

TOWN OF PINETOPS,
NORTH CAROLINA
FINANCIAL STATEMENTS
JUNE 30, 2022

TOWN OF PINETOPS

PINETOPS, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Brenda Harrell

Town Commissioners

Wanda Harrison

Dennis Sugg

Oscar Mabry

Donald Webb

Barbara Taylor

Town Clerk

Tammy Keesler

Town of Pinetops, North Carolina
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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Pinetops, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Pinetops as of June 30, 2022, and the respective changes in financial position, and cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Town of Pinetops and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town of Pinetops' ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Pinetops' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Pinetops' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 18, the Local Governmental Employees' Retirement Systems' Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 56 and 57, respectively, the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 58 and 59, respectively, and the Other Postemployment Benefits' Schedules of Funding Progress and Schedule of Employer Contributions, on page 60, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Pinetops, North Carolina. The combining and the individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

basic financial statements. The 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 by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules and other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022 on our consideration of the Town of Pinetops' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Pinetops' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pinetops' internal control over financial reporting and compliance.


Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

November 15, 2022

Management's Discussion and Analysis FY 2022

As management of the Town of Pinetops, we offer readers of the Pinetops' financial statements this narrative overview and analysis of the financial activities of the Town of Pinetops for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

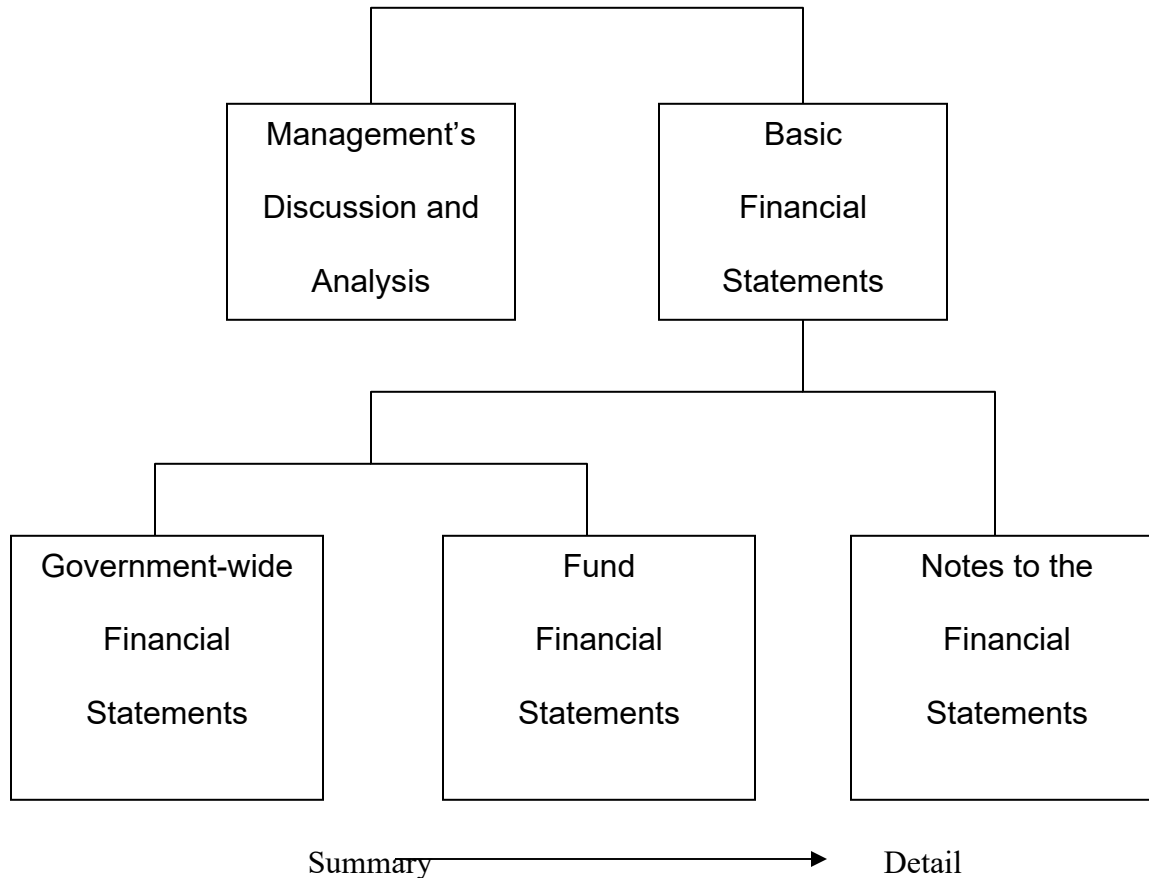
- The assets and deferred outflows of resources of the Town of Pinetops exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,971,472 (net position).
- The government's total net position increased by \$828,545 due to an increase in the business-type activities net position of \$725,381 and an increase of \$103,164 in governmental activities net position.
- As of the close of the current fiscal year, the Town of Pinetops' governmental funds reported combined ending fund balances of \$800,050 an increase of \$111,991 in comparison with the prior year. Approximately 43.99% of this total amount, or \$351,966 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$351,966 or 26.84 % of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Town of Pinetops

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 1,046,454	\$ 749,642	\$ 3,237,692	\$ 2,264,784	\$ 4,284,146	\$ 3,014,426
Capital assets	667,001	670,869	6,018,552	5,563,661	6,685,553	6,234,530
Total assets	1,713,455	1,420,511	9,256,244	7,828,445	10,969,699	9,248,956
Deferred Outflow of Resources	204,319	213,264	122,959	121,176	327,278	334,440
Total deferred outflow of resources	204,319	213,264	122,959	121,176	327,278	334,440
Current liabilities	62,118	92,535	630,232	456,568	692,350	549,103
Long term liabilities	522,944	653,457	1,502,277	1,088,152	2,025,221	1,741,609
Total liabilities	585,062	745,992	2,132,509	1,544,720	2,717,571	2,290,712
Deferred Inflows of Resources	367,208	25,443	128,354	11,942	495,562	37,385
Total deferred inflows of resources	367,208	25,443	128,354	11,942	495,562	37,385
Net position:						
Net investment in capital assets	667,001	418,698	4,521,674	4,597,235	5,188,675	5,015,933
Restricted	448,084	371,700	-	-	448,084	371,700
Unrestricted	(149,581)	71,942	2,596,666	1,795,724	2,447,085	1,867,666
Total net position	\$ 965,504	\$ 862,340	\$ 7,118,340	\$ 6,392,959	\$ 8,083,844	\$ 7,255,299

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Pinetops exceeded liabilities and deferred inflows of resources by \$8,083,844 as of June 30, 2022. The Town's net position increased by \$828,545 for the fiscal year ended June 30, 2022. However, \$5,188,675 or 64.19% reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Pinetops uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pinetops' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Pinetops' net position, \$448,084 or 5.54% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 2,447,085 (30.27%) is unrestricted.

Management Discussion and Analysis-FY 2022
Town of Pinetops

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

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

**Town of Pinetops’
 Changes in Net Position
 Figure 3**

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2021	2021	2021	2021	2021	2019
Revenues:						
Program revenues:						
Charges for services	\$ 145,119	\$ 151,298	\$ 3,572,447	\$ 3,556,784	\$ 3,717,566	\$ 3,708,082
Operating grants and contributions	161,527	107,212	312,545	169,664	474,072	276,876
Capital grants and contributions	-	-	-	34,102	-	34,102
General revenues:						
Property taxes	234,923	291,503	-	-	234,923	291,503
Other taxes	-	-	-	-	-	-
Other	439,829	440,024	-	(4,017)	439,829	436,007
Total revenues	981,398	990,037	3,884,992	3,756,533	4,866,390	4,746,570
Expenses:						
General government	123,830	261,759	-	-	123,830	261,759
Public safety	765,977	864,546	-	-	765,977	864,546
Transportation	162,017	178,335	-	-	162,017	178,335
Environmental protection	165,533	146,716	-	-	165,533	146,716
Interest on long-term debt	5,655	(6,676)	-	-	5,655	(6,676)
Water and sewer			712,740	718,927	712,740	718,927
Electric			2,102,093	2,353,594	2,102,093	2,353,594
Total expenses	1,223,012	1,444,680	2,814,833	3,072,521	4,037,845	4,517,201
Transfers	344,778	375,000	(344,778)	(375,000)		
Increase in net position	103,164	(79,643)	725,381	309,012	828,545	229,369
Net position, beginning	862,340	941,983	6,392,959	6,083,947	7,255,299	7,025,930
Net position, ending	\$ 965,504	\$ 862,340	\$ 7,118,340	\$ 6,392,959	\$ 8,083,844	\$ 7,255,299

Town of Pinetops

Governmental activities: Governmental activities decreased the Town's net position by \$241,614 before transfers.

Business-type activities: Business-type activities increased the Town of Pinetops net position by \$1,070,159 before transfers.

Financial Analysis of the Town Funds

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

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

The general fund is the chief operating fund of the Town of Pinetops. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$351,966 while total fund balance reached \$800,050. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 26.84% of total General Fund expenditures.

At June 30, 2022, the governmental funds of Pinetops reported a combined fund balance of \$800,050 a 16.28 % percent increase over the prior year.

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

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$819,177 and those for the Electric Fund amounted to \$1,764,226. The change in net position for was an increase in the Water and Sewer Fund of \$351,346 and an increase of \$718,813 for the Electric Fund prior to transfers to other funds. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

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Capital Asset and Debt Administration

Capital assets. The Town of Pinetops’ investment in capital assets for its governmental and business–type activities as of June 30, 2022 totals \$6,685,553 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Pinetops’s
Capital Assets**

Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 47,300	\$ 47,300	\$ 37,100	\$ 37,100	\$ 84,400	\$ 84,400
Construction in progress	\$ 137,022	\$ 137,022	\$ 1,767,841	\$ 1,105,201	\$ 1,904,863	\$ 1,242,223
Buildings	355,000	366,203	-	-	355,000	366,203
Equipment and furniture	6,189	26,845				
Plant & Distribution System	-	-	4,159,551	4,345,707	4,159,551	4,345,707
Vehicles and equipment	121,490	93,499	54,060	75,653	175,550	169,152
Total	\$ 667,001	\$ 670,869	\$ 6,018,552	\$ 5,563,661	\$ 6,679,364	\$ 6,207,685

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

Long-term Debt.

The Town of Pinetops’ total debt increased by \$415,170 during the past fiscal year.

**Town of Pinetops
 Outstanding Debt
 Note Payable**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
USDA Installment debt	\$ 304,173	\$ 252,171	\$ 13,263	\$ 19,902	\$ 317,436	\$ 272,073
NCDEQ Revolving loan	-	-	1,483,615	946,524	1,483,615	946,524
Total long term obligations	\$ 304,173	\$ 252,171	\$ 1,496,878	\$ 966,426	\$ 1,801,051	\$ 1,218,597

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin is the difference between the 8 percent of total assessed value of taxable property and outstanding debt. The legal debt margin for Town of Pinetops as of June 30 2022 is \$2,776,187.

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

Economic Factors and Next Year’s Budgets and Rates

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

- The Town of Pinetops increased water & sewer rates by 25% in July 2021 and then an increase of 15% in March of 2022.
- Sewer rates will increase in January 2023 by 14.12% and project another increase of 14.12% in July 2023.
- The Town of Pinetops had a complete rate study done by NCRWA in November and are implementing increases appropriately.
- The Town has received funding through NCDEQ for waterline improvements.
- Electric rates continue to remain unchanged.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities: Property tax rates are stable while the staff has been very active in improving collections. The Town anticipates improved collections of prior years taxes. Budget expenditures are being held in check in order to improve the fund balance. The 2023 budget anticipates only requires expenditures during the year.

Business – type Activities: The overall water and sewer basic rates have proposed increase of 14.12% effective January 2023. The electric rate has no proposed increase. The budgeted electric revenues and expenditures will increase slightly. The budgeted water and sewer revenues and expenditures will remain steady.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Pinetops, North Carolina
Statement of Net Position
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 611,179	\$ 2,508,462	\$ 3,119,641
Restricted cash and cash equivalents	309,739	127,677	437,416
Taxes receivable, net	19,254	-	19,254
Accounts receivable - net	-	440,317	440,317
Due from other governments	138,345	26,245	164,590
Internal balances	(32,063)	32,063	-
Inventories	-	102,928	102,928
Total Current Assets	1,046,454	3,237,692	4,284,146
<i>NonCurrent Assets</i>			
<i>Capital Assets</i>			
Land and other nondepreciable assets	184,322	1,804,940	1,989,262
Other capital assets, net of depreciation	482,679	4,213,612	4,696,291
Total Capital Assets	667,001	6,018,552	6,685,553
Total assets	1,713,455	9,256,244	10,969,699
DEFERRED OUTFLOWS OF RESOURCES	204,319	122,959	327,278
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	30,354	415,350	445,704
Customer deposits	-	127,677	127,677
Current portion of long-term liabilities	31,764	87,205	118,969
Total Current Liabilities	62,118	630,232	692,350
<i>Long-term Liabilities:</i>			
Net pension liability	78,810	61,821	140,631
Net OPEB liability	29,458	23,108	52,566
Total LEO pension liability	92,256	-	92,256
Compensated absences	50,011	7,675	57,686
Due in more than one year	272,409	1,409,673	1,682,082
Total Long-term Liabilities	522,944	1,502,277	2,025,221
Total Liabilities	585,062	2,132,509	2,717,571
DEFERRED INFLOWS OF RESOURCES	367,208	128,354	495,562
NET POSITION			
Net investment in capital assets	667,001	4,521,674	5,188,675
<i>Restricted for:</i>			
Stabilization by State Statute	138,345	-	138,345
Streets	247,308	-	247,308
Debt service	11,702	-	11,702
Public safety	27,530	-	27,530
Trust for future asset purchases	23,199	-	23,199
<i>Unrestricted</i>	(149,581)	2,596,666	2,447,085
Total Net Position	\$ 965,504	\$ 7,118,340	\$ 8,056,314

The accompanying notes are an integral part of this financial statement.

Town of Pinetops, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 123,830	\$ -	\$ 11,000	\$ -	\$ (112,830)	\$ -	\$ (112,830)
Public safety	765,977	-	104,818	-	(661,159)	-	(661,159)
Transportation	162,017	-	45,709	-	(116,308)	-	(116,308)
Environmental protection	165,533	145,119	-	-	(20,414)	-	(20,414)
Interest on debt	5,655	-	-	-	(5,655)	-	(5,655)
Total governmental activities	<u>1,223,012</u>	<u>145,119</u>	<u>161,527</u>	<u>-</u>	<u>(916,366)</u>	<u>-</u>	<u>(916,366)</u>
Business-type activities:							
Electric	2,102,093	2,820,906	-	-	-	718,813	718,813
Water and sewer	712,740	751,541	312,545	-	-	351,346	351,346
Total business-type activities	<u>2,814,833</u>	<u>3,572,447</u>	<u>312,545</u>	<u>-</u>	<u>-</u>	<u>1,070,159</u>	<u>351,346</u>
Total primary government	<u>\$ 4,037,845</u>	<u>\$ 3,717,566</u>	<u>\$ 474,072</u>	<u>\$ -</u>	<u>(916,366)</u>	<u>1,070,159</u>	<u>(565,020)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					234,923	-	234,923
Unrestricted intergovernmental					393,559	-	393,559
Unrestricted investment earnings					551	-	551
Sale of capital assets					-	-	-
Contributions					-	-	-
Miscellaneous					45,719	-	45,719
Transfers					344,778	(344,778)	-
Total general revenues and transfers					<u>1,019,530</u>	<u>(344,778)</u>	<u>281,193</u>
Change in net position					103,164	725,381	(283,827)
Net position-beginning					862,340	6,392,959	7,255,299
Net position-ending					<u>\$ 965,504</u>	<u>\$ 7,118,340</u>	<u>\$ 6,971,472</u>

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

FUND FINANCIAL STATEMENTS

Town of Pinetops, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

		Major Fund
		General Fund
ASSETS		
Cash and cash equivalents	\$	611,179
Restricted cash and cash equivalents		309,739
Taxes receivable, net		19,254
Due from other funds		-
Due from other governments		138,345
Total assets		1,078,517
 LIABILITIES		
Accounts payable and accrued liabilities		30,354
Due to other funds		32,063
Total Liabilities		62,417
 DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable		19,254
Unearned revenue		196,796
Total deferred inflows of resources		216,050
 FUND BALANCES		
Restricted:		
Stabilization by State Statute		138,345
Streets		247,308
Debt service		11,702
Public safety		27,530
Trust for future asset purchases		23,199
Unassigned		351,966
Total Fund Balance		800,050

Total Liabilities, Deferred Inflows of Resources, and Fund Balance

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		667,001
Pension related deferrals		204,319
Earned revenues considered deferred inflows of resources in the fund statements.		19,254
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Net pension liability		(78,810)
Net LEO pension liability		(92,256)
Net OPEB liability		(29,458)
Compensated absences		(50,011)
Notes payable		(304,173)
Deferred inflows of resources related to pensions are not reported in the funds		(170,412)
Net position of governmental activities	\$	965,504

The accompanying notes are an integral part of this financial statement.

Town of Pinetops, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

		Major Fund General Fund
Revenues		
Ad valorem taxes	\$	260,981
Unrestricted intergovernmental		393,559
Restricted intergovernmental		161,527
Permits, fees, sales, services and other		190,838
Investment earnings		551
Total revenues		1,007,456
 EXPENDITURES		
Current:		
General Government		186,170
Public Safety		742,693
Transportation		106,042
Environmental protection		165,533
Economic and Community Development		-
Culture and recreation		-
Debt service:		
Principal		18,998
Interest		5,655
Capital outlay		86,152
Total Expenditures		1,311,243
Excess (deficiency) of revenues over expenditures		(303,787)
 Other Financing Sources		
Transfer (to) from other funds		344,778
Proceeds from long term debt		71,000
		415,778
Net change in fund balance		111,991
 Fund balances, beginning		688,059
Fund balances, ending	\$	800,050

The accompanying notes are an integral part of this financial statement.

Town of Pinetops, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2022

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

Total Net Change in Fund Balances - Governmental Funds	\$	111,991
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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 as reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 86,152	
Depreciation expense for governmental assets	<u>(90,022)</u>	(3,870)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		127,226
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Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities		13,423
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Revenues in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(26,058)
Change in long-term debt		(52,002)

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.

Pension expense	(72,123)	
OPEB expense	(2,434)	
Compensated absences	<u>7,011</u>	<u>(67,546)</u>

Changes in Net Position-Governmental Funds	\$	<u>103,164</u>
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The accompanying notes are an integral part of this financial statement.

Town of Pinetops, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem taxes	\$ 238,600	\$ 238,600	\$ 260,981	\$ 22,381
Unrestricted intergovernmental	307,500	351,450	393,559	42,109
Restricted intergovernmental	33,950	129,306	161,527	32,221
Permits, fees, sales, services and other	197,275	148,048	190,838	42,790
Investment earnings	-	450	551	101
Total revenues	777,325	867,854	1,007,456	139,602
EXPENDITURES				
Current:				
General Government	241,538	239,461	186,170	53,291
Public Safety	759,332	768,286	742,693	25,593
Transportation	122,172	109,734	106,042	3,692
Environmental protection	162,541	172,479	165,533	6,946
Culture and recreation	-	-	-	-
Debt service:				
Principal	18,998	18,998	18,998	-
Interest	5,655	5,655	5,655	-
Capital outlay	-	86,152	86,152	-
Total Expenditures	1,310,236	1,400,765	1,311,243	89,522
Excess (deficiency) of revenues over expenditures				
Other Financing Sources				
Sale of capital assets	-	-	-	-
Transfers	532,911	532,911	344,778	-
Proceeds from long term debt	-	-	71,000	71,000
Net change in fund balance	\$ -	\$ -	\$ 111,991	\$ 121,080
Fund balances, beginning			688,059	
Fund balances, ending			\$ 800,050	

The accompanying notes are an integral part of this financial statement.

Town of Pinetops, North Carolina
Statement of Net Position
Proprietary Fund
June 30, 2022

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,760,340	\$ 748,122	\$ 2,508,462
Restricted cash and cash equivalents	79,721	47,956	127,677
Accounts receivable (net) - trade	327,575	112,742	440,317
Prepaid expenses	-	-	-
Due from other governments	6,604	19,641	26,245
Due from other funds	32,063	-	32,063
Inventories	29,136	73,792	102,928
Total current assets	2,235,439	1,002,253	3,237,692
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	11,600	1,793,340	1,804,940
Other capital assets, net of depreciation	119,560	4,094,052	4,213,612
Total noncurrent assets	131,160	5,887,392	6,018,552
Total assets	\$ 2,366,599	\$ 6,889,645	\$ 9,256,244
DEFERRED OUTFLOWS OF RESOURCES			
	82,262	40,697	122,959
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 313,202	\$ 102,148	\$ 415,350
Due to other funds	-	-	-
Notes payable - current	7,582	79,623	87,205
Liabilities payable from restricted assets:			-
Customer deposits	79,721	47,956	127,677
Total current liabilities	400,505	229,727	630,232
Long-term liabilities:			
Notes payable	5,681	1,403,992	1,409,673
Compensated absences	4,598	3,077	7,675
Net pension liability	41,360	20,461	61,821
Net OPEB liability	15,460	7,648	23,108
Total long-term liabilities	67,099	1,435,178	1,502,277
Total liabilities	467,604	1,664,905	2,132,509
DEFERRED INFLOWS OF RESOURCES			
	85,871	42,483	128,354
NET ASSETS			
Net investment in capital assets	131,160	4,403,777	4,534,937
Unrestricted	1,764,226	819,177	2,583,403
Total net position	\$ 1,895,386	\$ 5,222,954	\$ 7,118,340

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

Town of Pinetops, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
June 30, 2022

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,793,560	\$ 750,356	\$ 3,543,916
Other operating revenues	27,346	1,185	28,531
Total operating revenues	<u>2,820,906</u>	<u>751,541</u>	<u>3,572,447</u>
OPERATING EXPENSES			
Electric operations	1,523,573	-	1,523,573
Administration and operations	542,863	503,068	1,045,931
Depreciation expense	27,803	179,944	207,747
Total operating expenses	<u>2,094,239</u>	<u>683,012</u>	<u>2,777,251</u>
Operating income (loss)	<u>726,667</u>	<u>68,529</u>	<u>795,196</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	-	312,545	312,545
Interest on long-term debt	(7,854)	(29,728)	(37,582)
Miscellaneous	-	-	-
Total nonoperating revenue (expenses)	<u>(7,854)</u>	<u>282,817</u>	<u>274,963</u>
Income (loss) before contributions and transfers	718,813	351,346	1,070,159
Transfers (to) from other funds	(344,778)	-	(344,778)
Change in net position	<u>374,035</u>	<u>351,346</u>	<u>725,381</u>
Total net position - beginning	1,521,351	4,871,608	6,392,959
Total net position - ending	<u>\$ 1,895,386</u>	<u>\$ 5,222,954</u>	<u>\$ 7,118,340</u>

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

Town of Pinetops, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2022

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,784,915	\$ 747,426	\$ 3,532,341
Cash paid for goods and services	(1,532,169)	(396,697)	(1,928,866)
Cash paid to employees for services	(388,042)	(90,679)	(478,721)
Other operating revenues	27,346	1,185	28,531
Net cash provided (used) by operating activities	<u>892,050</u>	<u>261,235</u>	<u>1,153,285</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund activity	-	-	-
Transfer (to)/from other funds	(344,778)	-	(344,778)
Net cash provided (used) by noncapital financing activities	<u>(344,778)</u>	<u>-</u>	<u>(344,778)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Grants and other income	-	312,545	312,545
Proceeds from long term debt	-	616,714	616,714
Principal paid on long-term debt	(6,639)	(79,623)	(86,262)
Interest paid on long-term debt	(7,854)	(29,728)	(37,582)
Acquisition of capital assets	-	(662,640)	(662,640)
Net cash (used) by investing activities	<u>(14,493)</u>	<u>157,268</u>	<u>142,775</u>
Net increase (decrease) in cash and cash equivalents	532,779	418,503	951,282
Balances-beginning of the year	1,307,282	377,575	1,684,857
Balances-end of the year	<u>\$ 1,840,061</u>	<u>\$ 796,078</u>	<u>\$ 2,636,139</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 726,667	\$ 68,529	\$ 795,196
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	27,803	179,944	207,747
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(7,746)	(3,136)	(10,882)
(Increase) decrease in due from other governments	(1,877)	(8,867)	(10,744)
(Increase) decrease in inventory	-	-	-
(Increase) decrease in prepaid expenses	-	-	-
(Increase) decrease in deferred outflows of resources	2,768	(4,551)	(1,783)
Increase (decrease) in net pension liability	(89,769)	(35,282)	(125,051)
Increase (decrease) in net OPEB liability	(217)	3,176	2,959
Increase (decrease) in deferred inflows of resources	77,491	38,921	116,412
Increase (decrease) in accounts payable and accrued liabilities	154,696	19,218	173,914
Increase (decrease) in customer deposits	(899)	206	(693)
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in compensated absences	3,133	3,077	6,210
Total adjustments	<u>165,383</u>	<u>192,706</u>	<u>358,089</u>
Net cash provided by operating activities	<u>\$ 892,050</u>	<u>\$ 261,235</u>	<u>\$ 1,153,285</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Pinetops, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Pinetops is a municipal corporation that is governed by an elected mayor and a five-member Board of Commissioners.

B. Basis of Presentation

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

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

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

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. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other nonoperating 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, State grants, and various other taxes and licenses. The primary expenditures are for sanitation, street maintenance, public safety and general government services.

The Town reports the following major enterprise funds:

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

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.

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 nonoperating 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 enterprise funds 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 enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Town considers all revenues available if they are collected within 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 to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred inflows of resources at June 30, 2022 because they are intended to finance the Town's operations during the 2023 fiscal year.

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State Law [G.S. 159-30(c)], authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT – Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2022, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than six months.

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

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 cash equivalents are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended grant funds of the Capital Projects funds and various grant funds are classified as restricted assets for the Enterprise and General Fund because their use is completely restricted to the purpose for which the funds were originally issued. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Power Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. In addition, public safety funds are also restricted. The funds are only to be expended for public safety related expenditures.

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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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.

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale 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. These payments are expensed as items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs is \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets consisting of road networks prior to July 1, 2003 have not been recorded as permitted by GASB Statement 34. 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
Infrastructure	25 - 50
Buldings	30
Improvements	20 - 30
Vehicles	5 - 7
Furniture and equipment	5 - 10
Computer equipment	5

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 expense or expenditure until then. 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 meets the criterion for this category – property taxes receivable, unavailable revenues, pension deferrals, OPEB deferrals and LEO 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 policies of the Town provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town’s government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a last-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 and proprietary fund 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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. The Town does not have any nonspendable fund balances for the governmental fund types.

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

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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 unexpected Powell Bill funds.

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

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

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

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

12. Pensions

For the purposes of measuring the net pension asset, net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and the Law Enforcement Officer's Separation

Allowance (LEO) and additions to/deductions from LGERS' and LEOs' fiduciary net position have been determined on the same basis as they are reported to LGERS and LEO. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Pinetops' employer contributions are recognized when due and the Town of Pinetops has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS and LEO. Investments are reported at fair value.

F. Use of Estimates

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

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

The audit report was submitted late due to the lead auditor at the audit firm withdrawing from the engagement late during audit season due to lack of staff. The Town had to find a new auditor. No finding is considered necessary since the matter was out of the Town's control.

2. Contractual Violations

None.

B. Deficit in Fund Balance on Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

NOTE III – DETAILS NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

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

At June 30, 2022, the Town’s deposits had a carrying amount of \$3,411,861 and a bank balance of \$3,156,561. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2022, the Town’s petty cash fund totaled \$3,826.

2. Investments

At June 30, 2022, the Town’s investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2022	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 118,171	N/A	AAA

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

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

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the allowance for doubtful accounts. As of June 30, 2022, the General Fund’s allowance for doubtful accounts was \$12,449, the Electric Fund’s allowance for doubtful accounts was \$73,320, and the Water and Sewer Fund’s allowance for doubtful accounts was \$28,278.

4. Capital Assets

Governmental Capital Assets

A summary of changes in the Town's capital assets are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 47,300	\$ -	\$ -	\$ 47,300
Construction in Progress	137,022	-	-	137,022
Total capital assets not being depreciated	<u>184,322</u>	-	-	<u>184,322</u>
Capital assets being depreciated				
Buildings & Streets	671,585	-	-	671,585
Vehicles and motorized equipment	1,053,902	86,152	-	1,140,054
Equipment	271,291	-	-	271,291
Total capital assets being depreciated	<u>1,996,778</u>	<u>86,152</u>	-	<u>2,082,930</u>
Less accumulated depreciation for				
Buildings & Streets	305,382	11,203	-	316,585
Vehicles and motorized equipment	960,402	58,163	-	1,018,565
Equipment	244,446	20,655	-	265,101
Total accumulated depreciation	<u>1,510,230</u>	<u>90,021</u>	-	<u>1,600,251</u>
Total capital assets being depreciated, net	<u>486,548</u>			<u>482,679</u>
Governmental activity capital assets, net	<u>\$ 670,870</u>			<u>\$ 667,001</u>

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

General Government	10,762
Public Safety	23,284
Transportation	55,975
Cultural and recreational	-
	<u>\$ 90,021</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities				
Electric Fund				
Capital assets not being depreciated				
Land	\$ 11,600	\$ -	\$ -	\$ 11,600
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	11,600	-	-	11,600
Capital assets being depreciated				
Plant and distributions systems	579,253	-	-	579,253
Vehicles and equipment	864,622	-	-	864,622
Total capital assets being depreciated	1,443,875	-	-	1,443,875
Less accumulated depreciation for				
Plant and distributions systems	506,941	6,811	-	513,752
Vehicles and equipment	789,571	20,992	-	810,563
Total accumulated depreciation	1,296,512	27,803	-	1,324,315
Total capital assets being depreciated, net	147,363			119,560
Electric Fund capital assets, net	\$ 158,963			\$ 131,160
Water and Sewer Fund				
Capital assets not being depreciated				
Land	\$ 25,500	\$ -	\$ -	\$ 25,500
Construction in Progress	1,105,201	662,640	-	1,767,841
Total capital assets not being depreciated	1,130,701	662,640	-	1,793,341
Capital assets being depreciated				
Plant and distributions systems	10,097,389	-	-	10,097,389
Vehicles and equipment	123,583	-	-	123,583
Total capital assets being depreciated	10,220,972	-	-	10,220,972
Less accumulated depreciation for				
Plant and distributions systems	5,823,996	179,343	-	6,003,339
Vehicles and equipment	122,981	601	-	123,582
Total accumulated depreciation	5,946,977	179,944	-	6,126,921
Total capital assets being depreciated, net	4,273,995			4,094,051
Water and Sewer Fund capital assets, net	\$ 5,404,696			\$ 5,887,392
Business-type Activities capital assets, net	\$ 5,563,659			\$ 6,018,552

B. Liabilities

1. Pension Plan Obligations

1. Local Governmental Employees' Retirement System

Plan Description. The Town of Pinetops is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial

Report (ACFR) for the State of North Carolina. The State's ACFR 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.

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 Pinetops 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 Pinetops' contractually required contribution rate for the year ended June 30, 2022, was 12.040% of compensation for law enforcement officers and 11.440% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Pinetops were \$96,133 for the year ended June 30, 2022.

Refunds of Contributions – City 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, 2022, the Town reported a liability of \$140,631 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021 (measurement date), the Town's proportion was .00917% which was an decrease of 0.00414% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$44,691. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 44,740	\$ -
Changes of assumptions	88,352	-
Net difference between projected and actual earnings on pension plan investments	-	200,919
Changes in proportion and differences between City contributions and proportionate share of contributions	17,170	64,512
City contributions subsequent to the measurement date	96,133	-
Total	<u>\$ 246,395</u>	<u>\$ 265,431</u>

\$96,133 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 319
2024	(18,345)
2025	(35,660)
2026	(61,482)
2027	-
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.

The actuarial assumptions used in the December 31, 2020 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 returns 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, 2021 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 545,917	\$ 140,631	\$ (192,896)

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 (ACFR) for the State of North Carolina.

2. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified worn 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 services.

The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of

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

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2021, the Separation Allowance's membership consisted of:

Inactive Members Currently Receiving Benefits	-
Active Plan Members	<u>6</u>
Total	<u><u>6</u></u>

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

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2020, valuation. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods including in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factors
Discount rate	2.25 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

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

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

For the year ended June 30, 2022, the Town recognized total pension liability of \$164,625. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$26,402.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 52,673	\$ 5,915
Changes of assumptions	22,978	6,195
Benefit payments and administrative costs made subsequent to the measurement date	13,118	-
Total	<u>\$ 88,769</u>	<u>\$ 12,110</u>

\$13,118 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 OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$ 12,117
2024	12,397
2025	12,744
2026	13,611
2027	11,679
Thereafter	993

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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total pension liability	\$ 184,475	\$ 164,625	\$ 146,817

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

	<u>2022</u>
Beginning balance	\$ 95,065
Service cost	12,450
Interest on the total pension liability	1,835
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	61,399
Changes of assumptions or other inputs	(6,124)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$164,625</u>

The plan currently uses mortality tables that vary by age and health status (i.e. disables and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions

of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 44,691	\$ 26,402	\$ 71,093
Pension Liability	140,631	164,625	305,256
Proportionate share of the net pension liability	0.00917%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	82,844	52,673	135,517
Changes in assumptions	163,601	22,978	186,579
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	85,053	-	85,053
Benefit payments and administrative costs paid subsequent to the measurement date	114,108	13,118	127,226
Deferred Inflows of Resources			
Differences between expected and actual experience	-	5,915	5,915
Changes in assumptions	-	6,195	6,195
Net difference between projected and actual earnings on plan investments	372,040	-	372,040
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,236	-	6,236

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

2. Other Employee Benefit

Health Care Benefits

Plan Description. The Town provides post-employment health care benefits through a single-employer defined benefit plan to retirees of the Town. The Town Board has the authority to establish and amend benefit terms and financing agreements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

Membership of the Health Care Benefits Plan consisted of the following at June 30, 2020, the date of the latest actuarial study: Twenty-one active plan members are receiving benefits.

Total OPEB Liability

The Town's total OPEB liability of \$52,566 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases	3.28%-8.41% including inflation
Discount rate	2.21%
Healthcare cost trend rates	
Pre-Medicare	7.00% for 2020, decreasing to an ultimate rate of 4.50% by 2030
Dental	4.00%

The discount rate is based on the yield of the Bond Buyer General Obligation 20-year Municipal Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2020	\$ 56,861
Changes for the year	
Service cost	2,410
Interest	1,310
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions of other inputs	(8,015)
Benefit payments	-
Net changes	<u>(4,295)</u>
Balance at June 30, 2021	<u>\$ 52,566</u>

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 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 (1.16 percent) or 1- percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease</u> <u>(1.16%)</u>	<u>Discount Rate</u> <u>(2.16%)</u>	<u>1% Increase</u> <u>(3.16%)</u>
Total OPEB liability	\$ 56,831	\$ 52,566	\$ 48,521

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 46,799	\$ 52,566	\$ 59,079

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$2,434. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 13,295	\$ 18,715
Changes of assumptions	6,603	7,834
Benefit payments and administrative costs made subsequent to the measurement date	13,423	-
Total	<u>\$ 33,321</u>	<u>\$ 26,549</u>

\$13,423 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2023	\$ (1,286)
2024	(2,217)
2025	(2,921)
2026	(2,921)
2027	(493)
Thereafter	3,187

Death Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employees' 12 highest months salary in a row during the 24 months prior to the employees' death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2022, the Town made contributions to the State for death benefits of \$3,900. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following elements:

Contributions to pension plan in current fiscal year	<u>\$ 127,226</u>
Contributions to OPEB plan in current fiscal year	<u>\$ 13,423</u>
Pension deferrals	<u>\$ 407,149</u>
OPEB deferrals	<u>\$ 19,898</u>

Deferred inflows of resources are comprised of the following elements:

General Fund	
Ad valorem taxes - unavailable	\$ 19,254
Unavailable revenue	<u>196,796</u>
Total General Fund	<u>\$ 216,050</u>
Pension deferrals	<u>\$ 390,386</u>
OPEB deferrals	<u>\$ 26,549</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 self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$50,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance for another \$5,000,000 of coverage per structure.

In accordance with [G.S. 159-29], the Town 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 is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

5. Long Term Obligations

Notes Payable

The Town entered into a direct placement agreement with the United States Department of Agriculture (USDA) for the purchase of a garbage/recycle truck in the amount of \$225,000 on April 7, 2017. The Town obtained a 20 year note with an interest rate of 3.375 percent. The Town will pay \$15,654 yearly with the final payment due on April 7, 2037. The Town made payments of \$8,332 for the year ended June 30, 2022.

The Town entered into a direct placement agreement with the United States Department of Agriculture (USDA) for the purchase of police vehicles in the amount of \$85,800 on May 5, 2017. The note is split between the General Fund (42%) and the Electric Fund (58%). The Town obtained a 7 year note with an interest rate of 3.375 percent. The Town will pay \$13,968 yearly with the final payment due on May 5, 2024. The Town made payments of \$11,447 for the year ended June 30, 2022.

The Town entered into a direct placement agreement with the United States Department of Agriculture (USDA) for the purchase of police vehicles in the amount of \$45,600 on September 24, 2019. The Town obtained a 7 year note with an interest rate of 3.50 percent. The Town will pay \$7,458 yearly with the final payment due on September 1, 2027. The Town made payments of \$5,858 for the year ended June 30, 2022.

On July 31, 2019, the Town entered into a direct placement agreement with the State of North Carolina. This is a 20 year revolving loan with 1.74 percent interest and the total amount owed under this agreement will be \$622,340. The Town will pay \$31,177 yearly plus interest with the final payment due on May 1, 2039. The Town made principal payments of \$31,177 plus interest for the year ended June 30, 2022. The Town has drawn \$622,340 on this loan and repaid \$60,369 as of June 30, 2022.

On March 16, 2020, the Town entered into a direct placement agreement with the State of North Carolina. This is a 20 year revolving loan with 1.74 percent interest and the total amount owed under this agreement will be \$970,150. The Town will pay \$48,506 yearly plus interest with the final payment due on May 1, 2041. The Town made principal payments of \$48,506 plus interest for the year ended June 30, 2022. The Town has drawn \$970,150 on this loan and repaid \$48,506 as of June 30, 2022.

The Town entered into a direct placement agreement with the United States Department of Agriculture (USDA) for the purchase of police vehicles and in the amount of \$71,000 on April 25, 2022. The Town obtained a 7 year note with an interest rate of 2.250 percent. The Town will pay \$11,077 yearly with the final payment due on April 25, 2029. The Town will begin payments during the year ended June 30, 2023.

At June 30, 2022, the Town of Pinetops had a legal debt margin of \$2,300,863.

Changes in Long-Term

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Total pension liability (LEO)	\$ 95,065	\$ 69,560	\$ -	\$ 164,625	\$ -
Net OPEB liability	36,712	-	7,254	29,458	-
Net pension liability (LGERS)	288,751	-	209,941	78,810	-
Compensated absences	57,022	-	7,011	50,011	-
USDA installment purchases	252,171	71,000	18,998	304,173	31,764
Total long-term liabilities	<u>\$ 729,721</u>	<u>\$ 140,560</u>	<u>\$ 243,204</u>	<u>\$ 627,077</u>	<u>\$ 31,764</u>
Business-type Activities:					
Electric Fund					
Net OPEB liability	\$ 15,677	\$ -	\$ 217	\$ 15,460	\$ -
Net pension liability (LGERS)	131,129	-	89,769	41,360	-
Compensated absences	1,465	3,133	-	4,598	-
USDA installment purchases	19,902	-	6,639	13,263	7,582
Total Electric Fund	<u>168,173</u>	<u>3,133</u>	<u>96,625</u>	<u>74,681</u>	<u>7,582</u>
Water and Sewer Fund					
Net OPEB liability	4,472	3,176	-	7,648	-
Net pension liability (LGERS)	55,743	-	35,282	20,461	-
Compensated absences	-	3,077	-	3,077	-
NCDEQ Revolving Loan - 3184-H	403,201	566,949	48,506	921,644	48,506
NCDEQ Revolving Loan - 3184-G	543,323	49,765	31,117	561,971	31,117
Total Water and Sewer Fund	<u>1,006,739</u>	<u>622,967</u>	<u>114,905</u>	<u>1,514,801</u>	<u>79,623</u>
Total Business-type activities	<u>\$ 1,174,912</u>	<u>\$ 626,100</u>	<u>\$ 211,530</u>	<u>\$ 1,589,482</u>	<u>\$ 87,205</u>

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

Governmental Activities

Year Ending June 30	Principal	Interest	Total
2023	\$ 31,764	\$ 8,292	\$ 48,157
2024	33,814	7,793	48,157
2025	27,806	6,383	34,189
2026	28,607	5,582	34,189
2027	28,898	5,291	34,189
2028 - 2032	81,512	18,912	100,424
2033 - 2047	70,899	7,371	78,270
2048 - 2052	-	-	-
	<u>\$ 303,300</u>	<u>\$ 59,624</u>	<u>\$ 377,575</u>

Business-type Activities

Year Ending June 30	Principal	Interest	Total
2023	\$ 87,205	\$ 25,241	\$ 191,720
2024	85,306	23,856	188,949
2025	79,624	22,471	102,095
2026	79,625	21,084	100,709
2027	79,624	19,700	99,324
2028 - 2032	398,123	77,713	475,836
2033 - 2037	398,122	43,077	441,199
2038 - 2042	289,249	9,050	298,299
	<u>\$ 1,496,878</u>	<u>\$ 242,192</u>	<u>\$ 1,898,131</u>

6. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2022, consist of the following:

Receivable Fund	Payable Fund	Amount
Electric Fund	General Fund	<u>\$ 32,063</u>

These funds are for reimbursements of expenditures that were accrued at year-end.

C. Fund Balance

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

Total Fund Balance-General Fund	\$ 800,050
Less:	
Stabilization by State Statute	106,282
Streets-Powell Bill	247,308
Debt service	11,702
Public safety	27,530
Trust for future asset purchases	23,199
Remaining Fund Balance	<u>\$ 384,029</u>

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

NOTE 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.

COVID-19 Contingencies

During the year ended June 30, 2020, the COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2022, and additional impact on operational and financial performance may occur.

NOTE V – SUBSEQUENT EVENTS

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

NOTE VI – TRANSFERS

During the year, the Electric Fund transferred \$344,778 to the General Fund to finance operating expenses.

Required Supplemental Financial Data

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Pension Liability - Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in the Total OPEB Liability

Town of Pinetops, North Carolina
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Required Supplementary Information
Last Nine Fiscal Years *

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.00170%	0.01161%	0.01161%	0.01220%	0.01208%	0.01309%	0.01191%	0.01378%	0.01340%
Board's proportionate share of the net pension liability (asset)	\$ 260,405	\$ 475,623	\$ 317,060	\$ 289,426	\$ 184,549	\$ 277,814	\$ 53,451	\$ (81,267)	\$ 40,622
Board's covered-employee payroll	\$ 932,290	\$ 916,982	\$ 748,518	\$ 847,600	\$ 763,453	\$ 689,461	\$ 689,000	\$ 835,349	\$ 787,222
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.93%	51.87%	42.36%	34.15%	24.17%	40.29%	7.76%	-9.73%	5.16%
Plan fiduciary net position as a percentage of the total pension liability	95.51%	90.86%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

**Town of Pinetops, North Carolina
Schedules of Contributions
Required Supplementary Information
Last Nine Fiscal Years ***

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 96,133	\$ 81,979	\$ 79,657	\$ 60,274	\$ 66,213	\$ 58,033	\$ 47,752	\$ 49,515	\$ 59,572
Contributions in relation to the contractually required contribution	96,133	81,979	79,657	60,274	66,213	58,033	47,752	49,515	59,572
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board covered-employee payroll	\$ 991,061	\$ 932,290	\$ 916,982	\$ 748,518	\$ 847,600	\$ 763,453	\$ 689,461	\$ 689,000	\$ 835,349
Contributions as a percentage of covered-employee payroll	9.70%	8.79%	8.69%	8.05%	7.81%	7.60%	6.93%	7.19%	7.13%

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

Town of Pinetops, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Six Fiscal Years *

	2022	2021	2020	2019	2018	2017
Beginning Balance	\$ 95,065	\$ 52,335	\$ 50,403	\$ 43,577	\$ 40,174	\$ 34,740
Service cost	12,450	9,658	6,562	6,173	4,486	5,415
Interest on the total pension liability	1,835	1,706	1,835	1,377	1,551	1,240
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	61,399	1,081	(8,469)	1,496	(6,387)	-
Changes in assumptions of other inputs	(6,124)	30,285	2,004	(2,220)	3,753	(1,221)
Benefit payments	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Ending Balance of the Total Pension Liability	<u>\$ 164,625</u>	<u>\$ 95,065</u>	<u>\$ 52,335</u>	<u>\$ 50,403</u>	<u>\$ 43,577</u>	<u>\$ 40,174</u>

Town of Pinetops, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Six Fiscal Years *

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 164,625	\$ 95,065	\$ 52,335	\$ 50,403	\$ 43,577	\$ 40,174
Covered Payroll	410,723	349,382	318,603	248,585	232,940	292,079
Total Pension Liability as a Percentage of Covered Payroll	40.08%	27.21%	16.43%	20.28%	18.71%	13.75%

Notes to the Schedules:

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

Town of Pinetops, North Carolina
Schedule of Changes in OPEB Liability
Required Supplementary Information
Last Five Fiscal Years *

	2022	2021	2020	2019	2018
Beginning Balance	\$ 56,861	\$ 34,611	\$ 30,753	\$ 58,595	\$ 72,511
Service cost	2,410	2,443	1,483	4,679	4,955
Interest on the total pension liability	1,310	-	1,196	2,086	1,718
Changes of benefit terms	-	6,307	-	-	-
Differences between expected and actual experience	-	37,625	-	(35,691)	13,600
Changes in assumptions of other inputs	(8,015)	(24,125)	1,179	1,084	(3,086)
Benefit payments	-	-	-	-	(31,103)
Other changes	-	-	-	-	-
Ending Balance of the Total Pension Liability	<u>\$ 52,566</u>	<u>\$ 56,861</u>	<u>\$ 34,611</u>	<u>\$ 30,753</u>	<u>\$ 58,595</u>

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Pinetops, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:			
Ad Valorem Taxes			
Current year		260,369	
Prior years		608	
Penalties and Interest		4	
Total	238,600	260,981	22,381
Unrestricted Intergovernmental Revenues			
Beer & wine tax		4,747	
Sales tax refunds		19,393	
Solid waste disposal tax		924	
Local option sales tax		356,479	
Telecommunications tax		8,224	
Video programming district		3,792	
Total	351,450	393,559	42,109
Restricted Intergovernmental Revenues			
Powell Bill allocation		45,709	
Fire Department grant		40,831	
Police Department grant		46,645	
ABC		17,342	
CARES Act		11,000	
Total	129,306	161,527	32,221
Permits, fees, sales, services and other			
Cemetary sales		26,000	
Garbage collection fee		145,119	
Other fees		19,719	
Total	148,048	190,838	42,790
Investment earnings	450	551	101
Total Revenues	867,854	1,007,456	139,602

Continued

Town of Pinetops, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General Government			
Governing Body			
Salaries and employee benefits		15,532	
Operating Expenses		43,228	
Total Governing Body		58,760	
Administration			
Salaries and employee benefits		39,330	
Capital outlay		86,152	
Operating Expenses		88,080	
Total Administration		213,562	
Total General Government	325,613	272,322	53,291
Public safety			
Police			
Salaries and employee benefits		598,061	
Operating Expenses		57,153	
Fire and rescue:			
Contract and operating expenses		87,479	
Total Public Safety	768,286	742,693	25,593
Transportation			
Salaries and employee benefits		64,139	
Operating Expenses		36,734	
Powell Bill		5,169	
Capital outlay		-	
Total Transportation	109,734	106,042	3,692
Environmental protection			
Salaries and employee benefits		72,382	
Operating expenses		93,151	
Total Environmental Protection	172,479	165,533	6,946
Debt Service			
Principal		18,998	
Interest		5,655	
Total Debt Service	24,653	24,653	-
Total expenditures	1,400,765	1,311,243	89,522
Revenues over (under) expenditures	(532,911)	(303,787)	50,080
Other financing sources:			
Transfers	532,911	344,778	(188,133)
Proceeds from long term debt	-	71,000	71,000
Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	111,991	\$ (420,920)
Fund balances, beginning		688,059	
Fund balances, ending		\$ 800,050	

Town of Pinetops, North Carolina
Electric Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:			
Operating revenues			
Electricity sales		2,793,560	
Other operating revenues		27,346	
Total operating revenues	<u>2,759,000</u>	<u>2,820,906</u>	<u>61,906</u>
Non-operating revenues			
Miscellaneous		-	
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>2,759,000</u>	<u>2,820,906</u>	<u>61,906</u>
Expenditures:			
Electrical operations:			
Salaries and employee benefits		374,857	
Utility purchases/costs		1,523,573	
Supplies		42,816	
Repairs and maintenance		26,128	
Other operating expenses		134,796	
Total Electrical Operations	<u>2,744,507</u>	<u>2,102,170</u>	<u>642,337</u>
Debt Service			
Principal		6,639	
Interest		7,854	
Total Debt Service	<u>14,493</u>	<u>14,493</u>	<u>-</u>
Total expenditures	<u>2,759,000</u>	<u>2,116,663</u>	<u>642,337</u>
Revenues over (under) expenditures	-	704,243	(580,431)
Transfers	-	(344,778)	(344,778)
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ 359,465</u>	<u>\$ 359,465</u>

Town of Pinetops, North Carolina
 Electric Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues and appropriated fund balance over (under) expenditures	\$ -	\$ 359,465	\$ 359,465
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation expense		27,803	
Principal repayment on long-term debt		(6,639)	
Increase (decrease) in deferred outflows of resources		2,768	
(Increase) decrease in net pension liability		(89,769)	
(Increase) decrease in OPEB liability		(217)	
(Increase) decrease in deferred inflows of resources		77,491	
(Increase) decrease in compensated absences		3,133	
Total		14,570	
Change in net position		\$ 374,035	

Town of Pinetops, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:			
Operating revenues			
Water and sewer charges		750,356	
Other operating revenues		1,185	
Total operating revenues	714,250	751,541	37,291
Non-operating revenues			
Grants		312,545	
Other		-	
Total non-operating revenues	691,245	312,545	(378,700)
Total Revenues	1,405,495	1,064,086	(341,409)
Expenditures:			
Water and sewer operations:			
Salaries and employee benefits		203,390	
Utilities		77,461	
Maintenance and repairs		62,514	
Other operating expenditures		365,686	
Total water/sewer operations	1,296,144	709,051	587,093
Debt service:			
Principal retirement		79,623	
Interest		29,728	
Total debt services	109,351	109,351	-
Total expenditures	1,405,495	818,402	587,093
Revenues over (under) expenditures	-	245,684	245,684
Operating transfers to other funds	-	-	-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ 245,684</u>	<u>\$ 245,684</u>

Town of Pinetops, North Carolina
 Water and Sewer Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues and appropriated fund balance over (under) expenditures	\$ -	\$ 245,684	\$ 245,684
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation expense		179,944	
Principal repayment on long-term debt		(79,623)	
Increase (decrease) in deferred outflows of resources		(4,551)	
(Increase) decrease in net pension liability		(35,282)	
(Increase) decrease in OPEB liability		3,176	
(Increase) decrease in deferred inflows of resources		38,921	
(Increase) decrease in compensated absences		3,077	
Total		105,662	
Change in net position		\$ 351,346	

Town of Pinetops, North Carolina
H-SRP-D-17-0072 Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2022 and From Inception

	Actual			Total Project to Date	Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year		
REVENUES					
NC Department of Commerce	\$ 34,102	\$ 34,102	\$ -	\$ 34,102	\$ -
NC Department of Environmental Quality	722,998	693,060	49,765	742,825	19,827
Total revenues	<u>757,100</u>	<u>727,162</u>	<u>49,765</u>	<u>776,927</u>	<u>19,827</u>
EXPENDITURES					
Construction	757,100	623,307	49,765	673,072	84,028
Total expenditures	<u>757,100</u>	<u>623,307</u>	<u>49,765</u>	<u>673,072</u>	<u>84,028</u>
Revenues over (under) expenditures	<u>-</u>	<u>103,855</u>	<u>-</u>	<u>103,855</u>	<u>103,855</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 103,855</u>	<u>\$ -</u>	<u>\$ 103,855</u>	<u>\$ 103,855</u>

Town of Pinetops, North Carolina
H-SRP-D-17-1043 Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2022 and From Inception

	Actual			Total Project to Date	Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year		
REVENUES					
NC Department of Environmental Quality	\$ 970,150	\$ 441,001	\$ 529,149	\$ 970,150	\$ -
Total revenues	970,150	441,001	529,149	970,150	-
EXPENDITURES					
Construction	970,150	500,542	469,608	970,150	-
Total expenditures	970,150	500,542	469,608	970,150	-
Revenues over (under) expenditures	-	(59,541)	59,541	-	-
Revenues over (under) expenditures	\$ -	\$ (59,541)	\$ 59,541	\$ -	\$ -

Other Schedules

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Pinetops, North Carolina
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 For the Fiscal Year Ended June 30, 2022

Fiscal Year	Uncollected Balance 7/1/2021	Additions	Collections and Credits	Uncollected Balance 6/30/2022
2021	\$ -	\$ 232,902	\$ 218,043	\$ 14,859
2020	8,153	-	2,285	5,868
2019	-	-	-	-
2018	-	-	-	-
2017	-	-	-	-
2016	-	-	-	-
2015	-	-	-	-
2014	-	-	-	-
2013	217	-	8	209
2012	347	-	83	264
2011	224	-	31	193
	<u>\$ 8,941</u>	<u>\$ 232,902</u>	<u>\$ 220,450</u>	<u>\$ 21,393</u>

Less: allowance for uncollectible accounts:

General Fund

2,139

Ad valorem taxes receivable - net

\$ 19,254

Reconciliation with Revenues

Taxes - ad valorem - General Fund

260,981

Reconciling items:

Releases

(183)

Interest collected

(810)

Refunds

54

DMV Taxes

(39,592)

Subtotal

(40,531)

Total collections and credits

\$ 220,450

Town of Pinetops, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2022

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate	\$ 48,608,533	\$ 0.46	\$ 232,902	\$ 232,902	\$ -
Motor Vehicles	\$ 8,606,947	\$ 0.46	\$ 39,624	\$ -	\$ 39,624
Adjustments	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Valuation	<u><u>\$ 57,215,480</u></u>				
Net levy			272,526	232,902	39,624
Less uncollected taxes at June 30, 2022			<u>14,891</u>	<u>14,859</u>	<u>32</u>
Current year's taxes collected			<u><u>\$ 257,635</u></u>	<u><u>\$ 218,043</u></u>	<u><u>\$ 39,592</u></u>
Current levy collection percentage			94.54%	93.62%	99.92%

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Town of Pinetops as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises Town of Pinetops' basic financial statements and have issued our report thereon dated November 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Pinetops' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Pinetops' internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Pinetops' 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 School'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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did


not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this report

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



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

November 15, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

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

Report on Compliance for Each Major State Program

We have audited Town of Pinetops' compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended June 30, 2022. Town of Pinetops' major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Pinetops complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Pinetops and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of Town of Pinetops' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to its major State program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Pinetops' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance

when it exits. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Pinetops' compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Pinetops' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Pinetops' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Pinetops' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during audit.


Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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


Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

November 15, 2022

TOWN OF PINETOPS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported

Noncompliance material to financial statements noted	_____ yes	___X___ no
--	-----------	------------

State Awards

Internal control over major state programs:

Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act	_____ yes	___X___ no
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Identification of major state programs:

Program Name

State Reserve Loan Program

TOWN OF PINETOPS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

TOWN OF PINETOPS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

TOWN OF PINETOPS
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

There were no prior year findings reported.

TOWN OF PINETOPS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL ASSISTANCE LIVING NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES		Total
			Federal	State	
FEDERAL AWARDS					
<u>U.S. Department of Treasury</u>					
Passed Through the Office of State Budget and Management:					
NC Pandemic Recovery Office					
Passed-through Halifax County:					
Coronavirus Relief Fund	21.019		\$ 11,000	\$ -	\$ 11,000
TOTAL FEDERAL AWARDS			11,000	-	11,000
STATE AWARDS					
<u>NC Department of Commerce</u>					
Direct Program					
Water and Sewer Grant			-	34,102	34,102
<u>NC Department of Environmental Quality</u>					
Direct Program					
Division of Water Infrastructure					
State Reserve Loan Program		H-SRP-D-17-0072	-	49,765	49,765
State Reserve Loan Program		H-SRP-D-17-1043	-	469,608	469,608
<u>NC Department of Insurance</u>					
Direct Program					
Fire Department Grant		17-175-4079	-	16,500	16,500
<u>NC Department of Public Safety</u>					
Direct Program					
Police Grant			-	8,645	8,645
<u>NC Department of Transportation</u>					
Powell Bill		DOT-4	-	45,709	45,709
TOTAL STATE AWARDS			-	624,329	624,329
TOTAL FEDERAL AND STATE AWARDS			\$ 11,000	\$ 624,329	\$ 635,329

The accompanying notes are an integral part of this schedule.

TOWN OF PINETOPS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State awards includes the Federal and State grant activity of the Town under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. Because the Schedule presents only a selected portion of the operations of the Town of Pinetops, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Pinetops.

Note 2: Indirect Costs

The Town has not elected to charge a 10 percent de minimis indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate.

Note 3: Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for the Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 4: Loans Outstanding

The Town of Pinetops had the following loan balances outstanding at June 30, 2022. The loan made during the year is included in the Schedule of Federal and State Awards in the state expenditures presented in the schedule. Balances and transactions related to these programs are included in the Town's basic financial statements.

Program Name

State of North Carolina		
State Reserve Loan Program	H-SRP-D-17-0072	\$ 561,971
State Reserve Loan Program	H-SRP-D-17-1043	921,644
		<u>\$ 1,483,615</u>