

FINANCIAL STATEMENTS
TOWN OF PINETOPS
PINETOPS, NORTH CAROLINA
FOR THE YEAR ENDED
JUNE 30, 2020

BOARD OF COMMISSIONERS

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FINANCIAL SECTION



PETWAY
MILLS &
PEARSON, PA
 CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
 Phyllis M. Pearson

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

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

www.pmpcpa.com

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, of the Town of Pinetops, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Pinetops' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 17, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 24, 2020, on our consideration of the Town of Pinetops' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pinetops' internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

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

November 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis FY 2020

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, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

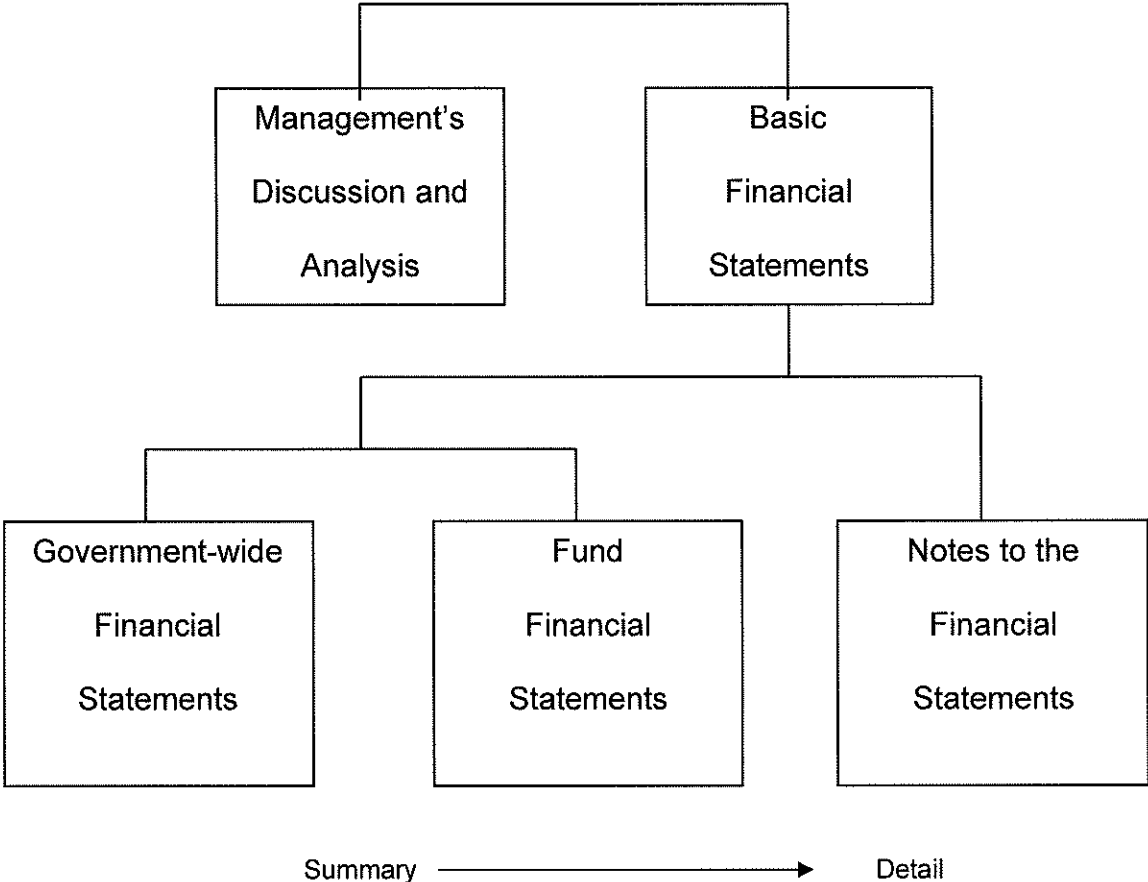
- The assets and deferred outflows of resources of the Town of Pinetops exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,025,930 (net position).
- The government's total net position increased by \$76,295 due to an increase in the business-type activities net position of \$103,914 and a decrease of \$27,619 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 \$564,869 an increase of \$92,007 in comparison with the prior year. Approximately 53.56 % of this total amount, or \$302,568 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 \$302,568 or 23.79 % 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's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Pinetops.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 29 to 51 of this report.

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

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 656,444	\$ 546,277	\$ 1,617,450	\$ 1,244,465	\$ 2,273,894	\$ 1,790,742
Capital assets	776,214	822,209	5,471,706	5,000,534	6,247,920	5,822,743
Total assets	1,432,658	1,368,486	7,089,156	6,244,999	8,521,814	7,613,485
Deferred Outflow of Resources	130,133	146,171	106,042	120,167	236,175	266,338
Total deferred outflow of resources	130,133	146,171	106,042	120,167	236,175	266,338
Current liabilities	99,289	73,881	236,517	185,294	335,806	259,175
Long term liabilities	488,821	441,899	856,618	180,127	1,345,439	622,026
Total liabilities	588,110	515,780	1,093,135	365,421	1,681,245	881,201
Deferred Inflows of Resources	32,698	29,275	18,116	19,712	50,814	48,987
Total deferred inflows of resources	32,698	29,275	18,116	19,712	50,814	48,987
Net position:						
Net investment in capital assets	508,407	586,825	4,740,659	4,964,028	5,249,066	5,550,853
Restricted	262,301	177,077	-	-	262,301	177,077
Unrestricted	171,275	205,700	1,343,288	1,016,005	1,514,563	1,221,705
Total net position	\$ 941,983	\$ 969,602	\$ 6,083,947	\$ 5,980,033	\$ 7,025,930	\$ 6,949,635

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Pinetops exceeded liabilities and deferred inflows of resources by \$7,025,930 as of June 30, 2020. The Town's net position increased by \$76,295 for the fiscal year ended June 30, 2020. However, \$5,249,066 or 74.71% 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

Management Discussion and Analysis-FY 2020
Town of Pinetops

be used to liquidate these liabilities. An additional portion of the Town of Pinetops' net position, \$262,301 or 3.73% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 1,514,563 (21.56%) is unrestricted.

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
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 174,804	\$ 108,091	\$ 3,527,943	\$ 3,438,750	\$ 3,702,747	\$ 3,546,841
Operating grants and contributions	62,583	78,710	-	-	62,583	78,710
Capital grants and contributions	-	-	-	286,522	-	286,522
General revenues:						
Property taxes	275,151	202,657	-	-	275,151	202,657
Other taxes	8,800	8,146	-	-	8,800	8,146
Other	375,132	500,016	35	85	375,167	500,101
Total revenues	<u>896,470</u>	<u>897,620</u>	<u>3,527,978</u>	<u>3,725,357</u>	<u>4,424,448</u>	<u>4,622,977</u>
Expenses:						
General government	274,866	321,002	-	-	274,866	321,002
Public safety	795,412	680,835	-	-	795,412	680,835
Transportation	134,528	270,503	-	-	134,528	270,503
Environmental protection	145,106	139,231	-	-	145,106	139,231
Interest on long-term debt	8,388	8,346	-	-	8,388	8,346
Water and sewer			689,223	981,259	689,223	981,259
Electric			2,300,630	2,248,517	2,300,630	2,248,517
Total expenses	<u>1,358,300</u>	<u>1,419,917</u>	<u>2,989,853</u>	<u>3,229,776</u>	<u>4,348,153</u>	<u>4,649,693</u>
Transfers	434,211	246,038	(434,211)	(246,038)		
Increase in net position	(27,619)	(276,259)	103,914	249,543	76,295	(26,716)
Net position, beginning	969,602	1,245,861	5,980,033	5,730,490	6,949,635	6,976,351
Net position, ending	<u>\$ 941,983</u>	<u>\$ 969,602</u>	<u>\$ 6,083,947</u>	<u>\$ 5,980,033</u>	<u>\$ 7,025,930</u>	<u>\$ 6,949,635</u>

Governmental activities: Governmental activities decreased the Town's net position by \$461,830 before transfers.

Business-type activities: Business-type activities increased the Town of Pinetops net position by \$538,125 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 \$302,568 while total fund balance reached \$564,869. 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 23.79% of total General Fund expenditures.

At June 30, 2020, the governmental funds of Pinetops reported a combined fund balance of \$564,869 a 19.46 % 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 \$329,962 and those for the Electric Fund amounted to \$1,013,326. The change in net position for was an increase in the Water and Sewer Fund of \$21,388 and an increase of \$516,737 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.

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, 2020 totals \$5,249,066 (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 47,300	\$ 47,300	\$ 37,100	\$ 37,100	\$ 84,400	\$ 84,400
Construction in progress	\$ 137,022	\$ 137,022	\$ 840,781	\$ 108,520	\$ 977,803	\$ 245,542
Buildings	370,522	381,284	-	-	370,522	381,284
Equipment and furniture	53,328	80,236				
Plant & Distribution System	-	-	4,488,211	4,675,884	4,488,211	4,675,884
Vehicles and equipment	168,042	176,367	105,614	179,030	273,656	355,397
Total	\$ 776,214	\$ 822,209	\$ 5,471,706	\$ 5,000,534	\$ 6,194,592	\$ 5,742,507

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 \$726,964 during the past fiscal year.

**Town of Pinetops
 Outstanding Debt
 Note Payable**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
USDA Installment debt	\$ 267,807	\$ 235,384	\$ 29,903	\$ 36,506	\$ 297,710	\$ 271,890
NCDEQ Revolving loan	-	-	701,144	-	701,144	-
Total long term obligations	\$ 267,807	\$ 235,384	\$ 731,047	\$ 36,506	\$ 998,854	\$ 271,890

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, 2020 is \$2,785,460.

Additional information regarding the Town of Pinetops' long-term debt can be found in note III.B.4 beginning on page 48 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.

- ABB is adding a significant number of employees to its operations which will increase utility collections
- The Town is continuing to hold tax and utility rates steady, with no projected increases for the 2020-2021 year

Budget Highlights for the Fiscal Year Ending June 30, 2021

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

Business – type Activities: The overall water and sewer basic rates have no proposed increase. 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

Town of Pinetops, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 241,806	\$ 919,554	\$ 1,161,360
Restricted cash	184,973	132,558	317,531
Investments	115,685	-	115,685
Taxes receivable	60,266	-	60,266
Accrued interest receivable	13,081	-	13,081
Accounts receivable - trade	51,870	411,176	463,046
Internal balances	(32,063)	32,063	-
Due from other governments	20,826	10,479	31,305
Prepaid insurance	-	-	-
Inventory	-	111,620	111,620
Total Current Assets	656,444	1,617,450	2,273,894
Non-current Assets:			
Land, non-depreciable improvements, and construction in progress	184,322	877,881	1,062,203
Other capital assets, net of depreciation	591,892	4,593,825	5,185,717
Total Capital Assets	776,214	5,471,706	6,247,920
Total Assets	1,432,658	7,089,156	8,521,814
Deferred Outflows of Resources			
Contribution to pension plan in current fiscal year	43,187	36,470	79,657
Contribution to OPEB plan in current fiscal year	8,033	7,389	15,422
Contribution to LEO pension plan in current fiscal year	9,373	-	9,373
Pension deferrals	60,007	57,837	117,844
OPEB deferrals	4,774	4,346	9,120
LEO pension deferrals	4,759	-	4,759
Total Deferred Outflows of Resources	130,133	106,042	236,175
Liabilities:			
Current Liabilities:			
Accounts payable - trade	31,309	50,467	81,776
Customer deposits	-	132,558	132,558
Current portion of long-term debt	19,280	38,141	57,421
Compensated absences payable	48,700	15,351	64,051
Long Term Liabilities:			
Net pension liability	169,423	147,637	317,060
Total LEO pension liability	52,335	-	52,335
Net OPEB liability	18,536	16,075	34,611
Due in more than one year	248,527	692,906	941,433
Total Liabilities	588,110	1,093,135	1,681,245
Deferred Inflows of Resources			
Pension deferrals	4,972	4,321	9,293
OPEB deferrals	15,054	13,795	28,849
LEO pension deferrals	12,672	-	12,672
Total Deferred Inflows of Resources	32,698	18,116	50,814
Net Position:			
Net investment in capital assets	508,407	4,740,659	5,249,066
Restricted for:			
Stabilization by State Statute	77,328	-	77,328
Streets	184,973	-	184,973
Unrestricted	171,275	1,343,288	1,514,563
Total Net Position	\$ 941,983	\$ 6,083,947	\$ 7,025,930

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

Town of Pinetops, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

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	\$ 274,866	\$ 6,800	\$ -	\$ -	\$ (268,066)	\$ -	\$ (268,066)
Public safety	795,412	-	19,912	-	(775,500)	-	(775,500)
Transportation	134,528	-	42,671	-	(91,857)	-	(91,857)
Environmental protection	145,106	168,004	-	-	22,898	-	22,898
Interest on long-term debt	8,388	-	-	-	(8,388)	-	(8,388)
Total Governmental Activities	1,358,300	174,804	62,583	-	(1,120,913)	-	(1,120,913)
Business-type Activities:							
Water and Sewer	689,223	710,611	-	-	-	21,388	21,388
Electric	2,300,630	2,817,332	-	-	-	516,702	516,702
Total Business-type Activities	2,989,853	3,527,943	-	-	-	538,090	538,090
Total Primary Government	\$ 4,348,153	\$ 3,702,747	\$ 62,583	\$ -	(1,120,913)	538,090	(582,823)
General Revenues:							
Ad valorem taxes					275,151	-	275,151
Other taxes and licenses					8,800	-	8,800
Unrestricted intergovernmental					366,589	-	366,589
Unrestricted investment earnings					5,927	35	5,962
Miscellaneous					2,616	-	2,616
Transfers					434,211	(434,211)	-
Total General Revenues and Transfers					1,093,294	(434,176)	659,118
Change in net position					(27,619)	103,914	76,295
Net position, beginning,					969,602	5,980,033	6,949,635
Net position, ending					\$ 941,983	\$ 6,083,947	\$ 7,025,930

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

Town of Pinetops, North Carolina
Balance Sheet - Governmental Funds
June 30, 2020

	<u>Major Fund</u> <u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 241,806
Restricted cash	184,973
Investments	115,685
Taxes receivable	60,266
Accrued interest receivable	13,081
Accounts receivable - trade	51,870
Due from other governments	20,826
Prepaid insurance	-
Total Assets	<u>688,507</u>
Liabilities:	
Accounts payable - trade and accrued liabilities	31,309
Due to other funds	32,063
Total Liabilities	<u>63,372</u>
Deferred Inflows of Resources:	
Property taxes receivable	60,266
Total Deferred Inflows of Resources	<u>60,266</u>
Fund Balances:	
Non-spendable:	
Prepaid expenses	-
Restricted:	
Stabilization by State Statute	77,328
Streets	184,973
Unassigned	302,568
Total Fund Balances	<u>564,869</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 688,507</u>
Fund balances as reported in the balance sheet above:	\$ 564,869
Amounts reported for governmental activities in the statement of net position are different because:	
Contributions to the pension and OPEB plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	60,593
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	776,214
Pension related deferrals	36,842
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	60,266
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Compensated absences payable	(48,700)
Net Pension Liability	(169,423)
Total LEO pension liability	(52,335)
OPEB Liability	(18,536)
Notes payable	(267,807)
Net position of governmental activities	<u>\$ 941,983</u>

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

Town of Pinetops, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Fund
	General Fund
Revenues:	
Ad valorem taxes	\$ 262,658
Unrestricted intergovernmental	366,589
Restricted intergovernmental	71,382
Sales and services	176,568
Investment earnings	5,927
Miscellaneous	853
Total Revenues	883,977
Expenditures:	
General government	213,597
Public safety	708,908
Transportation	117,927
Environmental protection	145,106
Debt Service:	
Principal	13,177
Interest	8,388
Capital Outlay	64,678
Total Expenditures	1,271,781
Revenues Over (Under) Expenditures	(387,804)
Other Financing Sources:	
Operating transfers in (out):	
Electric Fund	354,292
Water and Sewer Fund	79,919
Loan Proceeds	45,600
Proceeds from sale of fixed assets	-
Total other financing sources	479,811
Net Change in Fund Balances	92,007
Fund Balances, Beginning of year	472,862
Fund Balances, End of year	\$ 564,869

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

**Town of Pinetops, North Carolina
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020**

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

Net change in fund balances - governmental funds	\$	92,007
Governmental funds report capital outlay as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.		(45,995)
Revenues in the Statement of Activities that do not provide current financial resource are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		12,492
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		60,593
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(32,423)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
OPEB expenses		(339)
Pension expenses		(99,910)
Compensated absences		(14,044)
		(27,619)
Total Change in Net Position of Governmental Activities	\$	(27,619)

Town of Pinetops, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 242,958	\$ 243,058	\$ 262,658	\$ 19,600
Unrestricted intergovernmental	310,475	310,475	366,589	56,114
Restricted intergovernmental	54,600	106,170	71,382	(34,788)
Sales and services	142,200	142,200	176,568	34,368
Investment earnings	3,200	3,200	5,927	2,727
Miscellaneous	4,300	5,647	853	(4,794)
Total Revenues	<u>757,733</u>	<u>810,750</u>	<u>883,977</u>	<u>73,227</u>
Expenditures:				
General Government	242,832	215,369	213,597	1,772
Public Safety	657,517	710,616	708,908	1,708
Transportation	161,894	155,456	117,927	37,529
Environmental Protection	136,878	146,097	145,106	991
Debt Service:				
Principal	13,620	13,177	13,177	-
Interest	7,945	8,388	8,388	-
Capital Outlay	-	70,100	64,678	5,422
Total Expenditures	<u>1,220,686</u>	<u>1,319,203</u>	<u>1,271,781</u>	<u>47,422</u>
Revenues Over (Under) Expenditures	<u>(462,953)</u>	<u>(508,453)</u>	<u>(387,804)</u>	<u>120,649</u>
Other Financing Sources (Uses):				
Operating transfers in (out)	254,889	434,211	434,211	-
Loan Proceeds	-	45,600	45,600	-
Sale of capital assets	-	-	-	-
Appropriated fund balances	208,064	28,642	-	(28,642)
Total Other Sources (Uses)	<u>462,953</u>	<u>508,453</u>	<u>479,811</u>	<u>(28,642)</u>
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>92,007</u>	<u>\$ 92,007</u>
Fund Balances, Beginning of year			<u>472,862</u>	
Fund Balances, End of year			<u>\$ 564,869</u>	

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

Town of Pinetops, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2020

	Electric Fund	Water and Sewer Fund	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 748,080	\$ 171,474	\$ 919,554
Restricted cash	83,873	48,685	132,558
Due from other funds	32,063	-	32,063
Accounts receivable (net) - trade	303,389	107,787	411,176
Due from other governments	3,115	7,364	10,479
Prepaid insurance	-	-	-
Inventory	33,482	78,138	111,620
Total Current Assets	<u>1,204,002</u>	<u>413,448</u>	<u>1,617,450</u>
Noncurrent Assets:			
Capital Assets:			
Land and other non-depreciable assets	11,600	866,281	877,881
Other capital assets	1,454,713	10,169,172	11,623,885
Less: accumulated depreciation	(1,261,573)	(5,768,487)	(7,030,060)
Capital Assets (Net)	<u>204,740</u>	<u>5,266,966</u>	<u>5,471,706</u>
Total Noncurrent Assets	<u>204,740</u>	<u>5,266,966</u>	<u>5,471,706</u>
Total Assets	<u>\$ 1,408,742</u>	<u>\$ 5,680,414</u>	<u>\$ 7,089,156</u>
Deferred Outflows of Resources			
Contributions to pension plan	\$ 24,159	\$ 12,311	\$ 36,470
Contributions to OPEB plan	6,084	1,305	7,389
Pension deferrals	54,454	3,383	57,837
OPEB deferrals	3,494	852	4,346
Total deferred outflows of resources	<u>88,191</u>	<u>17,851</u>	<u>106,042</u>
Liabilities			
Current Liabilities:			
Accounts payable - trade	45,551	4,916	50,467
Due to other funds	-	-	-
Customer deposits	83,873	48,685	132,558
Compensated absences	15,351	-	15,351
Notes payable - current	7,024	31,117	38,141
Total Current Liabilities	<u>151,799</u>	<u>84,718</u>	<u>236,517</u>
Other Liabilities:			
Net Pension Liability	108,087	39,550	147,637
Net OPEB Liability	11,603	4,472	16,075
Notes payable - more than one year	22,879	670,027	692,906
Total Other Liabilities	<u>142,569</u>	<u>714,049</u>	<u>856,618</u>
Total Liabilities	<u>294,368</u>	<u>798,767</u>	<u>1,093,135</u>
Deferred Inflows of Resources			
Pension deferrals	3,140	1,181	4,321
OPEB deferrals	11,262	2,533	13,795
Total deferred inflows of resources	<u>14,402</u>	<u>3,714</u>	<u>18,116</u>
Net Position			
Net investment in capital assets	174,837	4,565,822	4,740,659
Unrestricted	1,013,326	329,962	1,343,288
Total Net Position	<u>\$ 1,188,163</u>	<u>\$ 4,895,784</u>	<u>\$ 6,083,947</u>

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

Town of Pinetops, North Carolina
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 2,701,000	\$ 615,125	\$ 3,316,125
Other operating revenues	116,332	95,486	211,818
Total Operating Revenues	<u>2,817,332</u>	<u>710,611</u>	<u>3,527,943</u>
Operating Expenses:			
Administration and operations	720,623	426,169	1,146,792
Electrical power purchases	1,495,562	-	1,495,562
Water Sewer Sales	-	76,799	76,799
Depreciation	82,991	178,096	261,087
Total Operating Expenses	<u>2,299,176</u>	<u>681,064</u>	<u>2,980,240</u>
Operating Income (Loss)	<u>518,156</u>	<u>29,547</u>	<u>547,703</u>
Non-operating Revenues (Expenses):			
Interest on investments	35	-	35
Interest on long-term debt	(1,454)	(8,159)	(9,613)
Other	-	-	-
Total Non-operating Revenues (Expenses)	<u>(1,419)</u>	<u>(8,159)</u>	<u>(9,578)</u>
Income (Loss) before Contributions and Transfers	516,737	21,388	538,125
Transfers (to) from other funds	(354,292)	(79,919)	(434,211)
Total Contributions and Transfers	<u>(354,292)</u>	<u>(79,919)</u>	<u>(434,211)</u>
Change in Net Position	162,445	(58,531)	103,914
Net Position:			
Beginning of Year	1,025,718	4,954,315	5,980,033
End of Year	<u>\$ 1,188,163</u>	<u>\$ 4,895,784</u>	<u>\$ 6,083,947</u>

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

Town of Pinetops, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 2,560,899	\$ 660,020	\$ 3,220,919
Cash paid for goods and services	(1,745,753)	(340,301)	(2,086,054)
Cash paid to or on behalf of employees	(447,667)	(199,990)	(647,657)
Customer deposits received (net)	2,987	665	3,652
Other operating revenues	116,331	95,486	211,817
Net Cash Provided (Used) By Operating Activities	<u>486,797</u>	<u>215,880</u>	<u>702,677</u>
Cash Flows from Non-Capital Financing Activities:			
Interfund activity	2	(201)	(199)
Transfers (to) from other funds	(354,292)	(79,919)	(434,211)
Net Cash Used By Non-Capital Financing Activities	<u>(354,290)</u>	<u>(80,120)</u>	<u>(434,410)</u>
Cash Flows from Capital and Related Financing Activities:			
Grants and other income	-	-	-
Proceeds from long-term debt	-	732,621	732,621
Principal paid on long-term debt	(6,603)	(31,117)	(37,720)
Interest paid on long-term debt	(1,454)	(8,159)	(9,613)
Acquisition of capital assets	-	(732,621)	(732,621)
Net Cash Used By Capital and Related Financing Activities	<u>(8,057)</u>	<u>(39,276)</u>	<u>(47,333)</u>
Cash Flows from Investing Activities:			
Interest earned on investments	35	-	35
Net Increase (Decrease) In Cash	124,485	96,484	220,969
Cash at Beginning of Year	707,468	123,675	831,143
Cash at End of Year	<u>\$ 831,953</u>	<u>\$ 220,159</u>	<u>\$ 1,052,112</u>

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

Town of Pinetops, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating Income (Loss)	\$ 518,156	\$ 29,547	\$ 547,703
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	82,991	178,096	261,087
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(140,750)	35,515	(105,235)
(Increase) decrease in due from other governments	649	9,580	10,229
(Increase) decrease in inventory	-	(56,809)	(56,809)
(Increase) decrease in prepaids	-	-	-
(Increase) decrease in due from other funds	(1)	-	(1)
(Increase) decrease in deferred outflows of resources - pensions	3,584	8,859	12,443
Increase (decrease) in net pension liability	3,344	8,263	11,607
Increase (decrease) in deferred inflows of resources - pensions	112	276	388
Increase (decrease) in accounts payable and accrued liabilities	10,303	949	11,252
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in notes payable	-	-	-
Increase (decrease) in customer deposits	2,987	665	3,652
(Increase) decrease in deferred outflows of resources - OPEB	484	1,197	1,681
Increase (decrease) in deferred inflows of resources - OPEB	(572)	(1,412)	(1,984)
Increase (decrease) in net OPEB liability	467	1,154	1,621
Increase (decrease) in compensated absences	5,043	-	5,043
Total adjustments	<u>(31,359)</u>	<u>186,333</u>	<u>154,974</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 486,797</u>	<u>\$ 215,880</u>	<u>\$ 702,677</u>

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

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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

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

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

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

The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred inflows of resources at June 30, 2020 because they are intended to finance the Town's operations during the 2020 fiscal year.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Water and Sewer Fund and the Electric Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

Restricted Cash

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

3. Ad Valorem Taxes Receivable

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

4. Inventories and Prepaid Items

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

Town of Pinetops, North Carolina
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For the Year Ended June 30, 2020

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

5. Capital Assets

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

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

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

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has four items that meet this criterion, contributions made to the pension plan in the 2020 fiscal year, pension deferrals, OPEB deferrals, and LEO pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meets the criterion for this category – property taxes receivable, OPEB deferrals, LEO pension deferrals, and deferrals of pension expense that result from the implementation of GASB Statement 68.

7. Long-Term Obligations

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

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

8. Compensated Absences

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

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

9. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Town of Pinetops, North Carolina
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budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

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

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

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

10. Pensions

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

F. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes
None.
2. Contractual Violations
None.

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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

C. Excess of Expenditures over Appropriations

III. Detail Notes on All Funds

A. Assets

1. Deposits and Investments

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

At June 30, 2020, the Town's deposits had a carrying amount of \$1,477,236 and a bank balance of \$1,647,774. Of the bank balance, \$530,458 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining \$1,117,316 was covered by collateral held under the pooling method. The Town's petty cash totaled \$1,655 at June 30, 2020.

2. Investments

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

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2020	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Amortized Cost	\$115,685	N/A	AAA

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

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

Town of Pinetops, North Carolina
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3. Receivables - Allowances for Doubtful Accounts

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

Fund	June 30, 2020
General Fund	\$ 12,449
Electric	73,320
Water and Sewer	28,278
	\$ 114,047

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was 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	184,322	-	-	184,322
Capital assets being depreciated:				
Buildings and streets	664,959	-	-	664,959
Vehicles and motorized equipment	1,188,592	64,678	-	1,253,270
Equipment	271,290	-	-	271,290
Total capital assets being depreciated	2,124,841	64,678	-	2,189,519
Less accumulated depreciation for				
Buildings and streets	283,675	10,762	-	294,437
Vehicles and motorized equipment	1,012,225	73,003	-	1,085,228
Equipment	191,054	26,908	-	217,962
Total accumulated depreciation	1,486,954	\$ 110,673	\$ -	1,597,627
Total capital assets being depreciated, net	637,887			591,892
Governmental activity capital assets, net	\$ 822,209			\$ 776,214

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

General government	\$ 13,281
Transportation	80,791
Environmental protection	-
Public safety	16,601
Total	\$ 110,673

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Capital asset activity for the Town's business-type activities for the year ended June 30, 2020, was as follows:

Business-type activities:	Beginning			Ending
Electric Fund:	Balances	Increases	Decreases	Balances
Capital assets not being depreciated				
Land	\$ 11,600	\$ -	\$ -	\$ 11,600
Capital assets being depreciated				
Plant and distributions systems	579,253	-	-	579,253
Vehicles and equipment	875,460	-	-	875,460
Total capital assets being depreciated	1,454,713	-	-	1,454,713
Less accumulated depreciation for				
Plant and distributions systems	481,869	8,400	-	490,269
Vehicles and equipment	698,746	72,558	-	771,304
Total accumulated depreciation	1,180,615	\$ 80,958	\$ -	1,261,573
Total capital assets being depreciated, net	274,098			193,140
Electric capital assets, net	<u>\$ 285,698</u>			<u>\$ 204,740</u>

Water and Sewer Fund:	Beginning			Ending
Water and Sewer Fund:	Balances	Increases	Decreases	Balances
Capital assets not being depreciated				
Land	\$ 25,500	\$ -	\$ -	\$ 25,500
Construction in progress	108,520	732,261	-	840,781
Total capital assets not being depreciated	134,020	732,261	-	866,281
Capital assets being depreciated				
Plant and distribution systems	10,045,589	-	-	10,045,589
Vehicles and equipment	123,583	-	-	123,583
Capital assets being depreciated	10,169,172	-	-	10,169,172
Less accumulated depreciation for				
Plant and distribution systems	5,469,124	177,238	-	5,646,362
Vehicles and equipment	121,267	858	-	122,125
Accumulated depreciation	5,590,391	\$ 178,096	\$ -	5,768,487
Capital assets being depreciated, net	4,578,781			4,400,685
Water and Sewer Fund capital assets, net	<u>\$ 4,712,801</u>			<u>\$ 5,266,966</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020 was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$79,657 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$317,060 for its proportionate share of the net pension liability. The new pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers,

Town of Pinetops, North Carolina
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For the Year Ended June 30, 2020

actuarially determined. At June 30, 2019, the Town's proportion was 0.01161%, which was a decrease of 0.00059% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$137,845. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,289	\$ -
Changes of assumptions	51,676	-
Net difference between projected and actual earnings on pension plan investments	7,734	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,145	9,293
Employer contributions subsequent to the measurement date	79,657	-
Total	\$ 197,501	\$ 9,293

\$79,657 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Future amortization:

Year Ended June 30:

2021	\$ 55,134
2022	15,821
2023	30,438
2024	7,158
2025	-
Thereafter	-
	\$ 108,551

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements.

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
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Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurements.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 725,174	\$ 317,060	\$ (22,166)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

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

The Separation Allowance covers all full time law enforcement officers of the Town. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	5
Total	5

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

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

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

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

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4. Contributions.

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

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

At June 30, 2020 the Town reported a total pension liability of \$52,335. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$6,678.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,034	\$ 10,581
Changes of assumptions	3,725	2,091
Benefit payments and administrative expenses subsequent to the measurement date	9,373	-
	\$ 14,132	\$ 12,672

\$9,373 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows.

Year Ended June 30:

2021	\$(1,719)
2022	(1,719)
2023	(1,719)
2024	(1,439)
2025	(1,092)
Thereafter	(225)
	\$ (7,913)

Sensitivity of the Town's total pension liability to changes in the discount rate.

The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 58,034	\$ 52,335	\$ 47,245

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

	2020
Beginning balance	\$ 50,403
Service cost	6,562
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	(8,469)
Changes of assumptions or other inputs	2,004
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 52,335

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, 2018 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 Related to Pensions

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 137,845	\$ 6,678	\$ 144,523
Pension Liability	317,060	52,335	369,395
Proportionate share of the net pension liability	0.01161%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	54,289	1,034	55,323
Changes of assumptions	51,676	3,725	55,401
Net difference between projected and actual earning on plan investments	7,734	-	7,734
Changes in proportion and differences between contributions and proportionate share of contributions	4,145	-	4,145
Benefit payments and administrative costs paid subsequent to the measurement date	79,657	9,373	89,030
Deferred Inflows of Resources			
Differences between expected and actual experience	-	10,581	10,581
Changes of assumptions	-	2,091	2,091
Net difference between projected and actual earning on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,293	-	9,293

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town's contributions for the year ended June 30, 2020 were \$30,905. The contributions from the law enforcement officers were \$19,116.

d. Other Post-Employment Benefits

Healthcare Benefits

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

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

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

	General Employees
Retirees and dependents receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	16
Total	16

Total OPEB Liability

The Town's total OPEB liability of \$34,611 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability as of July 1, 2018	\$ 30,753
Changes for the year:	
Service cost	1,483
Interest	1,196
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	1,179
Benefit payments	-
Other	-
Net Changes	<u>\$ 3,858</u>
Total OPEB Liability as of June 30, 2019	<u>\$ 34,611</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 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 2017 through June 2018.

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

	1% Decrease	Discount Rate (3.50%)	1% Increase
Total OPEB Liability	\$ 37,802	\$ 34,611	\$ 31,658

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:

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

	1% Decrease	Discount Rate (Medical – 7.25%, Prescription – 7.25%, Admin Expenses – 3.0%)	1% Increase
Total OPEB Liability	\$ 30,689	\$ 34,611	\$ 39,059

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$339. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,255	\$	27,203
Changes of assumptions	1,865		1,646
Town benefit payments and plan administrative expenses made subsequent to the measurement date	15,422		-
Total	\$ 24,542	\$	28,849

\$15,422 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$	(2,340)
2022		(2,340)
2023		(2,340)
2024		(3,271)
2025		(3,975)
Thereafter		(5,463)
	\$	(19,729)

f. Other Employment Benefits

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

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

number of eligible participants. For the fiscal year ended June 30, 2020, the Town made contributions to the State for death benefits of \$3,900. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

	Amount
Contributions to the pension plan in the current fiscal year - LGERS/LEO	\$ 89,030
OPEB contributions to the plan in the current year	15,422
Pension deferrals - LGERS	117,844
Pension deferrals - LEO	4,759
OPEB deferrals	9,120
	\$ 236,175

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

	Amount
General Fund:	
Taxes receivable	\$ 60,266
	\$ 60,266
Government-wide Activities:	
Pension deferrals - LGERS	\$ 9,293
Pension deferrals - LEO	12,672
OPEB deferrals	28,849
	\$ 50,814

3. Risk Management

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

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

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

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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

4. Long-Term Obligations

Governmental Activities

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, 2020.

The Town entered into a direct placement agreement with the United States Department of Agriculture (USDA) for the purchase of police vehicles in the amount of \$85,800 on May 5, 2017. This note is split between the General Fund (42%) and the Electric Fund (58%). The Town obtained a 7 year note with an interest rate of 3.375 percent. The Town will pay \$13,968 yearly with the final payment due on May 5, 2024. The Town made payments of \$11,448 for the year ended June 30, 2020.

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

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, 2020. The Town has drawn \$532,972 on this loan as of June 30, 2020.

On March 16, 2020, the Town entered into a direct placement agreement with the State of North Carolina. This is a 20 year revolving loan with 1.74 percent interest and the total amount owed under this agreement will be \$970,150. Annual principal payments of \$48,506 and interest are due beginning November 1, 2021 and ending on May 1, 2041. The Town has drawn \$199,289 on this loan as of June 30, 2020.

At June 30, 2020, the Town of Pinetops has a legal debt margin of \$2,785,460.

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

a. Changes in Long-Term Liabilities

	Balance			Balance	
	July 1, 2019	Increases	Decreases	June 30, 2020	Current Portion
Governmental activities:					
Total LEO liability	\$ 50,403	\$ 1,932	\$ -	\$ 52,335	\$ -
Net OPEB liability	16,299	2,238	-	18,537	-
Net pension liability	153,396	16,027	-	169,423	-
Compensated absences	34,657	14,043	-	48,700	48,700
USDA installment purchases	235,384	45,600	13,177	267,807	19,280
Governmental activity long-term liabilities	<u>\$ 490,139</u>	<u>\$ 79,840</u>	<u>\$ 13,177</u>	<u>\$ 556,802</u>	<u>\$ 67,980</u>
Business-type activities:					
Electric Fund:					
OPEB liability	\$ 11,136	\$ 467	\$ -	\$ 11,603	\$ -
Net pension liability	104,743	3,344	-	108,087	-
Compensated absences	10,308	5,043	-	15,351	15,351
USDA installment purchase	36,506	-	6,603	29,903	7,024
Total Electric Fund	<u>162,693</u>	<u>8,854</u>	<u>6,603</u>	<u>164,944</u>	<u>22,375</u>
Water and Sewer Fund:					
Installment purchases	-	-	-	-	-
OPEB liability	3,318	1,154	-	4,472	-
Net pension liability	31,288	8,262	-	39,550	-
Compensated absences	-	-	-	-	-
NCDEQ Revolving Loan - 3184-H	-	199,289	-	199,289	-
NCDEQ Revolving Loan - 3184-G	-	532,972	31,117	501,855	31,117
Total Water and Sewer Fund	<u>\$ 34,606</u>	<u>\$ 741,677</u>	<u>\$ 31,117</u>	<u>\$ 745,166</u>	<u>\$ 31,117</u>

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

Governmental Activities			
Year Ending June 30	Principal	Interest	Total
2021	\$ 19,280	\$ 9,545	\$ 28,825
2022	20,146	8,876	29,022
2023	20,834	8,188	29,022
2024	21,545	7,477	29,022
2025	22,329	6,693	29,022
2026-2030	72,503	26,602	99,105
2031-2035	62,115	16,155	78,270
2036-2040	29,055	4,978	34,033
	<u>\$ 267,807</u>	<u>\$ 88,514</u>	<u>\$ 356,321</u>
Business-Type Activities			
Year Ending June 30	Principal	Interest	Total
2021	\$ 38,141	\$ 11,289	\$ 49,430
2022	86,919	31,714	118,633
2023	87,165	25,758	112,923
2024	87,670	24,125	111,795
2025	79,625	22,471	102,096
2026-2030	160,842	45,990	206,832
2031-2035	155,585	18,950	174,535
2036-2040	35,100	5,414	40,514
	<u>\$ 731,047</u>	<u>\$ 185,711</u>	<u>\$ 916,758</u>

**Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020**

5. Fund Balance

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

Total fund balance - General Fund	\$ 564,869
Less:	
Nonspendable - prepaid expenses	-
Restricted - Stabilization by State Statute	77,328
Restricted - Streets	184,973
Remaining Fund Balance	\$ 302,568

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

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

COVID-19 Contingencies

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, 2020, and additional impact on operational and financial performance may occur.

V. Subsequent Events

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

VI. Related Party Transactions

During the year, Commissioner Joyce Tolson was paid \$300 per month to assist families with burial needs at Pineview Cemetery. Commissioner Tolson was paid \$3,600 during the year. These payments were voted on and approved by the Board on February 2, 2010.

Town of Pinetops, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

VII. Transfers

During the year, the Electric Fund transferred \$354,292 and the Water & Sewer Fund transferred \$79,919 to the General Fund to finance operating expenses.

VIII. Internal Balances

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

IX. Commitments

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

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

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

Schedule of Contributions for the Local Government Employees' Retirement System

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

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

Schedule of Changes in the Total OPEB Liability

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

Local Government Employees' Retirement System

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

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

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

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

Local Government Employees' Retirement System

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

Town of Pinetops
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2020

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

Town of Pinetops
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2020

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

Notes to the schedules:

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

Town of Pinetops
Schedule of Changes in Total OPEB Liability
Required Supplementary Information
For the Year Ended June 30, 2020

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

MAJOR FUNDS

**Town of Pinetops, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad Valorem Taxes:			
Current year	\$	\$ 205,097	
Prior years		57,227	
Penalties and interest		334	
Total Ad Valorem Taxes	<u>243,058</u>	<u>262,658</u>	<u>19,600</u>
Unrestricted Intergovernmental:			
Beer and wine tax		5,411	
Sales tax refunds		25,649	
Solid waste disposal tax		724	
Local option sales tax		318,398	
Utility sales tax		12,268	
Franchise tax		-	
Video programming dist.		4,139	
Total Unrestricted Intergovernmental	<u>310,475</u>	<u>366,589</u>	<u>56,114</u>
Restricted Intergovernmental:			
Powell Bill allocation		42,671	
Fire Department grant		10,772	
Police Department grant		9,139	
ABC		8,800	
USDA grant		-	
Step Grant		-	
Total Restricted Intergovernmental	<u>106,170</u>	<u>71,382</u>	<u>(34,788)</u>
Sales, Services and Fees:			
Cemetery sales		6,800	
Business registration fee		-	
Garbage collection fee		168,004	
Other fees		1,764	
Total Sales, Services and Fees	<u>142,200</u>	<u>176,568</u>	<u>34,368</u>
Investment Earnings	<u>3,200</u>	<u>5,927</u>	<u>2,727</u>
Miscellaneous:			
District Court fees		270	
Other		583	
Total Miscellaneous	<u>5,647</u>	<u>853</u>	<u>(4,794)</u>
Total Revenues	<u>810,750</u>	<u>883,977</u>	<u>73,227</u>

Town of Pinetops, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	15,556	18,308	
Other operating expenses	44,320	41,534	
Total Governing Body	<u>59,876</u>	<u>59,842</u>	<u>34</u>
Administration:			
Salaries and employee benefits	65,348	64,123	
Capital Outlay	-	-	
Operating expenses	90,145	89,632	
Total Administration	<u>155,493</u>	<u>153,755</u>	<u>1,738</u>
Total General Government	<u>215,369</u>	<u>213,597</u>	<u>1,772</u>
Public Safety:			
Police Department:			
Salaries and employee benefits	583,187	582,916	
Other operating expenditures	66,347	65,688	
Capital outlay	70,100	64,678	
Total Police Department	<u>719,634</u>	<u>713,282</u>	<u>6,352</u>
Fire and Rescue:			
Operating expenses	61,082	60,304	
Capital outlay	-	-	
Total Fire and Rescue	<u>61,082</u>	<u>60,304</u>	<u>778</u>
Total Public Safety	<u>780,716</u>	<u>773,586</u>	<u>7,130</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	74,949	82,467	
Operating expenses	37,257	28,324	
Powell Bill expenditures	43,250	7,136	
Total Transportation	<u>155,456</u>	<u>117,927</u>	<u>37,529</u>
Environmental Protection:			
Sanitation and Landfill:			
Salaries and employee benefits	66,055	69,091	
Operating expenses	80,042	76,015	
Total Environmental Protection	<u>146,097</u>	<u>145,106</u>	<u>991</u>

**Town of Pinetops, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
Debt Service:			
Interest and fees	8,388	8,388	-
Debt principal	13,177	13,177	-
Total Debt Service	21,565	21,565	-
Total Expenditures	1,319,203	1,271,781	47,422
Revenues Over (Under) Expenditures	(508,453)	(387,804)	120,649
Other Financing Sources (Uses):			
Operating Transfers In (Out):			
Electric fund	354,292	354,292	-
Water and Sewer fund	79,919	79,919	-
Loan Proceeds	45,600	45,600	-
Sale of capital assets	-	-	-
Appropriated fund balance	28,642	-	(28,642)
Total Other Financing Sources (Uses)	508,453	479,811	(28,642)
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	\$ -	92,007	\$ 92,007
Fund Balances:			
Beginning of year, July 1		472,862	
End of year, June 30		\$ 564,869	

**Town of Pinetops, North Carolina
Electric Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Operating Revenues:			
Charges for Services:			
Electricity sales	\$ 2,518,000	\$ 2,701,000	
Other Operating Revenues:			
Resale tax refund	-	-	
Franchise tax	8,000	8,923	
Sales and use taxes	105,000	107,408	
Total Operating Revenues	<u>2,631,000</u>	<u>2,817,331</u>	<u>186,331</u>
Non-operating Revenues:			
Interest income	-	35	
Other	-	-	
Total Non-operating Revenues	<u>-</u>	<u>35</u>	<u>35</u>
Total Revenues	<u>2,631,000</u>	<u>2,817,366</u>	<u>186,366</u>
Expenditures:			
Administration and Operations:			
Salaries and employee benefits	457,836	447,666	
Office supplies	31,100	20,935	
Utility sales taxes	115,002	123,557	
Insurance	25,500	25,500	
Professional services	22,700	183	
Utilities	28,575	28,003	
Capital outlay	2,034	-	
Other operating expenditures	88,059	62,316	
Total Administration and Operations	<u>770,806</u>	<u>708,160</u>	<u>62,646</u>
Electrical Power Purchases	<u>1,497,844</u>	<u>1,495,562</u>	<u>2,282</u>
Debt Service:			
Interest and fees	1,455	1,454	
Debt principal	6,603	6,603	
Total Debt Service	<u>8,058</u>	<u>8,057</u>	<u>1</u>
Total Expenditures	<u>2,276,708</u>	<u>2,211,779</u>	<u>64,929</u>
Revenues Over (Under) Expenditures	<u>354,292</u>	<u>605,587</u>	<u>251,295</u>

**Town of Pinetops, North Carolina
Electric Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
Other Financing Sources (Uses):			
Operating Transfers In (Out):			
General Fund	(354,292)	(354,292)	-
Proceeds from installment agreements	-	-	-
Appropriated Fund Balance	-	-	-
Total Other Financing Sources (Uses)	(354,292)	(354,292)	-
 Revenues and Other Financing Sources Over Expenditures and Other Uses	\$ -	\$ 251,295	\$ 251,295

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

Revenues and Other Financing Sources Over Expenditures and Other Uses		\$ 251,295
Reconciling Items:		
Capital outlay		-
Principal repayment on long-term debt		6,603
Depreciation expense		(82,991)
Increase (Decrease) in deferred outflows of resources - pensions		(3,584)
(Increase) Decrease in net pension liability		(3,344)
(Increase) Decrease in deferred inflows of resources - pensions		(112)
(Increase) Decrease in compensated absences		(5,043)
Net effect of OPEB liability		(379)
Total Reconciling Items		(88,850)
 Net Income (Loss)		\$ 162,445

Town of Pinetops, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Operating Revenues:			
Charges for Services:			
Water and sewer sales	\$ 648,998	\$ 615,125	
Other Operating Revenues:			
Tapping fees and other	106,815	95,486	
Total Operating Revenues	<u>755,813</u>	<u>710,611</u>	<u>(45,202)</u>
Total Revenues	<u>755,813</u>	<u>710,611</u>	<u>(45,202)</u>
Expenditures:			
Administration and Operations:			
Salaries and employee benefits	185,211	199,990	
Utilities	78,073	76,799	
Maintenance and supplies	108,715	50,653	
Other operating expenditures	259,901	157,189	
Total Administration and Operations	<u>631,900</u>	<u>484,631</u>	<u>147,269</u>
Capital Outlay	<u>4,718</u>	<u>-</u>	<u>4,718</u>
Debt Service:			
Interest and fees	8,159	8,159	
Debt principal	31,117	31,117	
Total Debt Service	<u>39,276</u>	<u>39,276</u>	<u>-</u>
Total Expenditures	<u>675,894</u>	<u>523,907</u>	<u>151,987</u>
Revenues Over (Under) Expenditures	<u>79,919</u>	<u>186,704</u>	<u>106,785</u>
Other Financing Sources (Uses):			
NCDEQ Loan Proceeds	-	-	-
Rural Economic Development Center Grant	-	-	-
Operating Transfers In (Out):			
General Fund	(79,919)	(79,919)	-
Appropriated Fund Balance	-	-	-
Total Other Financing Sources (Uses)	<u>(79,919)</u>	<u>(79,919)</u>	<u>-</u>
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 106,785</u>	<u>\$ 106,785</u>

Town of Pinetops, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Financing Sources (Uses)			
Over (Under) Expenditures and Other Uses		\$ 106,785	
Reconciling Items:			
Capital outlay		732,261	
Depreciation expense		(178,096)	
Principal repayment on long-term debt		31,117	
Debt proceeds		(732,261)	
(Increase) Decrease in compensated absences		-	
Increase (Decrease) in deferred outflows of resources - pensions		(8,859)	
(Increase) Decrease in net pension liability		(8,263)	
(Increase) Decrease in deferred inflows of resources - pensions		(276)	
Net effect of OPEB liability		(939)	
Total Reconciling Items		<u>(165,316)</u>	
Net Income (Loss)		<u>\$ (58,531)</u>	

Town of Pinetops
H-SRP-D-17-0072 Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Actual		Total Project To Date	Variance Over (Under)
		Prior Years	Current Year		
Revenues:					
SRP	\$ 757,100	\$ 70,720	\$ 532,972	\$ 603,692	\$ 153,408
Expenditures:					
Construction	757,100	70,720	532,972	603,692	153,408
Total expenditures	757,100	70,720	532,972	603,692	153,408
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Pinetops
H-SRP-D-17-1043 Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Actual		Total Project To Date	Variance Over (Under)
		Prior Years	Current Year		
Revenues:					
SRP	\$ 970,150	\$ 37,800	\$ 199,289	\$ 237,089	\$ 733,061
Expenditures:					
Construction	970,150	37,800	199,289	237,089	733,061
Total expenditures	970,150	37,800	199,289	237,089	733,061
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

**Town of Pinetops, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020**

Year of Levy	Uncollected Balance July 1, 2019	Additions	Collections And Credits	Abatements/ Adjustments	Uncollected Balance June 30, 2020
2019	\$ -	\$ 263,288	\$ (240,893)	\$ -	\$ 22,395
2018	24,288	-	(8,297)	-	15,991
2017	5,722	-	(999)	-	4,723
2016	3,314	-	2,110	-	5,424
2015	2,577	-	703	-	3,280
2014	3,328	-	(69)	-	3,259
2013	1,731	-	(185)	-	1,546
2012	1,335	-	(80)	-	1,255
2011	1,118	-	(475)	-	643
2010	1,027	-	723	-	1,750
2009	1,314	-	(1,314)	-	-
Total	\$ 45,754	\$ 263,288	\$ (248,776)	\$ -	\$ 60,266

Reconciliation with Revenues:

Taxes - Ad Valorem (including penalties and interest)	\$ 262,658
Less penalties and interest	(13,882)
	<u>\$ 248,776</u>

**Town of Pinetops, North Carolina
Analysis of Current Tax Levy
Town Wide Levy
For the Fiscal Year Ended June 30, 2020**

	Total Property Valuation	Rate	Total	Property excluding Registered Vehicles	Registered Motor Vehicles
Original levy:					
Property tax at current rate	\$ 48,660,423	0.46	\$ 223,838	\$ 223,838	\$ -
Motor vehicles	8,576,081	0.46	39,450	-	39,450
Utilities	-	0.46	-	-	-
Senior Citizen Exemption	-	0.46	-	-	-
Total	<u>57,236,504</u>		<u>263,288</u>	<u>223,838</u>	<u>39,450</u>
Discoveries	-	0.46	-	-	-
Abatements & adjustments	-	0.46	-	-	-
Net Levy	<u>\$ 57,236,504</u>		263,288	223,838	39,450
Less uncollected taxes at June 30, 2020			(22,395)	(22,395)	-
Current year's taxes collected			<u>\$ 240,893</u>	<u>\$ 201,443</u>	<u>\$ 39,450</u>
Current levy collection percentage			<u>91.49%</u>	<u>89.99%</u>	<u>100.00%</u>



PETWAY
MILLS &
PEARSON, PA
 CERTIFIED PUBLIC ACCOUNTANTS

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

C. Briggs Petway, Jr.
 Phyllis M. Pearson

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

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

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

www.pmpcpa.com

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Pinetops, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Pinetops' basic financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designated to identify all

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deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Petway Mills & Pearson, PA

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

November 24, 2020



PETWAY
MILLS &
PEARSON, PA
 CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
 Phyllis M. Pearson

Zebulon Office
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 806 N. Arendell Ave.
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Independent Auditors’ Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with Uniform Guidance and the State Single Audit Implementation Act

To the Honorable Mayor
 And Members of the Town Council
 Town of 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 Town of Pinetops’ major State program as of and for the year ended June 30, 2020. Town of Pinetops’ major State program is identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors’ Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State program. However, our audit does not provide a legal determination of Town of Pinetops’ compliance.

Opinion on Each Major State Program

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 its major State program as of and for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Town of Pinetops is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Pinetops’ internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Petway Mills & Pearson, PA

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

November 24, 2020

**Town of Pinetops, North Carolina
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

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

Noncompliance material to financial statements noted? _____ yes X no

State Awards

Internal control over major State Programs:

Material weakness identified ? _____ yes X no

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

Noncompliance material to State awards _____ yes X no

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance _____ yes X no

Identification of major State Programs State Reserve Loan Program

**Town of Pinetops, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section II - Financial Statement Findings

None reported.

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**Town of Pinetops, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2020**

Section II - Financial Statement Findings

None required.

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

None required.

**Town of Pinetops, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2019-001 Expenditures in excess of budgets

This finding has been resolved.

Town of Pinetops, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	CFDA Number	State / Pass- through Grantor's Number	Federal Expenditures	State Expenditures	Total Expenditures
FEDERAL AWARDS					
U.S. Department of Agriculture					
Direct Program					
Community Facilities Loans and Grant	10.766		\$ 70,100	\$ -	-
U.S. Department of Justice					
Passed through the NC Department of Public Safety					
Byrne Justice Assistance Grant - BYRNE - Jag	16.738		\$ 9,139	\$ -	-
TOTAL FEDERAL AWARDS			79,239	-	79,239
STATE AWARDS					
NC State Forestry					
Forestry Grant			-	10,532	10,532
NC Department of Environmental Quality					
Division of Water Infrastructure					
State Reserve Loan Program		H-SRP-D-17-0072	-	532,972	532,972
State Reserve Loan Program		H-SRP-D-17-1043	-	199,289	199,289
NC Department of Agriculture & Consumer Services					
Division of Soil & Water Conservation					
Stream Debris Removal Program		17-175-4079	-	106,815	106,815
NC Department of Transportation					
Powell Bill		DOT-4	-	7,136	7,136
TOTAL STATE AWARDS			-	856,744	935,983
TOTAL FEDERAL AND STATE AWARDS			\$ 79,239	\$ 856,744	\$ 935,983

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the Town under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFA is presented in accordance with the requirements of *Title 2, US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for the Federal Awards* and the Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Pinetops, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Pinetops.

Summary of Significant Accounting Policies

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

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

Loans Outstanding

The Town of Pinetops had the following loan balances outstanding at June 30, 2020. 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	Outstanding Amount
State of North Carolina	
State Reserve Loan program	H-SRP-D-17-0072 \$ 572,575
State Reserve Loan program	H-SRP-D-17-1043 237,089
U.S Department of Agriculture	
Community Facilities Loans and Grants	10.766 45,600
	\$ 809,664