Total operating revenues | 3,077,239 | 3,425,075 | 347,836 |
| Restricted intergovernmental: | | | |
| ARP funds | - | - | 0 |
| Nonoperating revenues: | | | |
| Interest earnings | 1,500 | 792 | (708) |
| Total revenues | 3,078,739 | 3,425,867 | 347,128 |
| Expenditures: | | | |
| Administrative | | | |
| Salaries and employee benefits | 383,481 | 523,077 | (139,596) |
| Payroll taxes | 23,133 | 20,468 | 2,665 |
| Professional services/Jordan Lake allocation | 8,500 | 9,584 | (1,084) |
| Travel and training | 750 | 405 | 345 |
| Telephone and postage | 14,000 | 16,885 | (2,885) |
| Utilities | 700.00 | 452 | 248 |
| Departmental supplies | 4,500 | 2,724 | 1,776 |
| Vehicle and equipment maintenance | 500 | 82 | 418 |
| Dues and subscriptions | 3,800 | 3,285 | 515 |
| Insurance | 5,750 | 5,286 | 464 |
| Contracted services | 185,500 | 175,541 | 9,959 |
| Miscellaneous | 15,000 | 13,257 | 1,743 |
| Total | 645,614 | 771,046 | (125,432) |
| Water operations: | | | |
| Salaries and employee benefits | 446,170 | 455,014 | (8,844) |
| Payroll taxes | 25,207 | 24,414 | 793 |
| Professional services/Pilot testing | 210,000.00 | 156,657 | 53,343 |
| Telephone and postage | 15,400 | 11,862 | 3,538 |
| Travel and training | 4,000 | 2,575 | 1,425 |
| Supplies | 73,100 | 43,292 | 29,808 |
| Advertising | 300 | 31 | 269 |
| Dues and subscriptions | 1,300 | 749 | 551 |
| Insurance | 15,700 | 14,972 | 728 |
| Chemicals | 255,000 | 242,386 | 12,614 |
| Contracted services | 133,000 | 85,785 | 47,215 |
| Building and grounds maintenance | 50,000 | 31,174 | 18,826 |
| Vehicle and equipment maintenance | 31,500 | 26,902 | 4,598 |
| Utilities | 75,000 | 72,830 | 2,170 |
| Other operating expenditures | 4,000 | 2,758 | 1,242 |
| Total | 1,339,677 | 1,171,401 | 168,276 |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 14

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2021

(Continued)

| | Budget | Actual | Variance Positive (Negative) |
|-------------------------------------|------------------|------------------|------------------------------------|
| Sewer treatment: | | | |
| Salaries and employee benefits | \$ 296,843 | \$ 130,533 | \$ 166,310 |
| Payroll taxes | 17,220 | 15,993 | 1,227 |
| Telephone and postage | 3,450 | 6,175 | (2,725) |
| Travel and training | 4,000 | 895 | 3,105 |
| Supplies | 28,150 | 22,537 | 5,613 |
| Dues and subscriptions | 1,500 | 1,587 | (87) |
| Insurance | 12,500 | 11,899 | 601 |
| Chemicals | 42,000 | 32,895 | 9,105 |
| Contracted services | 132,000 | 109,787 | 22,213 |
| Vehicle and equipment maintenance | 44,077 | 64,722 | (20,645) |
| Buildings and grounds maintenance | 35,000 | 20,777 | 14,223 |
| Utilities | 67,000 | 63,494 | 3,506 |
| Other operating expenditures | 11,500 | 3,825 | 7,675 |
| Total | <u>695,240</u> | <u>485,119</u> | <u>210,121</u> |
| Public utilities: | | | |
| Salaries and employee benefits | 344,762 | 331,690 | 13,072 |
| Payroll taxes | 19,310 | 18,376 | 934 |
| Telephone and postage | 6,000 | 6,717 | (717) |
| Travel and training | 4,000 | 1,430 | 2,570 |
| Supplies | 113,500 | 119,210 | (5,710) |
| Advertising | 300 | 32 | 268 |
| Dues and subscriptions | 3,000 | 1,880 | 1,120 |
| Insurance | 14,650 | 13,535 | 1,115 |
| Contracted services | 25,000 | 20,657 | 4,343 |
| Vehicle and equipment maintenance | 211,147 | 130,879 | 80,268 |
| Other operating expenditures | 1,500 | 2,130 | (630) |
| Total | <u>743,169</u> | <u>646,536</u> | <u>96,633</u> |
| Debt service: | | | |
| Interest and other charges | 17,268 | 17,268 | - |
| Principal | 121,706 | 121,706 | - |
| Total | <u>138,974</u> | <u>138,974</u> | <u>-</u> |
| Capital outlay: | | | |
| Administrative - system improvement | 119,000 | 37,700 | 81,300 |
| Water operations - equipment | 11,000 | - | 11,000 |
| Sewer treatment - equipment | - | - | - |
| Public utilities - building | 340,850 | 25,850 | 315,000 |
| Public utilities - equipment | 78,620 | (205) | 78,825 |
| Total | <u>684,920</u> | <u>63,345</u> | <u>621,575</u> |
| Total expenditures | <u>4,247,594</u> | <u>3,276,421</u> | <u>971,173</u> |

TOWN OF PITTSBORO, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021
(Continued)

Schedule 14

| | Budget | Actual | Variance Positive (Negative) |
|--|------------------|-------------------|------------------------------------|
| Revenues over (under) expenditures | \$ (1,168,855) | \$ 149,446 | \$ 1,318,301 |
| Other financing sources (uses): | | | |
| Transfers from other funds | 580,300 | 2,002,784 | 1,422,484 |
| Transfers to other funds | (1,445,596) | (2,002,784) | (557,188) |
| Grant Proceeds | - | 97,882 | 97,882 |
| Proceeds from loan | 19,500 | 19,500 | - |
| Total | <u>(845,796)</u> | <u>117,382</u> | <u>963,178</u> |
| Fund balance appropriated | <u>2,014,651</u> | <u>-</u> | <u>2,014,651</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | 266,828 | <u>\$ 266,828</u> |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Revenues and other sources under expenditures and other uses | | <u>\$ 266,828</u> | |
| Reconciling items: | | | |
| Payment of debt principal | | 121,706 | |
| Principal additions | | (19,500) | |
| (Increase) in accrued vacation pay | | (2,042) | |
| (Increase) in net pension liability | | (173,201) | |
| Increase in deferred outflows of resources - pensions | | 115,201 | |
| Decrease in OPEB liability | | 82,210 | |
| Increase in deferred inflows of resources - OPEB | | (196,208) | |
| Depreciation | | (580,847) | |
| Investment earnings in Water and Sewer Capital Reserve Fund and Fund 70 | | 614 | |
| Water and sewer access charges | | 557,469 | |
| Other | | | |
| Total reconciling items | | <u>(94,598)</u> | |
| Change in net position | | <u>\$ 172,230</u> | |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 15

Water and Sewer Capital Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------|-----------|------------------------------------|
| Revenues: | | | |
| Investment earnings | \$ 1,500 | \$ 160 | \$ (1,340) |
| Total revenues | 1,500 | 160 | (1,340) |
| Other financing sources (uses): | | | |
| Transfer to other funds | (342,350) | (529,269) | (186,919) |
| Total other sources | (342,350) | (529,269) | (186,919) |
| Fund balance appropriated | 340,850 | - | (340,850) |
| Revenues and other sources over (under) expenditures and other uses | \$ - | (529,109) | \$ (529,109) |
| Fund balance, beginning | | 529,109 | |
| Fund balance, ending | | \$ - | |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 16

Capital Projects Fund - Haw River Intake Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|----------------------------------|------------------------|------------------------------------|--------------------------|---|
| Expenditures: | | | | | |
| Design | \$ 50,000 | \$ - | \$ - | \$ - | \$ 50,000 |
| Total expenditures | <u>50,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>50,000</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | | | | | |
| Water and Sewer Fund | <u>50,000</u> | <u>50,000</u> | <u>-</u> | <u>50,000</u> | <u>-</u> |
| Total other financing sources (uses) | <u>50,000</u> | <u>50,000</u> | <u>-</u> | <u>50,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 50,000</u> | <u>-</u> | <u>\$ 50,000</u> | <u>\$ 50,000</u> |
| Fund balance, beginning | | | <u>50,000</u> | | |
| Fund balance, ending | | | <u>\$ 50,000</u> | | |

TOWN OF PITTSBORO, NORTH CAROLINA
Water and Sewer System Development Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021

Schedule 17

| | Budget | Actual | Variance Positive (Negative) |
|--|---------------------|---------------------|------------------------------------|
| Revenues: | | | |
| Investment earnings | \$ 1,500 | \$ 453 | \$ (1,047) |
| Water SDF charges | 200,000 | 280,492 | 80,492 |
| Waste water SDF charges | 200,000 | 276,976 | 76,976 |
| | <u>401,500</u> | <u>557,921</u> | <u>156,421</u> |
| Total revenues | | | |
| | <u>401,500</u> | <u>557,921</u> | <u>156,421</u> |
| Expenditures: | | | |
| Water / Waste Water improvements | | - | - |
| Total expenditures | - | - | - |
| Other financing sources (uses): | | | |
| Transfer to other funds | (239,450) | - | 239,450 |
| Total other sources | (239,450) | - | 239,450 |
| | <u>(325,500)</u> | <u>-</u> | <u>325,500</u> |
| Fund balance appropriated | | | |
| | <u>(325,500)</u> | <u>-</u> | <u>325,500</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ (163,450)</u> | 557,921 | <u>\$ 721,371</u> |
| Fund balance, beginning | | <u>1,333,225</u> | |
| Fund balance, ending | | <u>\$ 1,891,146</u> | |

TOWN OF PITTSBORO, NORTH CAROLINA
Capital Projects Fund - Sanford Forcemain Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 18

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Town contribution | \$2,004,721 | \$1,759,125 | \$ 245,596 | \$2,004,721 | \$ - |
| Total revenues | 2,004,721 | 1,759,125 | 245,596 | 2,004,721 | - |
| Expenditures: | | | | | |
| Surveying/design & permitting | 1,278,000 | 1,215,681 | 56,208 | 1,271,889 | 6,111 |
| Bidding and negotiating | 5,500 | - | - | - | 5,500 |
| Construction contract admin | 130,000 | 6,825 | - | 6,825 | 123,175 |
| Construction observation | 247,100 | - | - | - | 247,100 |
| Geotechnical investigation | 38,500 | 36,850 | - | 36,850 | 1,650 |
| CWSRF administration | 15,000 | - | - | - | 15,000 |
| Application Fees | 28,125 | - | - | - | 28,125 |
| Utility easements | 245,596 | - | - | - | 245,596 |
| As-Built survey | 16,900 | - | - | - | 16,900 |
| Total expenditures | 2,004,721 | 1,259,356 | 56,208 | 1,315,564 | 689,157 |
| Revenues over (under) expenditures | - | 499,769 | 189,388 | 689,157 | 689,157 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | | | | | |
| Water and Sewer Fund | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | \$ - | \$ 499,769 | 189,388 | \$ 689,157 | \$ 689,157 |
| Fund balance, beginning | | | 499,769 | | |
| Fund balance, ending | | | \$ 689,157 | | |

TOWN OF PITTSBORO, NORTH CAROLINA
Capital Projects Fund - Wastewater Asset Inventory and Assessment Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 19

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| DEQ grant | \$ 150,000 | \$ 149,226 | \$ - | \$ 149,226 | \$ (774) |
| Town contribution | 30,250 | 30,000 | - | 30,000 | (250) |
| Total revenues | 180,250 | 179,226 | - | 179,226 | (1,024) |
| Expenditures: | | | | | |
| Sewer collection improvements | 78,200 | 80,190 | - | 80,190 | (1,990) |
| Asset prioritization tool in GIS | 30,000 | 24,736 | - | 24,736 | 5,264 |
| Cost planning and CIP tool | 27,000 | 40,536 | - | 40,536 | (13,536) |
| Enhanced CIP development | 24,000 | 24,000 | - | 24,000 | - |
| Work order process and improvement | 18,800 | 5,264 | - | 5,264 | 13,536 |
| Grant fee | 2,250 | 2,250 | - | 2,250 | - |
| Total expenditures | 180,250 | 176,976 | - | 176,976 | 3,274 |
| Revenues over (under) expenditures | - | 2,250 | - | 2,250 | 2,250 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | | | | | |
| Water and Sewer Fund | - | - | (22,904) | (22,904) | (22,904) |
| Total other financing sources (uses) | - | - | (22,904) | (22,904) | (22,904) |
| Net change in fund balance | \$ - | \$ 2,250 | (22,904) | \$ (20,654) | \$ (20,654) |
| Fund balance, beginning | | | 2,250 | | |
| Fund balance, ending | | | \$ (20,654) | | |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 20

Capital Projects Fund - Hearne Road Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Town contribution | \$ 284,840 | \$ 284,840 | \$ - | \$ 284,840 | \$ - |
| Total revenues | 284,840 | 284,840 | - | 284,840 | - |
| Expenditures: | | | | | |
| Construction | 225,000 | - | - | - | 225,000 |
| Construction administration | 29,130 | 14,395 | - | 14,395 | 14,735 |
| Bid administration | 4,075 | - | - | - | 4,075 |
| Design | 26,635 | 12,700 | - | 12,700 | 13,935 |
| Total expenditures | 284,840 | 27,095 | - | 27,095 | 257,745 |
| Revenues over (under) expenditures | - | 257,745 | - | 257,745 | 257,745 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | | | | | |
| Water and Sewer Fund | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | \$ - | \$ 257,745 | - | \$ 257,745 | \$ 257,745 |
| Fund balance, beginning | | | 257,745 | | |
| Fund balance, ending | | | \$ 257,745 | | |

TOWN OF PITTSBORO, NORTH CAROLINA
Capital Projects Fund - Water Asset Inventory and Assessment Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 21

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------|------------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Town contribution | \$ 30,000 | \$ 30,000 | | \$ 30,000 | \$ - |
| DEQ grant | 150,000 | - | 97,882 | 97,882.00 | (52,118) |
| Total revenues | 180,000 | 30,000 | 97,882 | 127,882 | (52,118) |
| Expenditures: | | | | | |
| Improvements/assessment | 177,750 | - | 97,882 | 97,882 | 79,868 |
| Grant fee | 2,250 | 2,250 | - | 2,250 | - |
| Total expenditures | 180,000 | 2,250 | 97,882 | 100,132 | 79,868 |
| Revenues over (under) expenditures | - | 27,750 | - | 27,750 | 27,750 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | | | | | |
| Water and Sewer Fund | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 27,750</u> | - | <u>\$ 27,750</u> | <u>\$ 27,750</u> |
| Fund balance, beginning | | | <u>27,750</u> | | |
| Fund balance, ending | | | <u>\$ 27,750</u> | | |

TOWN OF PITTSBORO, NORTH CAROLINA
Capital Projects Fund - Water Plant Improvement Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 22

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------|----------------|---------------------------|--------------------|------------------------------------|
| Revenues: | | | | | |
| Town contribution | \$1,200,000 | \$ - | \$1,200,000 | \$1,200,000 | \$ - |
| Total revenues | 1,200,000 | - | 1,200,000 | 1,200,000 | - |
| Expenditures: | | | | | |
| Permitting/design | 400,000 | - | 126,500 | 126,500 | 273,500 |
| Materials / supplies / equipment | 800,000 | - | - | - | 800,000 |
| Total expenditures | 1,200,000 | - | 126,500 | 126,500 | 1,073,500 |
| Revenues over (under) expenditures | - | - | 1,073,500 | 1,073,500 | 1,073,500 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | | | | | |
| Water and Sewer Fund | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 1,073,500 | <u>\$1,073,500</u> | <u>\$ 1,073,500</u> |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | <u>\$1,073,500</u> | | |

OTHER SCHEDULES

TOWN OF PITTSBORO, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Schedule 23

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2020</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Balance June 30, 2021</u> |
|---|--|---------------------|------------------------------------|--|
| 2020-2021 | \$ - | \$ 2,589,579 | \$ 2,569,554 | \$ 20,025 |
| 2019-2020 | 34,140 | - | 31,998 | 2,142 |
| 2018-2019 | 2,299 | - | 1,513 | 786 |
| 2017-2018 | 1,330 | - | 349 | 981 |
| 2016-2017 | 1,109 | - | 90 | 1,019 |
| 2015-2016 | 981 | - | 43 | 938 |
| 2014-2015 | 795 | - | 28 | 767 |
| 2013-2014 | 15,845 | - | 2 | 15,843 |
| 2012-2013 | 17,101 | - | 22 | 17,079 |
| 2011-2012 | 19,171 | - | - | 19,171 |
| 2010-2011 | 4,401 | - | 4,212 | 189 |
| 2009-2010 | 200 | - | - | 200 |
| 2008-2009 | 216 | - | - | 216 |
| 2007-2008 | 68 | - | - | 68 |
| | <u>\$ 97,656</u> | <u>\$ 2,589,579</u> | <u>\$ 2,607,811</u> | <u>79,424</u> |
| Less: allowance for uncollectible accounts: | | | | |
| General Fund | | | | <u>-</u> |
| Ad valorem taxes receivable - net | | | | <u>\$ 79,424</u> |
| <u>Reconciliation with revenues:</u> | | | | |
| Ad valorem taxes - General Fund | | | | \$ 2,617,365 |
| Reconciling items: | | | | |
| Interest collected | | | | (10,087) |
| Other | | | | <u>533</u> |
| Subtotal | | | | <u>(9,554)</u> |
| Total collections and credits | | | | <u>\$ 2,607,811</u> |

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 24

Analysis of Current Tax Levy

Town-Wide Levy

For the Fiscal Year Ended June 30, 2021

| | Town-Wide | | | Total Levy | |
|--|-----------------------|--------|---------------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current rate | \$ 598,060,370 | 0.4333 | \$ 2,591,575 | \$ 2,321,933 | \$ 269,642 |
| Discoveries - current and prior years | \$ - | 0.4333 | - | - | - |
| Releases | (460,651) | 0.4333 | (1,996) | (1,996) | - |
| Total Property Valuation | <u>\$ 597,599,719</u> | | | | |
| Net levy | | | 2,589,579 | 2,319,937 | 269,642 |
| Uncollected taxes at June 30, 2021 | | | (20,025) | (20,025) | - |
| Current year's taxes collected | | | <u>\$ 2,569,554</u> | <u>\$ 2,299,912</u> | <u>\$ 269,642</u> |
| Current levy collection percentage | | | <u>99.23%</u> | <u>99.14%</u> | <u>100.00%</u> |

TOWN OF PITTSBORO, NORTH CAROLINA
Assessed Value of All Taxable Property
(UNAUDITED)

Schedule 25

| <u>Fiscal Period</u> | <u>Tax Rate per \$100</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Utilities</u> | <u>Total</u> |
|--------------------------|-------------------------------|--------------------------|------------------------------|------------------|--------------|
| 2011 - 2012 | 0.3020 | 400,659,937 | 25,025,000 | 5,630,625 | 431,315,562 |
| 2012 - 2013 | 0.3673 | 400,057,011 | 25,549,226 | 5,929,783 | 431,536,020 |
| 2013 - 2014 | 0.4033 | 462,524,849 | 23,647,126 | 5,783,435 | 491,955,410 |
| 2014 - 2015 | 0.4333 | 464,070,194 | 23,409,673 | 5,531,918 | 493,011,785 |
| 2015 - 2016 | 0.4333 | 455,685,691 | 19,486,252 | 5,958,098 | 481,130,041 |
| 2016 - 2017 | 0.4333 | 409,582,541 | 70,621,319 | 6,129,809 | 486,333,669 |
| 2017 - 2018 | 0.4333 | 488,124,070 | 48,528,911 | 6,619,413 | 543,272,394 |
| 2018 - 2019 | 0.4333 | 494,920,378 | 49,776,829 | 13,547,427 | 558,244,634 |
| 2019 - 2020 | 0.4333 | 512,817,659 | 51,225,065 | 6,142,893 | 570,185,617 |
| 2020 - 2021 | 0.4333 | 530,120,487 | 61,965,700 | 6,143,402 | 598,229,589 |

Property is assessed at 100% of estimated sound value.

* Revaluation

TOWN OF PITTSBORO, NORTH CAROLINA
Tax Levies and Tax Collections
(UNAUDITED)

Schedule 26

| <u>Fiscal Period</u> | <u>Tax Levy</u> | <u>Collected Current</u> | <u>Percent Collected</u> | <u>Collected Prior Levies</u> | <u>Total Collected</u> | <u>Balances Delinquent</u> |
|--------------------------|-----------------|------------------------------|------------------------------|-----------------------------------|----------------------------|--------------------------------|
| 2011 - 2012 | 1,310,756 | 1,247,429 | 95.17% | 25,590 | 1,273,019 | 80,442 |
| 2012 - 2013 | 1,574,600 | 1,529,237 | 97.12% | 49,568 | 1,578,805 | 82,599 |
| 2013 - 2014 | 1,927,978 | 1,887,582 | 97.90% | 34,645 | 1,922,227 | 82,943 |
| 2014 - 2015 | 1,788,605 | 1,748,489 | 97.76% | 28,135 | 1,776,624 | 97,295 |
| 2015 - 2016 | 2,052,235 | 2,038,198 | 99.32% | 40,116 | 2,078,314 | 82,929 |
| 2016 - 2017 | 2,106,800 | 2,086,740 | 99.05% | 30,736 | 2,117,476 | 66,053 |
| 2017 - 2018 | 2,354,766 | 2,345,654 | 99.61% | 21,842 | 2,367,496 | 88,783 |
| 2018 - 2019 | 2,440,675 | 2,397,657 | 98.24% | 20,259 | 2,417,916 | 110,432 |
| 2019 - 2020 | 2,473,042 | 2,438,902 | 98.62% | 46,916 | 2,485,818 | 97,656 |
| 2020 - 2021 | 2,589,579 | 2,569,554 | 99.23% | 38,257 | 2,607,811 | 79,424 |

TOWN OF PITTSBORO, NORTH CAROLINA
Revenues Other Than Property Taxes
(UNAUDITED)

Schedule 27

| <u>Fiscal Period</u> | <u>Licenses and Permits</u> | <u>Interest</u> | <u>Revenues from Other Agencies</u> | <u>Other</u> | <u>Gross Revenues from Utilities</u> |
|--------------------------|---------------------------------|-----------------|---|--------------|--|
| 2011 - 2012 | 16,231 | 8,749 | 688,758 | 1,250,308 | 2,814,937 |
| 2012 - 2013 | 18,534 | 6,289 | 965,528 | 1,595,157 | 2,624,810 |
| 2013 - 2014 | 61,413 | 4,828 | 963,700 | 1,293,227 | 2,881,948 |
| 2014 - 2015 | 119,006 | 3,548 | 1,215,396 | 771,437 | 3,390,942 |
| 2015 - 2016 | 27,793 | 2,312 | 1,267,141 | 960,898 | 2,784,697 |
| 2016 - 2017 | 201,876 | 2,367 | 1,399,530 | 1,506,236 | 2,933,170 |
| 2017 - 2018 | 101,133 | 2,192 | 1,497,494 | 1,004,422 | 3,019,279 |
| 2018 - 2019 | 79,936 | 4,465 | 1,605,616 | 1,011,343 | 3,019,279 |
| 2019 - 2020 | 93,854 | 24,761 | 2,338,612 | 855,163 | 4,432,393 |
| 2020 - 2021 | 88,144 | 3,529 | 2,501,752 | 749,643 | 3,977,530 |

TOWN OF PITTSBORO, NORTH CAROLINA
Expenditures for Selected Functions
(UNAUDITED)

Schedule 28

| Fiscal Period | General Government | Public Safety | Streets and Sanitation | Cultural and Recreation | Economic and Physical Development | Debt Service | Utilities | |
|------------------|-----------------------|------------------|---------------------------|----------------------------|---|-----------------|-----------|--------------|
| | | | | | | | Operating | Debt Service |
| 2011 - 2012 | 918,763 | 1,387,625 | 523,461 | 84,587 | - | - | 2,165,485 | 406,365 |
| 2012 - 2013 | 940,246 | 1,444,785 | 691,799 | 88,740 | - | - | 2,218,671 | 452,362 |
| 2013 - 2014 | 765,887 | 1,369,288 | 751,058 | 103,548 | - | - | 2,218,912 | 491,350 |
| 2014 - 2015 | 890,893 | 1,551,766 | 763,518 | 209,035 | 94,614 | 36,434 | 2,224,071 | 475,285 |
| 2015 - 2016 | 904,393 | 1,612,821 | 899,793 | 300,939 | 263,435 | 50,380 | 2,979,079 | 396,948 |
| 2016 - 2017 | 912,404 | 1,708,071 | 882,945 | 262,643 | 311,841 | 137,431 | 2,924,057 | 21,932 |
| 2017 - 2018 | 782,910 | 1,833,503 | 885,174 | 242,140 | 317,873 | 140,688 | 2,960,501 | 190,886 |
| 2018 - 2019 | 891,953 | 2,049,114 | 961,942 | 229,002 | 256,083 | 104,647 | 3,256,985 | 163,550 |
| 2019 - 2020 | 1,050,347 | 2,067,320 | 1,319,040 | 141,388 | 265,009 | 132,976 | 3,874,959 | 157,099 |
| 2020 - 2021 | 1,002,901 | 2,154,823 | 963,435 | 62,538 | 424,750 | 86,049 | 3,892,334 | 138,974 |

COMPLIANCE SECTION

SHARPE
PATEL CPA

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

To the Honorable Mayor
And Members of the Board of Commissioners
Town of Pittsboro
Pittsboro, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Pittsboro (the "Town") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 1, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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.

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 controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina
December 1, 2021

TOWN OF PITTSBORO, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

| | | | | | |
|---------------------------------|-------|-----|-------|---|----|
| Material weaknesses identified? | _____ | yes | _____ | ✓ | no |
|---------------------------------|-------|-----|-------|---|----|

| | | | | | |
|--|-------|-----|-------|---|---------------|
| Significant deficiency(s) identified that are not considered to be material weaknesses? | _____ | yes | _____ | ✓ | none reported |
|--|-------|-----|-------|---|---------------|

| | | | | | |
|--|-------|-----|-------|---|----|
| Noncompliance material to financial statements noted | _____ | yes | _____ | ✓ | no |
|--|-------|-----|-------|---|----|

Federal Awards

Identification of major federal programs:

There are no major Federal awards.

State Awards

Identification of major State programs:

There are no major State awards.

TOWN OF PITTSBORO, NORTH CAROLINA
Summary Schedule of Piror Year Audit Findings
For the Year Ended June 30, 2021

No findings in the prior year.