

**TOWN OF PINEVILLE
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

MARTIN  STARNES

& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

TOWN OF PINEVILLE, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-13
<u>Exhibit</u>	
Basic Financial Statements:	
Government-Wide Financial Statements:	
A Statement of Net Position	14-15
B Statement of Activities	16-17
Fund Financial Statements:	
C Balance Sheet - Governmental Funds	18-19
D Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
E Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	21
F Major Governmental Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Annual Budget and Actual	22
G Statement of Net Position - Proprietary Funds	23-24
H Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	25
I Statement of Cash Flows - Proprietary Funds	26
J Statement of Fiduciary Net Position - Fiduciary Fund	27
K Statement of Changes in Fiduciary Net Position - Fiduciary Fund	28
Notes to the Financial Statements	29-66

TOWN OF PINEVILLE, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Required Supplemental Financial Data:	
	Supplementary Information:	
A-1	Other Post-Employment Benefits - Schedule of Changes in Total OPEB Liability and Related Ratios Last Five Fiscal Years	67
A-2	Local Governmental Employees' Retirement System - Proportionate Share of Net Pension Liability (Asset) Last Nine Fiscal Years	68-69
A-3	Local Governmental Employees' Retirement System - Contributions - Last Nine Fiscal Years	70-71
A-4	Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability Last Six Fiscal Years	72-73
A-5	Law Enforcement Officers' Special Separation Allowance - Schedule of Total Pension Liability as a Percentage of Covered Employee Payroll - Last Six Fiscal Years	74-75
	General Fund:	
1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	76-79
	Major Capital Project Fund:	
2	Town Hall/Library Building Capital Project Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	80
	Nonmajor Governmental Funds:	
3	Nonmajor Governmental Funds - Combining Balance Sheet	81-82
4	Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	83-84
5	Emergency Telephone System Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	85

TOWN OF PINEVILLE, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Nonmajor Governmental Funds (continued):	
6	Johnston Road Realignment Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	86
7	Dog Park/Splash Pad Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	87
8	Lynnwood/Lakeview Road Improvements Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	88
9	Fire Building Construction Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	89
	Major Enterprise Funds:	
10	Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	90-91
11	Electric Rate Stabilization Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	92
12	ILEC Telephone Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	93-94
13	CLEC Telephone Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	95-96
	Supplemental Financial Data:	
14	Schedule of Ad Valorem Taxes Receivable	97
15	Analysis of Current Tax Levy - Town-Wide Levy	98
16	Schedule of Ten Largest Taxpayers	99

TOWN OF PINEVILLE, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
Compliance Section:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	100-101
Schedule of Findings and Responses	102-103
Corrective Action Plan	104
Schedule of Prior Year Audit Findings	105

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pineville, North Carolina, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principle generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 6 to the financial statements, in 2022 the Town adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise a substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Other Post-Employment Benefits' Schedule of Changes in Total OPEB Liability and Related Ratios, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee Payroll, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, and the supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, on our consideration of the Town of Pineville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 30, 2022

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Management's Discussion and Analysis

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

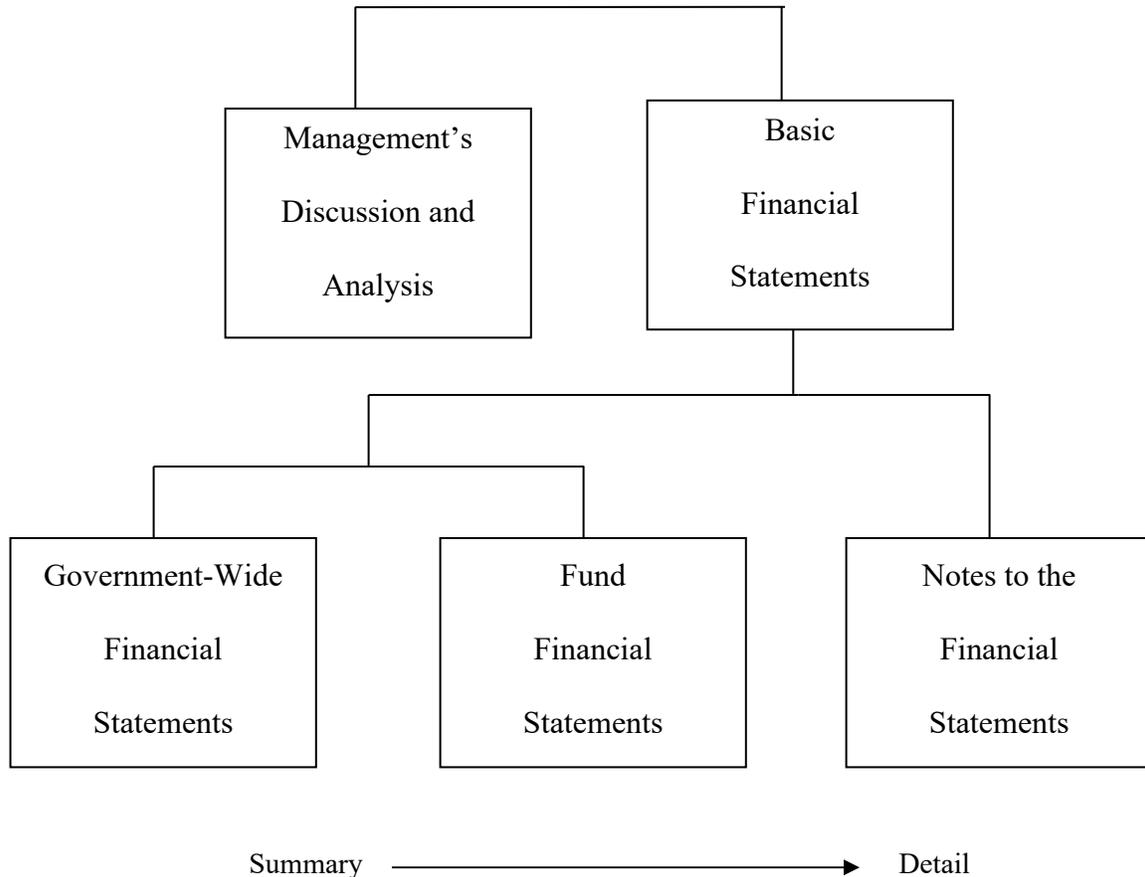
Financial Highlights

- The assets and deferred outflows of resources of the Town exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$82,339,254 (*net position*).
- The government's total net position increased by \$3,442,156, primarily due to the increase in fund balance of the General Fund.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$31,706,529, a decrease of \$9,566,127 from the prior year. Approximately 25.10% of this total amount, or \$7,957,200, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$19,319,196, or 143.21%, of total General Fund expenditures and transfers out for the fiscal year.
- The Town's total debt stayed the same at \$21,000,000 during the current fiscal year. The issuance of debt proceeds for the Town Hall/Library Building Capital Project Fund in the prior year did not have a principle payment due for FY 2022. Unspent debt proceeds at the end of the fiscal year was \$4,023,475.
- During the fiscal year, the Town implemented GASB Statement No. 87, *Leases*. The implementation of this standard resulted in 3 leases being put on the Town's books as a lessor. See more information in the notes to the financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Pineville'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 statement 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 Pineville.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through K) 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 four parts to the fund financial statements: 1) the governmental funds statement, 2) the budgetary comparison statement, 3) the proprietary fund statements, and 4) the fiduciary 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 North Carolina General Statutes also can be found in this part of the statements.

Following the notes is the **Required Supplementary Information**. This section contains funding information about the Town's pension plans.

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-term and long-term information about the Town's financial status as a whole.

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

The government-wide statements are usually divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and federal and state grant funds finance most of these activities. The business-type activities are those that the Town charges customers for services provided. The Town of Pineville has two business-type activities: electric and telephone services. The final category is the component unit category, which is for activities that are legally separate from the Town. The Town of Pineville has no discretely presented component units and has one blended component unit, for which there is no financial transactions during the current fiscal year.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) 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 Pineville, 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 the Town of Pineville can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Pineville 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.

Proprietary Funds. The Town of Pineville has one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Pineville uses enterprise funds to account for its electric operations and for its telephone services. 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.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town has one fiduciary fund, which is a custodial fund.

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 directly follow the basic financial statements of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Pineville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found directly following the notes to the financial statements.

Interdependence with Other Entities

The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations.

Government-Wide Financial Analysis

Town of Pineville's Net Position Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$ 35,456,971	\$ 43,361,785	\$ 9,197,393	\$ 9,344,804	\$ 44,654,364	\$ 52,706,589
Capital assets	48,285,110	36,294,881	22,527,037	20,878,719	70,812,147	57,173,600
Total assets	83,742,081	79,656,666	31,724,430	30,223,523	115,466,511	109,880,189
Deferred Outflows of Resources	2,848,788	2,447,874	318,660	275,332	3,167,448	2,723,206
Liabilities:						
Long-term liabilities outstanding	25,533,098	27,806,749	774,349	907,765	26,307,447	28,714,514
Other liabilities	4,703,116	2,061,370	1,567,183	1,382,805	6,270,299	3,444,175
Total liabilities	30,236,214	29,868,119	2,341,532	2,290,570	32,577,746	32,158,689
Deferred Inflows of Resources	3,032,899	1,299,106	684,060	248,502	3,716,959	1,547,608
Net Position:						
Net investment in capital assets	31,308,585	31,061,342	22,527,037	20,878,719	53,835,622	51,940,061
Restricted:						
Stabilization by state statute	1,741,151	839,824	-	-	1,741,151	839,824
Transportation - Streets	469,648	384,690	-	-	469,648	384,690
Public safety	1,602,543	388,530	-	-	1,602,543	388,530
Unrestricted	18,199,829	18,262,929	6,490,461	7,081,064	24,690,290	25,343,993
Total net position	\$ 53,321,756	\$ 50,937,315	\$ 29,017,498	\$ 27,959,783	\$ 82,339,254	\$ 78,897,098

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 the Town exceeded liabilities and deferred inflows by \$82,339,254 as of June 30, 2022. The Town's net position increased by \$3,442,156 for the fiscal year ended June 30, 2022. However, the largest portion \$53,835,622 (65.38%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Pineville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Pineville's net position, \$3,813,342, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$24,690,290 is unrestricted.

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

- Continued investment in long-term capital assets to increase service levels in the community
- Continued positive outcomes across all major funds
- Implementation of GASB87 presenting increased deferred inflows.

Town of Pineville's Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,159,970	\$ 927,828	\$ 14,356,211	\$ 13,518,131	\$ 15,516,181	\$ 14,445,959
Operating grants and contributions	2,123,619	1,807,992	-	-	2,123,619	1,807,992
Capital grants	73,104	94,683	-	-	73,104	94,683
General revenues:						
Property taxes	8,219,949	8,537,435	-	-	8,219,949	8,537,435
Local option taxes	2,931,081	2,646,684	-	-	2,931,081	2,646,684
Other taxes	1,748,655	1,469,543	-	-	1,748,655	1,469,543
NCMPA rebate	-	-	-	2,313,297	-	2,313,297
Investment earnings	45,316	11,106	16,628	5,614	61,944	16,720
Miscellaneous	61,038	92,367	85,949	-	146,987	92,367
Total revenues	<u>16,362,732</u>	<u>15,587,638</u>	<u>14,458,788</u>	<u>15,837,042</u>	<u>30,821,520</u>	<u>31,424,680</u>
Expenses:						
General government	1,872,793	1,839,109	-	-	1,872,793	1,839,109
Public safety	7,954,576	5,553,937	-	-	7,954,576	5,553,937
Transportation	1,071,290	1,198,378	-	-	1,071,290	1,198,378
Environmental protection	936,650	475,191	-	-	936,650	475,191
Cultural and recreation	1,817,587	1,268,368	-	-	1,817,587	1,268,368
Interest on long-term debt	368,112	141,776	-	-	368,112	141,776
ILEC telephone	-	-	906,713	682,669	906,713	682,669
CLEC telephone	-	-	1,113,516	1,247,381	1,113,516	1,247,381
Electric	-	-	11,338,127	10,759,341	11,338,127	10,759,341
Total expenses	<u>14,021,008</u>	<u>10,476,759</u>	<u>13,358,356</u>	<u>12,689,391</u>	<u>27,379,364</u>	<u>23,166,150</u>
Change in net position before transfers	2,341,724	5,110,879	1,100,432	3,147,651	3,442,156	8,258,530
Transfers	<u>42,717</u>	<u>41,277</u>	<u>(42,717)</u>	<u>(41,277)</u>	<u>-</u>	<u>-</u>
Change in net position	2,384,441	5,152,156	1,057,715	3,106,374	3,442,156	8,258,530
Net Position:						
Beginning of year - July 1	<u>50,937,315</u>	<u>45,785,159</u>	<u>27,959,783</u>	<u>24,853,409</u>	<u>78,897,098</u>	<u>70,638,568</u>
End of year - June 30	<u>\$ 53,321,756</u>	<u>\$ 50,937,315</u>	<u>\$ 29,017,498</u>	<u>\$ 27,959,783</u>	<u>\$ 82,339,254</u>	<u>\$ 78,897,098</u>

Governmental Activities. Governmental activities increased the Town's net position by \$2,384,441, thereby, accounting for 69.3% of the positive growth in the net position of the Town of Pineville. Key elements of this increase are as follows:

- Strong collection rates for real and personal property taxes and other local revenue sources
- Continued strengthening of internal financial processes and oversight
- Strategic planning and purchasing of capital items and improvements

Business-Type Activities. Business-type activities increased the Town of Pineville’s net position by \$1,057,715 (30.7%). Key elements of this increase are as follows:

- More volatile weather, which increased the use of electricity throughout the year
- Lower wholesale costs for the purchase of electricity
- Continued uptake of fiber service by citizens of Pineville
- Focusing on internet sales, while restructuring our marketing and sales approaches to remain competitive in the telecommunications industry

Financial Analysis of the Town’s Funds

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

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

The General Fund is the chief operating fund of the Town of Pineville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$19,319,196, while total fund balance reached \$22,934,355. Unassigned fund balance represents 143.21% of the total General Fund expenditures and transfers out, while total fund balance represents 170.01% of the same amount. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. The Town currently has an available fund balance of \$21,072,821 and 156.21% of General Fund expenditures as adjusted for transfers out. The governing body of the Town of Pineville has adopted a fund balance policy that states all revenues in excess of expenditures realized at the end of any given fiscal year will be credited to unassigned fund balance/net position until a minimum goal of 40% for general fund, 25% for electric fund, and 25% for the telephone funds are realized. The Town will adjust this minimum as appropriate based upon recommendation from the Local Government Commission and the current final outlook. As a result, remaining fund balance in the General Fund at June 30, 2022 was \$15,712,608.

At June 30, 2022, the governmental funds of the Town reported a combined fund balance of \$31,706,529 a 23.18% decrease over last year. The largest part of this change is the increase in fund balance for the Town Hall/Library Building Capital Project Fund. The Town is actively pursuing the project and spent well over \$11m on the project during the current fiscal year.

The Town Hall/Library Building Capital Project Fund is a major governmental fund at June 30, 2022. The Town is constructing and renovating a building for a new Town Hall and Library. The ARP Grant fund is a major governmental fund at June 30, 2022 as well. Although no expenditures occurred during the fiscal year, the Town did receive \$1,438,600 in ARP grants. See more information on this in the notes to the financial statements.

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. Revisions to the budget increased revenues by \$600,000 to account for additional unrestricted intergovernmental revenue.

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 telephone funds (combined ILEC and CLEC) at the end of the fiscal year amounted to \$1,385,854, and that for the Electric Fund amounted to \$5,104,607. The changes in net position for the telephone funds and Electric Fund, respectively, were increases of \$131,461 and \$926,254. Factors concerning the finances of these funds have already been addressed in the discussion of the Town of Pineville’s business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2022 totals \$70,812,147 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, infrastructure, and vehicles.

Major capital asset transactions during the year include the following:

- Major Construction in Progress Projects including a new Town Hall and Fire Station
- Several transportation projects including road resurfacing and sidewalk projects
- Electric and Telephone infrastructure for new residential and commercial developments
- Implementation of replacement plan of aging equipment and vehicles

**Town of Pineville’s Capital Assets
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land and construction in progress	\$ 25,254,579	\$ 12,545,458	\$ 7,174,809	\$ 8,046,143	\$ 32,429,388	\$ 20,591,601
Buildings and system Improvements	11,189,723	11,502,355	571,074	601,828	11,760,797	12,104,183
other than buildings	3,964,139	3,879,696	-	-	3,964,139	3,879,696
Substations, lines, and related equipment	-	-	14,762,686	12,204,638	14,762,686	12,204,638
Machinery and equipment	822,887	935,817	-	-	822,887	935,817
Infrastructure	4,843,830	5,132,170	-	-	4,843,830	5,132,170
Vehicles and motorized equipment	2,209,952	2,299,385	18,468	26,110	2,228,420	2,325,495
Total	<u>\$ 48,285,110</u>	<u>\$ 36,294,881</u>	<u>\$ 22,527,037</u>	<u>\$ 20,878,719</u>	<u>\$ 70,812,147</u>	<u>\$ 57,173,600</u>

Additional information on the Town’s capital assets can be found in Note 3 of the notes to the financial statements.

Long-Term Debt. As of June 30, 2022, the Town had no bonded debt outstanding. None of the Town’s debt is secured solely by specified revenue sources (i.e., revenue bonds). The Town had installment obligations debt outstanding of \$21,000,000, which is secured with assets constructed with these funds. The Town had no business-type activities debt outstanding at the end of the fiscal year.

Town of Pineville’s Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Installment purchases - direct placement	\$ 21,000,000	\$ 21,000,000	\$ -	\$ -	\$ 21,000,000	\$ 21,000,000

The Town of Pineville’s total debt remained the same during the current fiscal year because there was no principle amount due.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Pineville is approximately \$186,789,000. The Town has no bonds authorized, but unissued, at June 30, 2022.

Additional information regarding the Town’s long-term debt can be found in Note 3 of this report.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the growth of the Town:

- **Major Retail Center.** The Town of Pineville is a major retail hub with over six million square feet of retail space in its town limits, which equates to about 70% for the town’s real estate tax base. As the COVID-19 pandemic has wound down, retail sales traffic has remained strong due to strong economic conditions in the Charlotte Metro. The Town has seen positive movement in retail operations of all sizes in the community. The Downtown corridor has seen new tenants establishing roots in with promising early traffic.
- **Residential Growth.** The Town of Pineville is still seeing interest in new housing and commercial developments. As the population grows in the County, people are seeing Pineville as a desirable place to live. More diversified available real estate softens the volatility of retail revenue swings in conjunction with economic swings. A sizable residential development on the western side of the Town has progressed significantly through the development process.

Budget Highlights for the Fiscal Year Ending June 30, 2023

The Town of Pineville’s Fiscal Year 2023 total budget is \$34,643,751 for the General Fund, Special Revenue Fund, and the two enterprise funds: electric and telephone. The fiscal year 2023 budget was prepared with a comprehensive review of each department’s expenditures and with consideration given to increases in CIP funding for several major projects that have begun, or due to monies are beginning to be set aside for their start. The town is still making these significant expenditures to realize projects identified in the Council’s five-year strategic plan.

The fiscal year 2023 budget includes funding for neighborhood stormwater improvements, debt service for the new town hall and joint library, investments in town mobility improvements, investments in electric distribution, and continued investment in fiber installation.

Requests for Information

This report is designed to provide an overview of the Town's financial position at the end of its most recent fiscal year. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, currently Christopher Tucker, CLFGFO, at ctucker@pinevillenc.gov or 704-889-1722.

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 26,898,950	\$ 5,752,631	\$ 32,651,581
Taxes receivable, net	114,753	-	114,753
Accounts receivable, net	-	2,044,273	2,044,273
Due from other governments	1,849,433	-	1,849,433
Prepays	81,772	16,146	97,918
Leases receivable	4,563	84,615	89,178
Inventories	-	823,260	823,260
Restricted assets:			
Cash and cash equivalents, restricted	5,931,723	268,836	6,200,559
Total current assets	34,881,194	8,989,761	43,870,955
Non-current assets:			
Leases receivable, non-current	575,777	207,632	783,409
Capital assets:			
Land and other non-depreciable capital assets	25,254,579	7,174,809	32,429,388
Depreciable capital assets, net	23,030,531	15,352,228	38,382,759
Total capital assets	48,285,110	22,527,037	70,812,147
Total non-current assets	48,860,887	22,734,669	71,595,556
Total assets	83,742,081	31,724,430	115,466,511
Deferred Outflows of Resources:			
Pension deferrals	2,100,286	217,813	2,318,099
OPEB deferrals	748,502	100,847	849,349
Total deferred outflows of resources	2,848,788	318,660	3,167,448
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	1,728,728	1,121,946	2,850,674
Unearned revenue - advanced billing	-	172,174	172,174
Advance from grantor	1,438,600	-	1,438,600
Current portion of compensated absences	35,788	4,227	40,015
Current portion of long-term liabilities	1,500,000	-	1,500,000
Payable from restricted assets	-	268,836	268,836
Total current liabilities	4,703,116	1,567,183	6,270,299

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

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Long-term liabilities:			
Net pension liability - LGERS	945,563	140,070	1,085,633
Total pension liability - LEOSSA	2,069,165	-	2,069,165
Total OPEB liability	2,696,279	596,241	3,292,520
Due in more than one year	19,822,091	38,038	19,860,129
Total long-term liabilities	<u>25,533,098</u>	<u>774,349</u>	<u>26,307,447</u>
Total liabilities	<u>30,236,214</u>	<u>2,341,532</u>	<u>32,577,746</u>
Deferred Inflows of Resources:			
Pension deferrals	1,452,851	238,118	1,690,969
OPEB deferrals	1,038,319	155,723	1,194,042
Leases	541,729	290,219	831,948
Total deferred inflows of resources	<u>3,032,899</u>	<u>684,060</u>	<u>3,716,959</u>
Net Position:			
Net investment in capital assets	31,308,585	22,527,037	53,835,622
Restricted for:			
Stabilization by state statute	1,741,151	-	1,741,151
Transportation - streets	469,648	-	469,648
Public safety	1,602,543	-	1,602,543
Unrestricted	18,199,829	6,490,461	24,690,290
Total net position	<u>\$ 53,321,756</u>	<u>\$ 29,017,498</u>	<u>\$ 82,339,254</u>

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

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TOWN OF PINEVILLE, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,872,793	\$ 787,762	\$ 354,593	\$ 14,600
Public safety	7,954,576	170,678	536,358	-
Transportation	1,071,290	-	262,830	-
Environmental protection	936,650	-	496,369	-
Cultural and recreation	1,817,587	201,530	473,469	58,504
Interest on long-term debt	368,112	-	-	-
Total governmental activities	<u>14,021,008</u>	<u>1,159,970</u>	<u>2,123,619</u>	<u>73,104</u>
Business-Type Activities:				
Electric	11,338,127	12,245,961	-	-
Incumbent LEC telephone	906,713	1,043,394	-	-
Competing LEC telephone	1,113,516	1,066,856	-	-
Total business-type activities	<u>13,358,356</u>	<u>14,356,211</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 27,379,364</u>	<u>\$ 15,516,181</u>	<u>\$ 2,123,619</u>	<u>\$ 73,104</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (715,838)	\$ -	\$ (715,838)
Public safety	(7,247,540)	-	(7,247,540)
Transportation	(808,460)	-	(808,460)
Environmental protection	(440,281)	-	(440,281)
Cultural and recreation	(1,084,084)	-	(1,084,084)
Interest on long-term debt	(368,112)	-	(368,112)
Total governmental activities	(10,664,315)	-	(10,664,315)
Business-Type Activities:			
Electric	-	907,834	907,834
Incumbent LEC telephone	-	136,681	136,681
Competing LEC telephone	-	(46,660)	(46,660)
Total business-type activities	-	997,855	997,855
Total primary government	(10,664,315)	997,855	(9,666,460)
General Revenues:			
Ad valorem taxes	8,219,949	-	8,219,949
Local option taxes	2,931,081	-	2,931,081
Utility franchise tax	1,321,916	-	1,321,916
Other taxes	426,739	-	426,739
Investment earnings	45,316	16,628	61,944
Miscellaneous	61,038	85,949	146,987
Total general revenues, not including transfers	13,006,039	102,577	13,108,616
Transfers	42,717	(42,717)	-
Total general revenues and transfers	13,048,756	59,860	13,108,616
Change in net position	2,384,441	1,057,715	3,442,156
Net Position:			
Beginning of year - July 1	50,937,315	27,959,783	78,897,098
End of year - June 30	\$ 53,321,756	\$ 29,017,498	\$ 82,339,254

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

TOWN OF PINEVILLE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	ARP Grant Fund	Town Hall/ Library Building Capital Project Fund	Other Governmental Funds	
Assets:					
Cash and cash equivalents	\$ 22,143,384	\$ -	\$ 255,638	\$ 4,499,928	\$ 26,898,950
Taxes receivable, net	114,753	-	-	-	114,753
Prepays	81,772	-	-	-	81,772
Due from other governments	1,741,151	-	-	108,282	1,849,433
Lease receivable	580,340	-	-	-	580,340
Restricted cash and cash equivalents	469,648	1,438,600	4,023,475	-	5,931,723
Total assets	<u>\$ 25,131,048</u>	<u>\$ 1,438,600</u>	<u>\$ 4,279,113</u>	<u>\$ 4,608,210</u>	<u>\$ 35,456,971</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,540,211	\$ -	\$ 6,867	\$ -	\$ 1,547,078
Advance from grantor	-	1,438,600	-	-	1,438,600
Total liabilities	<u>1,540,211</u>	<u>1,438,600</u>	<u>6,867</u>	<u>-</u>	<u>2,985,678</u>
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	108,282	108,282
Property taxes receivable	114,753	-	-	-	114,753
Leases	541,729	-	-	-	541,729
Total deferred inflows of resources	<u>656,482</u>	<u>-</u>	<u>-</u>	<u>108,282</u>	<u>764,764</u>
Fund Balances:					
Non-spendable, not in spendable form: leases	38,611	-	-	-	38,611
Non-spendable, not in spendable form: prepaids	81,772	-	-	-	81,772
Restricted for stabilization by state statute	1,741,151	-	-	-	1,741,151
Restricted for streets - Powell Bill	469,648	-	-	-	469,648
Restricted for general government	-	-	4,023,475	-	4,023,475
Restricted for public safety	1,283,977	-	-	318,566	1,602,543
Committed for general government	-	-	248,771	-	248,771
Committed for public safety	-	-	-	440,766	440,766
Committed for transportation	-	-	-	3,721,838	3,721,838
Committed for cultural and recreational	-	-	-	18,758	18,758
Unassigned	19,319,196	-	-	-	19,319,196
Total fund balances	<u>22,934,355</u>	<u>-</u>	<u>4,272,246</u>	<u>4,499,928</u>	<u>31,706,529</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,131,048</u>	<u>\$ 1,438,600</u>	<u>\$ 4,279,113</u>	<u>\$ 4,608,210</u>	<u>\$ 35,456,971</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>Total Governmental Funds</u>
Amounts Reported for Governmental Activities in the Statement of Net Position (Exhibit A) are Different Because:	
Total fund balances	\$ 31,706,529
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	48,285,110
Deferred outflows of resources related to pensions are not reported in the funds.	2,100,286
Deferred outflows of resources related to OPEB are not reported in the funds.	748,502
Long-term liabilities, accrued interest, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term debt	(21,357,879)
Net pension liability	(945,563)
Total pension liability	(2,069,165)
Total OPEB liability	(2,696,279)
Accrued interest	<u>(181,650)</u>
	(27,250,536)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be received within 60 days of year-end. These receivables are a component of net position in the Statement of Net Position.	223,035
Deferred inflows of resources related to pensions are not reported in the funds.	(1,452,851)
Deferred inflows of resources related to OPEB are not reported in the funds.	<u>(1,038,319)</u>
Net position of governmental activities per Exhibit A	<u>\$ 53,321,756</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	ARP Grant Fund	Town Hall/ Library Building Capital Project Fund	Other Governmental Funds	
Revenues:					
Ad valorem taxes	\$ 8,210,242	\$ -	\$ -	\$ -	\$ 8,210,242
Other taxes and licenses	251,587	-	-	-	251,587
Unrestricted intergovernmental	4,428,149	-	-	-	4,428,149
Restricted intergovernmental	2,852,410	-	-	-	2,852,410
Sales and service	481,557	-	-	-	481,557
Investment earnings	43,825	-	1,131	360	45,316
Miscellaneous	69,164	-	-	-	69,164
Total revenues	<u>16,336,934</u>	<u>-</u>	<u>1,131</u>	<u>360</u>	<u>16,338,425</u>
Expenditures:					
Current:					
General government	1,842,384	-	11,742,986	-	13,585,370
Public safety	7,349,657	-	-	736,465	8,086,122
Transportation	1,384,414	-	-	67,285	1,451,699
Environmental protection	862,225	-	-	-	862,225
Cultural and recreation	1,635,892	-	-	-	1,635,892
Debt service:					
Interest and other charges	<u>325,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,961</u>
Total expenditures	<u>13,400,533</u>	<u>-</u>	<u>11,742,986</u>	<u>803,750</u>	<u>25,947,269</u>
Revenues over (under) expenditures	<u>2,936,401</u>	<u>-</u>	<u>(11,741,855)</u>	<u>(803,390)</u>	<u>(9,608,844)</u>
Other Financing Sources (Uses):					
Transfers to other funds	(89,451)	-	-	-	(89,451)
Transfers from other funds	-	-	-	89,451	89,451
Transfers from other funds - payment in lieu of taxes	<u>42,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,717</u>
Total other financing sources (uses)	<u>(46,734)</u>	<u>-</u>	<u>-</u>	<u>89,451</u>	<u>42,717</u>
Net change in fund balances	2,889,667	-	(11,741,855)	(713,939)	(9,566,127)
Fund Balances:					
Beginning of year - July 1	<u>20,044,688</u>	<u>-</u>	<u>16,014,101</u>	<u>5,213,867</u>	<u>41,272,656</u>
End of year - June 30	<u>\$ 22,934,355</u>	<u>\$ -</u>	<u>\$ 4,272,246</u>	<u>\$ 4,499,928</u>	<u>\$ 31,706,529</u>

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

TOWN OF PINEVILLE, 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, 2022**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ (9,566,127)
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Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 60 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:

Property taxes

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: change in unavailable revenue for tax revenues.	24,307
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Expenses related to compensated absences, other post-employment benefits, net pension obligation, and pension expense that do not require current financial resources and are not reported as expenditures in the governmental funds statement.

Compensated absences	(43,182)	
Pension expense - LGERS	219,734	
Pension expense - LEOSSA	(134,230)	
Other post-employment benefits	<u>(64,139)</u>	(21,817)

Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	13,643,448
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Accrued interest that does not require current financial resources and are not reported as expenditures in the governmental funds statement.	(42,151)
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Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	<u>(1,653,219)</u>
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Change in net position of governmental activities per Exhibit B	<u><u>\$ 2,384,441</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF PINEVILLE, NORTH CAROLINA

MAJOR GOVERNMENTAL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2022

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/Under
	Original Budget	Final Budget		
Revenues:				
Ad valorem taxes	\$ 8,447,502	\$ 8,447,502	\$ 8,210,242	\$ (237,260)
Other taxes and licenses	-	-	251,587	251,587
Unrestricted intergovernmental	2,516,000	3,116,000	4,428,149	1,312,149
Restricted intergovernmental	1,775,000	1,775,000	2,852,410	1,077,410
Sales and services	-	-	481,557	481,557
Investment earnings	60,500	60,500	43,825	(16,675)
Miscellaneous	1,093,044	1,093,044	69,164	(1,023,880)
Total revenues	<u>13,892,046</u>	<u>14,492,046</u>	<u>16,336,934</u>	<u>1,844,888</u>
Expenditures:				
Current:				
General government	2,153,560	2,253,560	1,842,384	411,176
Public safety	7,086,761	7,561,761	7,349,657	212,104
Transportation	1,368,018	1,493,018	1,384,414	108,604
Environmental protection	1,314,257	1,314,257	862,225	452,032
Cultural and recreation	1,973,214	1,973,214	1,635,892	337,322
Debt service:				
Interest and other charges	356,236	356,236	325,961	30,275
Total expenditures	<u>14,252,046</u>	<u>14,952,046</u>	<u>13,400,533</u>	<u>1,551,513</u>
Revenues over (under) expenditures	<u>(360,000)</u>	<u>(460,000)</u>	<u>2,936,401</u>	<u>3,396,401</u>
Other Financing Sources (Uses):				
Transfers to other funds	(100,000)	-	(89,451)	(89,451)
Transfers from other funds - payment in lieu of taxes	40,000	40,000	42,717	2,717
Appropriated fund balance	420,000	420,000	-	(420,000)
Total other financing sources (uses)	<u>360,000</u>	<u>460,000</u>	<u>(46,734)</u>	<u>(506,734)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,889,667</u>	<u>\$ 2,889,667</u>
Fund Balance:				
Beginning of year - July 1			20,044,688	
End of year - June 30			<u>\$ 22,934,355</u>	

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

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	<u>Major Funds</u>			<u>Total</u>
	<u>Electric Fund</u>	<u>ILEC Telephone Fund</u>	<u>CLEC Telephone Fund</u>	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 4,136,723	\$ 1,615,908	\$ -	\$ 5,752,631
Accounts receivable, net	1,818,935	126,676	98,662	2,044,273
Prepays	8,870	3,326	3,950	16,146
Due from other funds	-	1,029,407	-	1,029,407
Leases receivable	38,358	46,257	-	84,615
Inventories	465,833	-	357,427	823,260
Cash and cash equivalents, restricted	268,250	221	365	268,836
Total current assets	<u>6,736,969</u>	<u>2,821,795</u>	<u>460,404</u>	<u>10,019,168</u>
Non-current assets:				
Leases receivable, non-current	61,530	146,102	-	207,632
Capital assets:				
Land	3,663,392	47,777	-	3,711,169
Construction in progress	3,427,410	-	36,230	3,463,640
Depreciable capital assets, net	10,686,297	2,985,836	1,680,095	15,352,228
Capital assets, net	<u>17,777,099</u>	<u>3,033,613</u>	<u>1,716,325</u>	<u>22,527,037</u>
Total non-current assets	<u>17,838,629</u>	<u>3,179,715</u>	<u>1,716,325</u>	<u>22,734,669</u>
Total assets	<u>24,575,598</u>	<u>6,001,510</u>	<u>2,176,729</u>	<u>32,753,837</u>
Deferred Outflows of Resources:				
Pension deferrals	38,347	179,466	-	217,813
OPEB deferrals	8,504	92,343	-	100,847
Total deferred outflows of resources	<u>46,851</u>	<u>271,809</u>	<u>-</u>	<u>318,660</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	1,106,466	15,480	-	1,121,946
Due to other funds	-	-	1,029,407	1,029,407
Unearned revenue - advanced billing	-	67,765	104,409	172,174
Compensated absences, current	-	4,227	-	4,227
Liabilities payable from restricted assets:				
Customer deposits	268,250	221	365	268,836
Total current liabilities	<u>1,374,716</u>	<u>87,693</u>	<u>1,134,181</u>	<u>2,596,590</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Major Funds			Total
	Electric Fund	ILEC Telephone Fund	CLEC Telephone Fund	
Non-current liabilities:				
Net pension liability	9,239	130,831	-	140,070
OPEB liability	144,738	451,503	-	596,241
Compensated absences	-	38,038	-	38,038
Total non-current liabilities	<u>153,977</u>	<u>620,372</u>	<u>-</u>	<u>774,349</u>
Total liabilities	<u>1,528,693</u>	<u>708,065</u>	<u>1,134,181</u>	<u>3,370,939</u>
Deferred Inflows of Resources:				
Pension deferrals	55,377	182,741	-	238,118
OPEB deferrals	57,285	98,438	-	155,723
Leases	99,388	190,831	-	290,219
Total deferred inflows of resources	<u>212,050</u>	<u>472,010</u>	<u>-</u>	<u>684,060</u>
Net Position:				
Net investment in capital assets	17,777,099	3,033,613	1,716,325	22,527,037
Unrestricted	5,104,607	2,059,631	(673,777)	6,490,461
Total net position	<u>\$ 22,881,706</u>	<u>\$ 5,093,244</u>	<u>\$ 1,042,548</u>	<u>\$ 29,017,498</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Major Funds			Total
	Electric Fund	ILEC Telephone Fund	CLEC Telephone Fund	
Operating Revenues:				
Charges for services	\$ 11,948,221	\$ 1,040,889	\$ 1,066,856	\$ 14,055,966
Other operating revenues	297,740	2,505	-	300,245
Total operating revenues	<u>12,245,961</u>	<u>1,043,394</u>	<u>1,066,856</u>	<u>14,356,211</u>
Operating Expenses:				
Administration	463,751	147,452	164,440	775,643
General operations	1,402,853	587,452	674,091	2,664,396
Electric power purchases	8,892,584	-	-	8,892,584
Telephone access and service charges	-	27,013	133,972	160,985
Depreciation	578,939	144,796	141,013	864,748
Total operating expenses	<u>11,338,127</u>	<u>906,713</u>	<u>1,113,516</u>	<u>13,358,356</u>
Operating income (loss)	<u>907,834</u>	<u>136,681</u>	<u>(46,660)</u>	<u>997,855</u>
Non-Operating Revenues (Expenses):				
Investment earnings	8,877	5,611	2,140	16,628
Lease revenue	38,472	47,477	-	85,949
Total non-operating revenues (expenses)	<u>47,349</u>	<u>53,088</u>	<u>2,140</u>	<u>102,577</u>
Income (loss) before transfers	<u>955,183</u>	<u>189,769</u>	<u>(44,520)</u>	<u>1,100,432</u>
Transfers out	-	(384,550)	-	(384,550)
Transfer to General Fund - payment in lieu of taxes	(28,929)	(8,115)	(5,673)	(42,717)
Transfers in	-	-	384,550	384,550
Total transfers	<u>(28,929)</u>	<u>(392,665)</u>	<u>378,877</u>	<u>(42,717)</u>
Change in net position	926,254	(202,896)	334,357	1,057,715
Net Position:				
Beginning of year - July 1	<u>21,955,452</u>	<u>5,296,140</u>	<u>708,191</u>	<u>27,959,783</u>
End of year - June 30	<u>\$ 22,881,706</u>	<u>\$ 5,093,244</u>	<u>\$ 1,042,548</u>	<u>\$ 29,017,498</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Major Funds			Total
	Electric Fund	ILEC Telephone Fund	CLEC Telephone Fund	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 12,105,798	\$ 1,043,761	\$ 1,052,820	\$ 14,202,379
Cash paid for goods and services	(10,449,642)	1,972	(1,161,195)	(11,608,865)
Cash paid to or on behalf of employees for services	(256,438)	(759,498)	-	(1,015,936)
Net cash provided (used) by operating activities	<u>1,399,718</u>	<u>286,235</u>	<u>(108,375)</u>	<u>1,577,578</u>
Cash Flows from Non-Capital Financing Activities:				
Due to (from) other funds	-	134,207	(134,207)	-
Transfers to other funds	(28,929)	(392,665)	(5,673)	(427,267)
Transfers from other funds	-	-	384,550	384,550
Net cash provided (used) by non-capital financing activities	<u>(28,929)</u>	<u>(258,458)</u>	<u>244,670</u>	<u>(42,717)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,953,006)	(421,805)	(138,255)	(2,513,066)
Lease payments received	99,502	45,949	-	145,451
Net cash provided (used) by capital and related financing activities	<u>(1,853,504)</u>	<u>(375,856)</u>	<u>(138,255)</u>	<u>(2,367,615)</u>
Cash Flows from Investing Activities:				
Investment earnings	8,877	5,611	2,140	16,628
Net increase (decrease) in cash and cash equivalents	(473,838)	(342,468)	180	(816,126)
Cash and Cash Equivalents:				
Beginning of year - July 1	<u>4,940,341</u>	<u>1,958,597</u>	<u>185</u>	<u>6,899,123</u>
End of year - June 30	<u>\$ 4,466,503</u>	<u>\$ 1,616,129</u>	<u>\$ 365</u>	<u>\$ 6,082,997</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 907,834	\$ 136,681	\$ (46,660)	\$ 997,855
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	578,939	144,796	141,013	864,748
Changes in assets, deferred outflows of resources, and liabilities:				
(Increase) decrease in accounts receivable	(153,863)	(27,592)	10,966	(170,489)
(Increase) decrease in prepaids	-	2,200	633	2,833
(Increase) decrease in inventory	(30,653)	-	(214,507)	(245,160)
(Increase) decrease in deferred outflows of resources for pensions	(3,195)	(31,946)	-	(35,141)
(Increase) decrease in deferred outflows of resources for OPEB	(817)	(7,370)	-	(8,187)
Increase (decrease) in deferred inflows of resources for pensions	15,044	150,441	-	165,485
Increase (decrease) in deferred inflows of resources for OPEB	(2,009)	(18,137)	-	(20,146)
Increase (decrease) in pension liability	(14,318)	(143,185)	-	(157,503)
Increase (decrease) in OPEB liability	3,780	34,126	-	37,906
Increase (decrease) in accounts payable and accrued liabilities	85,276	46,158	-	131,434
Increase (decrease) in customer deposits	13,700	63	180	13,943
Net cash provided (used) by operating activities	<u>\$ 1,399,718</u>	<u>\$ 286,235</u>	<u>\$ (108,375)</u>	<u>\$ 1,577,578</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2022**

	Custodial Fund - Fireman's Relief Fund
	<u> </u>
Assets:	
Cash and cash equivalents	\$ 173,018
	<u> </u>
Net Position:	
Restricted for:	
Individuals, organizations, and other governments	\$ 173,018
	<u> </u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Custodial Fund - Fireman's Relief Fund
Additions:	
Investment earnings	\$ <u>277</u>
Net increase (decrease) in fiduciary net position	277
Net Position:	
Beginning of year - July 1	<u>172,741</u>
End of year - June 30	<u>\$ 173,018</u>

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Pineville 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 Pineville (the "Town") is a municipal corporation that is governed by an elected Mayor and a four-member Town Council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable.

Blended Component Unit

The Town has one blended component unit, Pineville Redevelopment and Investment, Inc, which was created during fiscal year 2019. Pineville Redevelopment and Investment, Inc. was formed for the purpose of the redevelopment for the Cone Mill property. The Cone Mill property deed has been transferred from the Town to the component unit. The Town maintains sole control over the operations of Pineville Redevelopment and Investment, Inc. and activities are included in the financial statements of the Town as a blended component unit.

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 specific 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 specific 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, including its Fiduciary Fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

The Town reports the following major governmental 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 and fire, general government, street maintenance and construction, and environmental protection.

ARP Grant Fund. This fund accounts for the federal American Rescue Plan grant funds that are restricted for use for a particular purpose and is used to track the activities of that grant.

Town Hall/Library Building Capital Project Fund. This fund is used to account for the construction of a new town hall and library building.

The Town reports the following nonmajor governmental funds:

Emergency Telephone System Special Revenue Fund. This fund is used to account for 911 revenues received by the State 911 Board to enhance the state's 911 system.

Johnston Road Realignment Capital Project Fund. This fund is used to account for capital related activities for road construction and improvements.

Dog Park/Splash Pad Capital Project Fund. This fund is used to account for the construction of a new Town dog park and splash pad.

Lynwood/Lakeview Road Improvements Capital Project Fund. This fund is used to account for road construction and improvements on Lynwood Lane and Lakeview Drive.

Fire Building Construction Capital Project Fund. This fund is used to account for the purchase of land and construction of a new fire building.

The Town reports the following major enterprise funds:

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

ILEC Telephone Fund. This fund is used to account for the Town's Incumbent Local Exchange Carrier Telephone Fund operations.

CLEC Telephone Fund. This fund is used to account for the Town's Competing Local Exchange Carrier Telephone Fund operations.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The Town reports the following fund types:

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private purpose trust funds. Custodial funds are used to account for assets the Town holds on behalf of others that meet certain criteria. The Town maintains the following Custodial Fund: the Firemen's Relief Fund, which is used to financially assist firefighters per the requirements approved under N.C. General Statute 58-84-35.

C. Measurement Focus and Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary fund, and fiduciary 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 are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The Town considers all revenues available if they are collected within sixty (60) days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates, are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, Emergency Telephone System Fund Special Revenue Fund, Electric Rate Stabilization Fund, and enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for all the capital project funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the annually budgeted funds of the General Fund and Special Revenue Fund, expenditures may not legally exceed appropriations at the fund level for all annually budgeted funds of the enterprise funds and may not legally exceed appropriations at the object level for all multi-year funds. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. 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

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G. S. 159-30(c)(8)] 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. The NCCMT Government Portfolio, an SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

Restricted Assets

The unexpended debt proceeds of the Town Hall/Library Building Capital Project Fund issued by the Town are classified as restricted assets because its use is completely restricted to the purpose for which the debt was originally issued. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Unspent grant proceeds in the ARP Grant Fund is restricted by revenue source for which the funds were received.

Governmental Activities:

General Fund:

Streets - Powell Bill	\$	469,648
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ARP Grant Fund:

Unspent grant proceeds		1,438,600
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Town Hall/Library Bldg CP Fund:

Unspent debt proceeds		4,023,475
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		<u>5,931,723</u>
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Business-Type Activities:

Electric Fund:

Customer deposits		268,250
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ILEC Telephone Fund:

Customer deposits		221
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CLEC Telephone Fund:

Customer deposits		365
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		<u>268,836</u>
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Total restricted cash	\$	<u>6,200,559</u>
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TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021.

Allowances for Doubtful Accounts

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

Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Inventory and Prepaid Items

The inventories of the Town's enterprise funds are valued at cost (first-in, first-out, and average), which approximates market. The inventories consist of materials and supplies, held for consumption, and are expensed when consumed rather than when purchased.

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows for the governmental funds and Electric Fund: land, buildings improvements, substations, lines, and other plant and distribution systems, \$10,000; infrastructure, \$20,000; furniture, and equipment and vehicles, \$5,000. Some items in the Telephone Fund have a minimum capitalization cost of \$2,000 due to FCC Rules. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost.

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

<u>Asset</u>	<u>Years</u>
Infrastructure	25-50
Buildings	50
Improvements	10-25
Vehicles	6-10
Furniture and equipment	3-10
Computer equipment	3-7

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion: pension and other post-employment benefit deferrals. In addition to liabilities, the Statement of Net 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 assets that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criteria for this category – pension deferrals, other post-employment benefit deferrals, and leases.

Long-Term Obligations

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

In 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.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Compensated Absences

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

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

Reimbursements for Pandemic-Related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments.

The Town was allocated \$2,877,200 of fiscal recovery funds to be paid in two equal installments. The first installment of \$1,438,600 was received in July 2021. The second installment was received subsequent to year end in July 2022. The Town Council has elected to use its full allotment of the ARPA for revenue replacement. Revenue replacement funds will be transferred to the appropriate funds once the intended use of the funds become due.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The governmental fund types classify fund balances as follows:

Non-Spendable 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.

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

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

Restricted Fund Balance

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

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

Restricted for General Government – portion of fund balance restricted by revenue source for general government related activities to build the Town Hall and Library buildings.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities such as drug forfeiture funds in the General Fund of \$1,283,977 and E-911 fund balance of \$318,566.

Restricted net position on Exhibit A differs from restricted fund balances on Exhibit C by the unspent debt proceeds of \$4,023,475.

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Town Council is the highest level of decision-making authority for the government that can, by majority vote by quorum, commit fund balance. Once voted, the commitment is in place until a similar action is taken. Any changes or removal of specific purpose commitments requires a majority vote by quorum by the Town Council.

Committed for General Government – portion of fund balances committed for general government purposes. The Town has projects going for the construction and improvements of buildings within Town limits.

Committed for Public Safety – portion of fund balance committed for public safety related activities. The Town is currently building a new fire station building.

Committed for Cultural and Recreational – portion of fund balances committed for culture and recreation purposes. The Town was building a dog park and splash pad and has finished the project.

Committed for Transportation – portion of fund balance committed by the Town for road improvements.

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes budgeted by the governing body.

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund. Only the General Fund may report a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in the governmental funds, other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned balance in that fund.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following order: bond/debt proceeds, federal funds, state funds, local non-Town funds, and Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the Town or when required by grant or other contractual agreements.

The Town adopted a minimum fund balance policy on July 8, 2014 to protect the future of the Town's reserve funds, made up of the General Fund and the two enterprise funds. The policy states that the Town will maintain fund balance and net position in reserves as follows: at least 40% of General Fund expenditures of the current year and at least 25% in both the telephone and electric funds of expenditures in the current year. The Town is hopeful that doing this will ensure enough funds were available for emergencies or special projects and prevent future boards from weakening the financial stability of the Town. No board can take action to reduce the reserves without first voting to void this policy.

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	\$ 22,934,355
Less:	
Prepays	81,772
Leases	38,611
Stabilization by state statute	<u>1,741,151</u>
Available fund balance	21,072,821
Less: Town's fund balance policy	<u>5,360,213</u>
Total remaining fund balance	<u>\$ 15,712,608</u>

F. Defined Benefit Cost-Sharing Plans

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

G. Revenues, Expenditures, and Expenses

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2022, the expenditures made in the following funds exceeded the authorized appropriations made by the governing board by the following amounts.

General Fund:

Transfers to other funds	<u>\$ 89,451</u>
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Nonmajor Governmental Funds:

Emergency Telephone System Fund:

Total expenditures	<u>\$ 22,173</u>
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Both over-expenditures are related to the E911 Special Revenue Fund. The Transfer to Other Funds was used to bring the E911 to current approved amounts due to a backlog in approval of prior year reports at the state level. The over-expenditure in the E911 fund itself was due to a lack of budget increase to bring forward available fund balance to cover existing encumbrances.

Significant turnover in the Finance Department occurred during the fiscal year. Finance Staff will closely monitor and update budget status for Management and Board reports to ensure compliance.

3. Detail Notes On All Funds

A. Assets

Deposits

All 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 the Town's name. 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.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 the 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 but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that depositories are properly secured.

At June 30, 2022, the Town's deposits had a carrying amount of \$9,570,048 and a bank balance of \$9,711,044. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$9,461,044 was covered by collateral held under the Pooling Method. At June 30, 2022, the Town's petty cash totaled \$1,550.

Investments

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

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2022</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ <u>29,453,560</u>	N/A	AAAm

The Town's investment in the NC Capital Management Trust – Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAmf by Moody's Investor Services as of June 30, 2022. The Town has no policy regarding credit risk.

Receivables – Allowances for Doubtful Accounts

The amounts presented in the Statement of Net Position and Balance Sheet for the year ended June 30, 2022 are net of the following allowances for doubtful accounts:

Governmental Activities:	
Taxes receivable	\$ <u>89,361</u>
Business-Type Activities:	
Electric	\$ 54,809
ILEC	2,477
CLEC	<u>3,980</u>
Total	<u>\$ 61,266</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Due from Other Governments

Due from other governments that is owed to the Town consists of the following:

General Fund:

Local option sales taxes	\$	513,132
Sales taxes receivable		374,106
Utilities franchise tax		266,883
Drug fund receipts		383,977
DMV MV taxes receivable		33,211
Others		169,842
		<u>1,741,151</u>

Nonmajor Funds:

Grants receivable		<u>108,282</u>
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Total due from other governments	\$	<u><u>1,849,433</u></u>
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Leases Receivable

For the year ended 6/30/2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

General Fund:

On 07/01/2021, the Town entered into a 180-month lease as lessor for the use of Jack Hughes Lane Town Hall. An initial lease receivable was recorded in the amount of \$580,340. As of 06/30/2022, the value of the lease receivable is \$580,340. The lessee is required to make monthly fixed payments of \$4,496. The lease has an interest rate of 3.2114%. The building's estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2022 was \$541,729, and the Town recognized lease revenue of \$38,611 during the fiscal year.

Electric Fund:

On 07/01/2021, the Town entered into a 43-month lease as lessor for the use of USPS - 206 College Street. An initial lease receivable was recorded in the amount of \$137,860. As of 06/30/2022, the value of the lease receivable is \$99,888. The lessee is required to make monthly fixed payments of \$3,266. The lease has an interest rate of 1.0110%. The building's estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2022 was \$99,388, and the Town recognized lease revenue of \$38,472 during the fiscal year. The lessee has 2 extension option(s), each for 60 months. The lessee had a termination period of 3 months as of the lease commencement.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

ILEC Fund:

On 07/01/2021, the Town entered into a 60-month lease as lessor for the use of 12109 Lancaster Highway. An initial lease receivable was recorded in the amount of \$238,308. As of 06/30/2022, the value of the lease receivable is \$192,359. The lessee is required to make monthly fixed payments of \$4,023. The lease has an interest rate of 1.1770%. The land's estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2022 was \$190,831, and the Town recognized lease revenue of \$47,477 during the fiscal year. The lessee has 3 extension option(s), each for 60 months.

Lease receivables at June 30, 2022 were as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
Governmental Activities:				
Leased buildings	\$ -	\$ 580,340	\$ -	\$ 580,340
Business-Type Activities:				
<i>Electric Fund:</i>				
Leased buildings	\$ -	\$ 137,860	\$ 37,972	\$ 99,888
<i>ILEC Telephone Fund:</i>				
Leased land	-	238,308	45,949	192,359
Business-type activities				
total leases receivable	<u>\$ -</u>	<u>\$ 376,168</u>	<u>\$ 83,921</u>	<u>\$ 292,247</u>

Deferred inflows of resources for leases at June 30, 2022 were as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
Governmental Activities:				
Leased buildings	\$ -	\$ 580,340	\$ 38,611	\$ 541,729
Business-Type Activities:				
<i>Electric Fund:</i>				
Leased buildings	\$ -	\$ 137,860	\$ 38,472	\$ 99,388
<i>ILEC Telephone Fund:</i>				
Leased land	-	238,308	47,477	190,831
Business-type activities				
total deferred - leases	<u>\$ -</u>	<u>\$ 376,168</u>	<u>\$ 85,949</u>	<u>\$ 290,219</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Capital Assets

Governmental Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2022 was as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
Non-Depreciable Assets:				
Land	\$ 4,304,222	\$ -	\$ -	\$ 4,304,222
Construction in progress	<u>8,241,236</u>	<u>12,709,121</u>	-	<u>20,950,357</u>
Total non-depreciable assets	<u>12,545,458</u>	<u>12,709,121</u>	-	<u>25,254,579</u>
Depreciable Assets:				
Buildings	15,552,028	-	-	15,552,028
Other improvements	6,438,469	436,331	-	6,874,800
Equipment	5,370,052	205,397	-	5,575,449
Vehicles and motor equipment	5,652,695	292,599	120,953	5,824,341
Infrastructure	<u>9,059,903</u>	-	-	<u>9,059,903</u>
Total depreciable assets	<u>42,073,147</u>	<u>934,327</u>	<u>120,953</u>	<u>42,886,521</u>
Less Accumulated Depreciation:				
Buildings	4,049,673	312,632	-	4,362,305
Other improvements	2,558,773	351,888	-	2,910,661
Equipment	4,434,235	318,327	-	4,752,562
Vehicles and motor equipment	3,353,310	382,032	120,953	3,614,389
Infrastructure	<u>3,927,733</u>	<u>288,340</u>	-	<u>4,216,073</u>
Total accumulated depreciation	<u>18,323,724</u>	<u>\$ 1,653,219</u>	<u>\$ 120,953</u>	<u>19,855,990</u>
Total depreciable capital assets, net	<u>23,749,423</u>			<u>23,030,531</u>
Governmental capital assets, net	<u>\$ 36,294,881</u>			<u>\$ 48,285,110</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

Governmental Activities:

General government	\$ 285,096
Public safety	659,676
Environmental protection	61,653
Transportation	233,716
Cultural and recreation	<u>413,078</u>
Total	<u>\$ 1,653,219</u>

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2022 are as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Electric:					
Non-Depreciable Assets:					
Land	\$ 3,663,392	\$ -	\$ -	\$ -	\$ 3,663,392
Construction in progress	<u>3,973,192</u>	<u>1,953,006</u>	<u>-</u>	<u>(2,498,788)</u>	<u>3,427,410</u>
Total non-depreciable assets	<u>7,636,584</u>	<u>1,953,006</u>	<u>-</u>	<u>(2,498,788)</u>	<u>7,090,802</u>
Depreciable Assets:					
Substations, lines, and related equipment	18,465,037	-	-	2,498,788	20,963,825
Buildings	690,982	-	-	-	690,982
Vehicles	<u>604,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>604,169</u>
Total depreciable capital assets	<u>19,760,188</u>	<u>-</u>	<u>-</u>	<u>2,498,788</u>	<u>22,258,976</u>
Less Accumulated Depreciation:					
Substations, lines, and related equipment	10,139,332	553,610	-	-	10,692,942
Buildings	276,349	17,687	-	-	294,036
Vehicles	<u>578,059</u>	<u>7,642</u>	<u>-</u>	<u>-</u>	<u>585,701</u>
Total accumulated depreciation	<u>10,993,740</u>	<u>\$ 578,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>11,572,679</u>
Total depreciable capital assets, net	<u>8,766,448</u>				<u>10,686,297</u>
Capital assets, net	<u>16,403,032</u>				<u>17,777,099</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2022</u>
ILEC Telephone Fund:					
Non-Depreciable Assets:					
Land	47,777	\$ -	\$ -	\$ -	47,777
Construction in progress	249,825	381,897	-	(631,722)	-
Total non-depreciable assets	297,602	381,897	-	(631,722)	47,777
Depreciable Assets:					
Plant and distribution systems	6,128,968	39,908	-	631,722	6,800,598
Buildings	544,437	-	-	-	544,437
Furniture and maintenance equipment	196,856	-	-	-	196,856
Vehicles and other work equipment	401,674	-	-	-	401,674
Total depreciable capital assets	7,271,935	39,908	-	631,722	7,943,565
Less Accumulated Depreciation:					
Plant and distribution systems	3,857,161	131,729	-	-	3,988,890
Buildings	357,242	13,067	-	-	370,309
Furniture and maintenance equipment	196,856	-	-	-	196,856
Vehicles and other work equipment	401,674	-	-	-	401,674
Total accumulated depreciation	4,812,933	\$ 144,796	\$ -	\$ -	4,957,729
Total depreciable capital assets, net	2,459,002				2,985,836
Capital assets, net	2,756,604				3,033,613
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2022</u>
CLEC Telephone Fund:					
Non-Depreciable Assets:					
Construction in progress	111,957	\$ 115,675	\$ -	\$ (191,402)	36,230
Depreciable Assets:					
Plant and distribution systems	5,381,883	22,580	-	191,402	5,595,865
Less Accumulated Depreciation:					
Plant and distribution systems	3,774,757	\$ 141,013	\$ -	\$ -	3,915,770
Total depreciable capital assets, net	1,607,126				1,680,095
Capital assets, net	1,719,083				1,716,325
Total business-type activities capital assets, net	\$ 20,878,719				\$ 22,527,037

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2022 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 48,285,110	\$ 22,527,037
Long-term debt	(21,000,000)	-
Less:		
Unexpended proceeds	4,023,475	-
Net investment in capital assets	\$ 31,308,585	\$ 22,527,037

Construction Commitments

The Town has active construction projects as of June 30, 2022. At year end, the Town's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Town Hall/Library Building CPF	\$ 16,976,525	\$ 3,648,922
Lynnwood/Lakeview Rd Improv CPF	52,685	2,239,390
Fire Building Construction CPF	559,234	440,766
Johnson Road Realignment	1,009,552	2,657,448
Total	\$ 18,597,996	\$ 8,986,526

B. Liabilities

Local Governmental Employee's Retirement System

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Pineville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Pineville's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.39% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Pineville were \$669,533 for the year ended June 30, 2022.

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

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

At June 30, 2022, the Town reported a liability of \$1,085,633 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Town's proportion was 0.07079% (measured as of June 30, 2021), which was an increase of 0.00034% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$422,641. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 345,380	\$ -
Changes of assumptions	682,055	-
Net difference between projected and actual earnings on pension plan investments	-	1,551,043
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,446	60,090
Town contributions subsequent to the measurement date	669,533	-
Total	\$ 1,701,414	\$ 1,611,133

\$669,533 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2023	\$ 74,429
2024	(59,826)
2025	(119,228)
2026	(474,627)
2027	-
Thereafter	-
Total	\$ (579,252)

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic Fixed Income	7.0%	6.0%
Inflation sensitive	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The information above is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 4,214,335	\$ 1,085,633	\$ (1,489,108)

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

Law Enforcement Officers’ Special Separation Allowance

Plan Description. The Town administers a public employee retirement system (the “Separation Allowance”), a single-employer, defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85% 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. A separate report was not issued for the plan.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

Retirees receiving benefits	2
Active plan members	<u>38</u>
Total	<u><u>40</u></u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

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

Inflation	2.50 percent per annum
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor per annum
Discount rate	2.25 percent per annum, compounded annually

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an experience study completed by the actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 21, 2019.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by one year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back three years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward three years. Rates for female members are Set Forward one year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior To Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the 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 \$100,276 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, 2022, the Town reported a total pension liability of \$2,069,165. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was rolled forward to December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$249,707.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 155,931	\$ 19,883
Changes of assumptions and other inputs	403,016	59,953
Town benefit payments and plan administrative expense made subsequent to the measurement date	57,738	-
Total	<u>\$ 616,685</u>	<u>\$ 79,836</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The Town paid \$57,738 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions, which will be recognized as a decrease of the total pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
June 30	
2023	\$ 114,190
2024	110,523
2025	118,447
2026	105,708
2027	27,822
Thereafter	2,421
Total	<u>\$ 479,111</u>

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 2.25 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	(1.25%)	Rate (2.25%)	(3.25%)
Total pension liability	<u>\$ 2,231,762</u>	<u>\$ 2,069,165</u>	<u>\$ 1,920,011</u>

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

	2022
Beginning balance	\$ 1,926,028
Service cost	101,107
Interest on the total pension liability	36,205
Differences between expected and actual experience in the measurement of the total pension liability	156,632
Changes of assumptions or other inputs	(50,531)
Benefit payments	<u>(100,276)</u>
Ending balance of the total pension liability	<u>\$ 2,069,165</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five year period ending December 31, 2019.

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	\$ 422,641	\$ 249,707	\$ 672,348
Pension liability	1,085,633	2,069,165	3,154,798
Proportionate share of the net pension liability	0.07079%	N/A	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 345,380	\$ 155,931	\$ 501,311
Changes of assumptions	682,055	403,016	1,085,071
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,446	-	4,446
Benefit payments and administrative costs paid subsequent to the measurement date	669,533	57,738	727,271
Total deferred outflows of resources	<u>\$ 1,701,414</u>	<u>\$ 616,685</u>	<u>\$ 2,318,099</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 19,883	\$ 19,883
Changes of assumptions	-	59,953	59,953
Net difference between projected and actual earnings on plan investments	1,551,043	-	1,551,043
Changes in proportion and differences between Town contributions and proportionate share of contributions	60,090	-	60,090
Total deferred inflows of resources	<u>\$ 1,611,133</u>	<u>\$ 79,836</u>	<u>\$ 1,690,969</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the Plan. Contributions for the year ended June 30, 2022 were \$229,076, which consisted of \$137,096 from the Town and \$91,980 from the law enforcement officers. No amounts were forfeited.

Supplemental Retirement Income Plan for General Employees

Plan Description. The Town has elected to contribute to the Plan for general employees as well as for law enforcement officers. Participation begins at the date of employment. Employees may contribute up to 15% of their annual salary, not to exceed the maximum amount established by law. The Town will match the contribution 100% up to 5% of the employee's salary. Contributions for the year ended June 30, 2022 were \$204,177 which consisted of \$97,781 from the Town and \$106,396 from the employees.

Other Post-Employment Benefit

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). This Plan provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System).

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Employees who were hired before September 1, 2019 and retire under the North Carolina Local Governmental Employees' Retirement System (NCLGERS) and meet any of the following conditions are eligible to participate in the Town's Health Insurance Plan:

- 30 years of service with the Town
- Age 50 and 20 years of service with the Town
- Age 55 and 10 years of service with the Town
- Disabled at any age and 5 years of service with the Town

Employees hired on or after September 1, 2019 are not eligible to participate in the Town's Health Insurance Plan after retirement. The Town Board has the authority to establish and amend the benefit terms and financing requirements.

Benefits Provided. Employees who retire with a minimum of 25 years of employment with the Town will have their health insurance premium paid entirely by the Town. If an employee retires with less than 25 years of employment, they can continue to participate in the Town's Health Insurance Plan but will have to pay full cost of coverage.

Two retirees are grandfathered in to dental and life insurance coverage paid by the Town. The monthly cap on Medicare reimbursements does not apply to these two grandfathered retirees. One retiree receives a Medicare Part B reimbursement from the Town for their lifetime. Health care and prescription drug coverage are provided in the Town's Health Insurance Plan for Pre-Medicare retirees and a reimbursement is offered to Medicare eligible retirees. Dependents of retirees are not eligible to participate in the Town's Health Insurance Plan.

The monthly premium for active employees and retirees not yet eligible for Medicare is \$513.01 as of July 1, 2020. Medicare eligible retirees are eligible to receive a reimbursement up to \$150 a month to cover their Medicare Supplement Plan. Two grandfathered retirees are not subject to the monthly cap on their reimbursement.

The Town Council may amend the benefit provisions. A separate report was not issued for the Plan. No assets were accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

Retirees receiving benefits	6
Active plan members	<u>79</u>
Total	<u><u>85</u></u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Total OPEB Liability

The Town's total OPEB liability of \$3,292,520 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	
General employees	3.25 percent - 8.41 percent
Law enforcement officers	3.25 percent - 7.90 percent
Municipal bond index rate	
Prior measurement date	2.21 percent
Measurement date	2.16 percent
Healthcare cost trend rates	
Pre-Medicare, medical and prescription drug	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030
Medicare, medical and prescription drug	None, 0.00% for 2020 decreasing to an ultimate rate of 0.00% by 2024

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	\$ 2,935,923
Changes for the year	
Service cost	151,842
Interest	67,725
Differences between expected and actual experience	1,784
Changes in assumptions or other inputs	182,101
Benefit payments	(46,855)
Net changes	<u>356,597</u>
Balance at June 30, 2022	<u><u>\$ 3,292,520</u></u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

The Town selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2020 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the plan, determined using the discount rate of 2.16%, as well as what the plan's total OPEB liability would be if it were determined using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 3,745,391	\$ 3,292,520	\$ 2,907,036

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the plan, determined using health care cost trend rates, as well as what the Town's total OPEB liability would be if it were determined using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 2,905,335	\$ 3,292,520	\$ 3,759,664

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$136,921. At June 30, 2022, 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	\$ 1,583	\$ 814,260
Changes of assumptions and other inputs	794,281	379,782
Town benefit payments and plan administrative expense made subsequent to the measurement date	53,485	-
Total	\$ 849,349	\$ 1,194,042

\$53,485 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2023	\$ (82,646)
2024	(82,646)
2025	(82,646)
2026	(82,646)
2027	(82,642)
Thereafter	15,048
Total	\$ (398,178)

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Other Employee Benefits

Death Benefit Plan

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 may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

Group Life Insurance

The Town pays the full cost of a life insurance policy for all regular full-time employees and all regular part-time employees who work a minimum of 30 hours per week. Employee coverage is equivalent to the employee's current salary and payable to the designated beneficiary of the employee.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position are comprised of the following:

Differences between expected and actual experience	\$	502,894
Changes of assumptions		1,879,352
Changes in proportion and differences between employer contributions and proportionate share of contributions		4,446
Benefit payments and administrative costs paid subsequent to the measurement date		<u>780,756</u>
Total	\$	<u><u>3,167,448</u></u>

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

	Statement of Net Position	Balance Sheet Governmental Funds
Taxes receivable	\$ -	\$ 114,753
Unavailable revenue (nonmajor funds)	-	108,282
Leases	831,948	541,729
Differences between expected and actual experience	834,143	-
Changes of assumptions and other inputs	439,735	-
Net difference between projected and actual earnings on plan investments	1,551,043	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	60,090	-
Total	\$ 3,716,959	\$ 764,764

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 coverage of \$5 million per occurrence, auto liability coverage of \$5 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police, and public officials for claims in excess of \$1 million, for property claims in excess of \$500,000, and up to statutory limits for workers' compensation. 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. 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 provides health insurance coverage to eligible employees through a third party. Any health claims in excess of policy limits are the responsibility of the employee and not the Town.

The Town carries flood insurance with a third party that provides coverage for property located in an area that has been mapped and designated a "B, C, and X" area by the Federal Emergency Management Agency. The coverage provides an annual and a single occurrence limit of \$5,000,000 each. All of the Town's assets are located within these zones with the exception of some sheds and concession stands located at one of the Town's parks. While the Town is eligible to purchase flood insurance through the National Flood Insurance program on these items, no decision has been made to carry flood insurance on all these items at this time.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 Director is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$30,000.

Claims, Judgments and Contingent Liabilities

At June 30, 2022, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Long-Term Obligations

Installment Purchases – Direct Placements

In February 2021, the Town entered into a \$21,000,000 installment note to finance the Town Hall/Library facility. The note requires semi-annual interest only payments thru July 1, 2022, and beginning January 1, 2023 annual principal payments of \$1,500,000, plus semi-annual interest payments at a 1.73% fixed interest rate, to mature in 2036. The Town's outstanding note from direct placement related to governmental activities, contains a provision that in an event of default, outstanding amounts become immediately due or lender may exercise or enforce its security in the Deed of Trust, if the Town fails to pay a payment or additional payment when due, fails to budget and appropriate money to make payments in subsequent year, fails to perform terms and conditions or covenants of the contract, files bankruptcy, misrepresents the Deed of Trust, or attaches, levies, or executes on or against any portion of the mortgaged property. The note is secured by the Town Hall/Library facility. At June 30, 2022, the balance remaining was \$21,000,000.

Annual debt service payments of the installment purchase, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2023	\$ 1,500,000	\$ 368,346
2024	1,500,000	342,035
2025	1,500,000	316,590
2026	1,500,000	289,415
2027	1,500,000	263,104
2028-2032	7,500,000	921,441
2033-2036	6,000,000	263,393
Total	<u>\$ 21,000,000</u>	<u>\$ 2,764,324</u>

At June 30, 2022, the Town had a legal debt margin of approximately \$186,789,000.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Installment purchases- direct placement	\$ 21,000,000	\$ -	\$ -	\$ 21,000,000	\$ 1,500,000
Total pension liability (LEOSSA)	1,926,028	143,137	-	2,069,165	-
Net pension liability (LGERS)	2,219,906	-	1,274,343	945,563	-
Total OPEB liability	2,377,588	318,691	-	2,696,279	-
Compensated absences	314,697	118,104	74,922	357,879	35,788
Governmental activities long-term liabilities	<u>\$ 27,838,219</u>	<u>\$ 579,932</u>	<u>\$ 1,349,265</u>	<u>\$ 27,068,886</u>	<u>\$ 1,535,788</u>
Business-Type Activities:					
<i>Electric Fund:</i>					
Net pension liability (LGERS)	\$ 23,557	\$ -	\$ 14,318	\$ 9,239	\$ -
Total OPEB liability	140,958	3,780	-	144,738	-
Compensated absences	20,336	-	20,336	-	-
<i>ILEC Telephone Fund:</i>					
Net pension liability (LGERS)	274,016	-	143,185	130,831	-
Total OPEB liability	417,377	34,126	-	451,503	-
Compensated absences	37,283	13,569	8,587	42,265	4,227
Business-type activities long-term liabilities	<u>\$ 913,527</u>	<u>\$ 51,475</u>	<u>\$ 186,426</u>	<u>\$ 778,576</u>	<u>\$ 4,227</u>

Compensated absences, other post-employment benefits, and pension liabilities for governmental activities have typically been liquidated in the General Fund.

Interfund Balances and Activity

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

<u>Fund</u>	<u>Payable</u>	<u>Receivable</u>	<u>Purpose</u>
ILEC Telephone Fund	\$ -	\$ 1,029,407	Cash deficit and operational support
CLEC Telephone Fund	1,029,407	-	
Total	<u>\$ 1,029,407</u>	<u>\$ 1,029,407</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Transfers to/from other funds during the year ended June 30, 2022 consist of the following:

<u>Fund</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
Electric Fund	\$ 28,929	\$ -	
ILEC Telephone Fund	8,115	-	
CLEC Telephone Fund	5,673	-	
General Fund	-	42,717	Payment in lieu of taxes
General Fund	89,451	-	Repayment of ineligible expenditures
Emergency Telephone System Fund			
Special Revenue Fund	-	89,451	
ILEC Telephone Fund	384,550	-	Capital expansion
CLEC Telephone Fund	-	384,550	Capital expansion
Total	<u>\$ 516,718</u>	<u>\$ 516,718</u>	

4. Jointly Governed Organizations

The Town, in conjunction with twenty other governments, is a member of the North Carolina Town Power Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The 21 members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2022 were \$8,892,584.

The Town's volunteer fire department appoints five members to the five-member local Board of Trustees for the Firemen's Relief Fund. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the state. The state passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. During the fiscal year ended June 30, 2022, the Town did not report any payments to the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

TOWN OF PINEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

5. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

6. Change in Accounting Principle

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

TOWN OF PINEVILLE, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST FIVE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability - beginning	\$ 2,935,923	\$ 5,191,717	\$ 4,371,403	\$ 4,532,967	\$ 4,700,511
Service cost	151,842	328,662	290,684	284,743	330,065
Interest	67,725	192,473	169,319	160,726	141,055
Changes of benefit terms	-	(2,492,424)	-	-	-
Differences between expected and actual experience	1,784	(684,846)	(3,248)	(443,489)	(4,409)
Changes of assumptions	182,101	443,001	401,353	(126,849)	(605,457)
Benefit payments	(46,855)	(42,660)	(37,794)	(36,695)	(28,798)
Net change in total OPEB liability	<u>356,597</u>	<u>(2,255,794)</u>	<u>820,314</u>	<u>(161,564)</u>	<u>(167,544)</u>
Total OPEB liability - ending	<u>\$ 3,292,520</u>	<u>\$ 2,935,923</u>	<u>\$ 5,191,717</u>	<u>\$ 4,371,403</u>	<u>\$ 4,532,967</u>
Covered employee payroll	\$ 4,207,910	\$ 4,207,910	\$ 4,179,376	\$ 4,179,376	\$ 4,421,778
Total OPEB liability as a percentage of covered employee payroll	78.25%	69.77%	124.22%	104.59%	102.51%

Notes to Schedule:

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

<u>Fiscal Year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

There are no assets accumulated in a trust that meets the criteria for GASB codification P22.101 or P52.101 to pay related benefits for the OPEB fund.

TOWN OF PINEVILLE, NORTH CAROLINA

**TOWN OF PINEVILLE'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST NINE FISCAL YEARS***

	Local Governmental Employees' Retirement System				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability (asset) (%)	0.07079%	0.07045%	0.07749%	0.07376%	0.07209%
Proportion of the net pension liability (asset) (\$)	\$ 1,085,633	\$ 2,517,479	\$ 2,116,191	\$ 1,749,837	\$ 1,101,334
Covered payroll	\$ 4,911,096	\$ 4,893,217	\$ 4,742,012	\$ 4,486,995	\$ 4,359,497
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	22.11%	51.45%	44.63%	39.00%	25.26%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%

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

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF PINEVILLE, NORTH CAROLINA

**TOWN OF PINEVILLE'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST NINE FISCAL YEARS***

	Local Governmental Employees' Retirement System			
	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.08583%	0.08872%	0.07666%	0.07590%
Proportion of the net pension liability (asset) (\$)	\$ 1,821,599	\$ 398,170	\$ (452,100)	\$ 914,886
Covered payroll	\$ 4,865,354	\$ 4,644,690	\$ 4,298,274	\$ 3,805,544
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.44%	8.57%	-10.52%	24.04%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

TOWN OF PINEVILLE, NORTH CAROLINA

**TOWN OF PINEVILLE'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST NINE FISCAL YEARS**

	Local Governmental Employees' Retirement System				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 669,533	\$ 515,551	\$ 455,948	\$ 385,750	\$ 352,312
Contributions in relation to the contractually required contribution	<u>669,533</u>	<u>515,551</u>	<u>455,948</u>	<u>385,750</u>	<u>352,312</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,070,262	\$ 4,911,096	\$ 4,893,217	\$ 4,742,012	\$ 4,486,995
Contributions as a percentage of covered payroll	11.03%	10.50%	9.32%	8.13%	7.85%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF PINEVILLE, NORTH CAROLINA

**TOWN OF PINEVILLE'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST NINE FISCAL YEARS**

	Local Governmental Employees' Retirement System			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 332,324	\$ 336,228	\$ 335,672	\$ 302,731
Contributions in relation to the contractually required contribution	<u>332,324</u>	<u>336,228</u>	<u>335,672</u>	<u>302,731</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,359,497	\$ 4,865,354	\$ 4,644,690	\$ 4,298,274
Contributions as a percentage of covered payroll	7.62%	6.91%	7.23%	7.04%

TOWN OF PINEVILLE, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SIX FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance			
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 1,926,028	\$ 1,325,677	\$ 1,176,798
Service cost	101,107	58,377	57,730
Interest on the total pension liability	36,205	42,594	42,140
Differences between expected and actual experience in the measurement of the total pension liability	156,632	(10,466)	49,289
Changes of assumptions or other inputs	(50,531)	548,078	37,952
Benefit payments	<u>(100,276)</u>	<u>(38,232)</u>	<u>(38,232)</u>
Ending balance of the total pension liability	<u>\$ 2,069,165</u>	<u>\$ 1,926,028</u>	<u>\$ 1,325,677</u>

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF PINEVILLE, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SIX FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance			
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,200,412	\$ 1,080,697	\$ 1,046,425
Service cost	53,296	46,139	50,560
Interest on the total pension liability	37,329	41,197	36,875
Differences between expected and actual experience in the measurement of the total pension liability	(30,956)	(10,288)	-
Changes of assumptions or other inputs	(45,051)	69,500	(26,121)
Benefit payments	(38,232)	(26,833)	(27,042)
Ending balance of the total pension liability	<u>\$ 1,176,798</u>	<u>\$ 1,200,412</u>	<u>\$ 1,080,697</u>

TOWN OF PINEVILLE, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE
OF COVERED EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SIX FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance		
	2022	2021	2020
Total pension liability	\$ 2,069,165	\$ 1,926,028	\$ 1,325,677
Covered employee payroll	2,500,948	2,180,723	2,257,049
Total pension liability as a percentage of covered employee payroll*	82.74%	88.32%	58.73%

Notes to the Schedules:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

* Valuation payroll

TOWN OF PINEVILLE, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE
OF COVERED EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SIX FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance		
	2019	2018	2017
Total pension liability	\$ 1,176,798	\$ 1,200,412	\$ 1,080,697
Covered employee payroll	1,912,422	2,005,261	2,108,877
Total pension liability as a percentage of covered employee payroll*	61.53%	59.86%	51.25%

TOWN OF PINEVILLE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 8,169,153	
Penalties and interest		41,089	
Total	\$ 8,447,502	8,210,242	\$ (237,260)
Other Taxes and Licenses:			
Gross receipts tax on short-term rental property		151,602	
Cablevision franchise fees		57,396	
Other taxes		42,589	
Total	-	251,587	251,587
Unrestricted Intergovernmental:			
Local option sales tax		2,931,081	
Utilities franchise tax		1,321,916	
Beer and wine tax		42,180	
ABC funds		132,972	
Total	3,116,000	4,428,149	1,312,149
Restricted Intergovernmental:			
Powell Bill allocation		262,830	
Controlled substance tax		158	
Vehicle rental tax		353,869	
Storm water fees		496,369	
Forfeited seizures - police		533,531	
Governor's Highway Safety Program Grant		567	
Transient occupancy tax		473,469	
Prepared foods tax		731,617	
Total	1,775,000	2,852,410	1,077,410
Sales and Services:			
Recreation department fees		196,230	
Police services		170,678	
Zoning fees		35,942	
Jack Hughes Park fees		58,504	
Rent income		6,532	
Other sales and services		13,671	
Total	-	481,557	481,557

TOWN OF PINEVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Investment Earnings:			
Interest income	60,500	43,825	(16,675)
Miscellaneous	<u>1,093,044</u>	<u>69,164</u>	<u>(1,023,880)</u>
Total revenues	<u>14,492,046</u>	<u>16,336,934</u>	<u>1,844,888</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and benefits		37,765	
Professional services		31,586	
Other operating expenditures		83,735	
Capital outlay		<u>16,243</u>	
Total		<u>169,329</u>	
Administration:			
Salaries and benefits		524,149	
Operating expenses		405,052	
Capital outlay		<u>236,440</u>	
Total		<u>1,165,641</u>	
Human Resources:			
Salaries and benefits		66,766	
Operating expenses		<u>86,349</u>	
Total		<u>153,115</u>	
Zoning Board:			
Salaries and benefits		204,763	
Operating expenses		136,453	
Capital outlay		<u>13,083</u>	
Total		<u>354,299</u>	
Total general government	<u>2,253,560</u>	<u>1,842,384</u>	<u>411,176</u>

TOWN OF PINEVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Public Safety:			
Police:			
Salaries and benefits		4,768,802	
Operating expenses		1,278,007	
Capital outlay		279,538	
Total		<u>6,326,347</u>	
Fire:			
Salaries and benefits		213,088	
Operating expenses		797,160	
Capital outlay		13,062	
Total		<u>1,023,310</u>	
Total public safety	<u>7,561,761</u>	<u>7,349,657</u>	<u>212,104</u>
Transportation:			
Streets and Highways:			
Salaries and benefits		623,295	
Operating expenses		258,484	
Capital outlay		502,635	
Total transportation	<u>1,493,018</u>	<u>1,384,414</u>	<u>108,604</u>
Environmental Protection:			
Stormwater:			
Salary and benefits		94,189	
Contracted services		62,567	
Operating expenses		70,547	
Capital outlay		18,058	
Total		<u>245,361</u>	
Sanitation:			
Operating expenditures		<u>616,864</u>	
Total environmental protection	<u>1,314,257</u>	<u>862,225</u>	<u>452,032</u>

TOWN OF PINEVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Cultural and Recreational:			
Parks and Recreation:			
Salaries and benefits		109,358	
Operating expenses		231,087	
Capital outlay		104,714	
Total parks and recreation		<u>445,159</u>	
Tourism:			
Salaries and benefits		568,330	
Operating expenditures		509,111	
Capital outlay		113,292	
Total tourism		<u>1,190,733</u>	
Total cultural and recreational	<u>1,973,214</u>	<u>1,635,892</u>	<u>337,322</u>
Debt Service:			
Interest and other charges		325,961	
Total debt service	<u>356,236</u>	<u>325,961</u>	<u>30,275</u>
Total expenditures	<u>14,952,046</u>	<u>13,400,533</u>	<u>1,551,513</u>
Revenues over (under) expenditures	<u>(460,000)</u>	<u>2,936,401</u>	<u>3,396,401</u>
Other Financing Sources (Uses):			
Transfers to other funds	-	(89,451)	(89,451)
Transfers from other funds - payment in lieu of taxes	40,000	42,717	2,717
Appropriated fund balance	<u>420,000</u>	-	<u>(420,000)</u>
Total other financing sources (uses)	<u>460,000</u>	<u>(46,734)</u>	<u>(506,734)</u>
Net change in fund balance	<u>\$ -</u>	2,889,667	<u>\$ 2,889,667</u>
Fund Balance:			
Beginning of year - July 1		<u>20,044,688</u>	
End of year - June 30		<u>\$ 22,934,355</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND

TOWN HALL/LIBRARY BUILDING CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 698	\$ 1,131	\$ 1,829
Expenditures:				
General government:				
Construction	15,786,745	4,718,331	10,907,225	15,625,556
Relocation of telephone infrastructure	3,933,732	454,535	744,149	1,198,684
Architectural engineering fees	289,085	-	54,885	54,885
Legal and financing fees	100,000	60,673	36,727	97,400
Contingency	515,885	-	-	-
Total expenditures	<u>20,625,447</u>	<u>5,233,539</u>	<u>11,742,986</u>	<u>16,976,525</u>
Revenues over (under) expenditures	<u>(20,625,447)</u>	<u>(5,232,841)</u>	<u>(11,741,855)</u>	<u>(16,974,696)</u>
Other Financing Sources (Uses):				
Proceeds from long-term debt	21,000,000	21,000,000	-	21,000,000
Transfers to other funds:				
General Fund	(1,033,415)	-	-	-
Transfers from other funds:				
General Fund	<u>658,862</u>	<u>246,942</u>	<u>-</u>	<u>246,942</u>
Total other financing sources (uses)	<u>20,625,447</u>	<u>21,246,942</u>	<u>-</u>	<u>21,246,942</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 16,014,101</u>	<u>(11,741,855)</u>	<u>\$ 4,272,246</u>
Fund Balance:				
Beginning of year - July 1			<u>16,014,101</u>	
End of year - June 30			<u>\$ 4,272,246</u>	

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TOWN OF PINEVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2022

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>	
	<u>Emergency Telephone System</u>	<u>Johnston Road Realignment Capital Project Fund</u>	<u>Dog Park/ Splash Pad Capital Project Fund</u>
Assets:			
Cash and cash equivalents	\$ 318,566	\$ 1,482,448	\$ 18,758
Due from other governments	-	108,282	-
Total assets	<u>\$ 318,566</u>	<u>\$ 1,590,730</u>	<u>\$ 18,758</u>
Deferred Inflows of Resources and Fund Balances:			
Deferred Inflows of Resources:			
Unavailable revenue	\$ -	\$ 108,282	\$ -
Fund Balances:			
Restricted for public safety	318,566	-	-
Committed for public safety	-	-	-
Committed for transportation	-	1,482,448	-
Committed for cultural and recreation	-	-	18,758
Total fund balances	<u>318,566</u>	<u>1,482,448</u>	<u>18,758</u>
Total deferred inflows of resources and fund balances	<u>\$ 318,566</u>	<u>\$ 1,590,730</u>	<u>\$ 18,758</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2022

	Capital Project Funds		Total Capital Project Funds	Total Nonmajor Governmental Funds
	Lynnwood/ Lakeview Road Improvements Capital Project Fund	Fire Building Construction Capital Project Fund		
Assets:				
Cash and cash equivalents	\$ 2,239,390	\$ 440,766	\$ 4,181,362	\$ 4,499,928
Due from other governments	-	-	108,282	108,282
Total assets	<u>\$ 2,239,390</u>	<u>\$ 440,766</u>	<u>\$ 4,289,644</u>	<u>\$ 4,608,210</u>
Deferred Inflows of Resources and Fund Balances:				
Deferred Inflows of Resources:				
Unavailable revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,282</u>	<u>\$ 108,282</u>
Fund Balances:				
Restricted for public safety	-	-	-	318,566
Committed for public safety	-	440,766	440,766	440,766
Committed for transportation	2,239,390	-	3,721,838	3,721,838
Committed for cultural and recreation	-	-	18,758	18,758
Total fund balances	<u>2,239,390</u>	<u>440,766</u>	<u>4,181,362</u>	<u>4,499,928</u>
Total deferred inflows of resources and fund balances	<u>\$ 2,239,390</u>	<u>\$ 440,766</u>	<u>\$ 4,289,644</u>	<u>\$ 4,608,210</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>	
	<u>Emergency Telephone System</u>	<u>Johnston Road Realignment Capital Project Fund</u>	<u>Dog Park/ Splash Pad Capital Project Fund</u>
Revenues:			
Investment earnings	\$ 360	\$ -	\$ -
Expenditures:			
Public safety	177,231	-	-
Transportation	-	14,600	-
Total expenditures	<u>177,231</u>	<u>14,600</u>	<u>-</u>
Revenues over (under) expenditures	(176,871)	(14,600)	-
Other Financing Sources (Uses):			
Transfers from other funds	<u>89,451</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(87,420)	(14,600)	-
Fund Balances:			
Beginning of year - July 1	<u>405,986</u>	<u>1,497,048</u>	<u>18,758</u>
End of year - June 30	<u>\$ 318,566</u>	<u>\$ 1,482,448</u>	<u>\$ 18,758</u>

TOWN OF PINEVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	Capital Project Funds		Total Capital Project Funds	Total Nonmajor Governmental Funds
	Lynnwood/ Lakeview Road Improvements Capital Project Fund	Fire Building Construction Capital Project Fund		
Revenues:				
Investment earnings	\$ -	\$ -	\$ -	\$ 360
Expenditures:				
Public safety	-	559,234	559,234	736,465
Transportation	52,685	-	67,285	67,285
Total expenditures	52,685	559,234	626,519	803,750
Revenues over (under) expenditures	(52,685)	(559,234)	(626,519)	(803,390)
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	89,451
Net change in fund balances	(52,685)	(559,234)	(626,519)	(713,939)
Fund Balances:				
Beginning of year - July 1	2,292,075	1,000,000	4,807,881	5,213,867
End of year - June 30	\$ 2,239,390	\$ 440,766	\$ 4,181,362	\$ 4,499,928

TOWN OF PINEVILLE, NORTH CAROLINA

**EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings		\$ 360	
Total revenues	\$ 700	360	\$ (340)
Expenditures:			
Public safety:			
Telephone & furniture		2,694	
Software & software maintenance		137,220	
Hardware & hardware maintenance		37,317	
Total expenditures	<u>155,058</u>	<u>177,231</u>	<u>(22,173)</u>
Revenues over (under) expenditures	<u>(154,358)</u>	<u>(176,871)</u>	<u>(22,513)</u>
Other Financing Sources (Uses):			
Transfers (to) from General Fund	-	89,451	89,451
Appropriated fund balance	<u>154,358</u>	<u>-</u>	<u>(154,358)</u>
Total other financing sources (uses)	<u>154,358</u>	<u>89,451</u>	<u>(64,907)</u>
Net change in fund balance	<u>\$ -</u>	<u>(87,420)</u>	<u>\$ (87,420)</u>
Fund Balance:			
Beginning of year - July 1		<u>405,986</u>	
End of year - June 30		<u>\$ 318,566</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

**JOHNSTON ROAD REALIGNMENT CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 1,175,000	\$ -	\$ -	\$ -
Expenditures:				
Transportation:				
Construction	2,610,000	263,724	14,600	278,324
Land and buildings	750,000	731,228	-	731,228
Engineering and professional services	307,000	-	-	-
Total expenditures	<u>3,667,000</u>	<u>994,952</u>	<u>14,600</u>	<u>1,009,552</u>
Revenues over (under) expenditures	(2,492,000)	(994,952)	(14,600)	(1,009,552)
Other Financing Sources (Uses):				
Transfers from other funds:				
General Fund	<u>2,492,000</u>	<u>2,492,000</u>	-	<u>2,492,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,497,048</u>	(14,600)	<u>\$ 1,482,448</u>
Fund Balance:				
Beginning of year - July 1			<u>1,497,048</u>	
End of year - June 30			<u>\$ 1,482,448</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

**DOG PARK/SPLASH PAD CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Fund Balance:				
Beginning of year - July 1			\$ 18,758	
End of year - June 30			\$ 18,758	

TOWN OF PINEVILLE, NORTH CAROLINA

**LYNNWOOD/LAKEVIEW ROAD IMPROVEMENTS CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	
			<u>Current Year</u>	<u>Total to Date</u>
Expenditures:				
Transportation:				
Construction	\$ 1,939,300	\$ -	\$ -	\$ -
Engineering/professional services	<u>352,775</u>	<u>-</u>	<u>52,685</u>	<u>52,685</u>
Total expenditures	<u>2,292,075</u>	<u>-</u>	<u>52,685</u>	<u>52,685</u>
Revenues over (under) expenditures	(2,292,075)	-	(52,685)	(52,685)
Other Financing Sources (Uses):				
Transfers from other funds:				
General Fund	<u>2,292,075</u>	<u>2,292,075</u>	<u>-</u>	<u>2,292,075</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,292,075</u>	<u>(52,685)</u>	<u>\$ 2,239,390</u>
Fund Balance:				
Beginning of year - July 1			<u>2,292,075</u>	
End of year - June 30			<u>\$ 2,239,390</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

**FIRE BUILDING CONSTRUCTION CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Expenditures:				
Public safety:				
Land	\$ 900,000	\$ -	\$ 549,234	\$ 549,234
Architectural engineering fees	100,000	-	10,000	10,000
Total expenditures	<u>1,000,000</u>	<u>-</u>	<u>559,234</u>	<u>559,234</u>
Revenues over (under) expenditures	(1,000,000)	-	(559,234)	(559,234)
Other Financing Sources (Uses):				
Transfers from other funds:				
General Fund	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,000,000</u>	(559,234)	<u>\$ 440,766</u>
Fund Balance:				
Beginning of year - July 1			<u>1,000,000</u>	
End of year - June 30			<u>\$ 440,766</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for service		\$ 11,948,221	
Other operating revenues		<u>336,212</u>	
Total operating revenues		<u>12,284,433</u>	
Non-operating revenues:			
Interest earnings		<u>7,938</u>	
Total revenues	<u>\$ 13,082,200</u>	<u>12,292,371</u>	<u>\$ (789,829)</u>
Expenditures:			
Administration:			
Salaries and employee benefits		262,135	
Professional services		29,642	
Operating expenditures		<u>193,825</u>	
Total administration		<u>485,602</u>	
Operations:			
Operating expenditures		<u>1,369,173</u>	
Electrical power purchases		<u>8,892,584</u>	
Capital outlay		<u>1,986,686</u>	
Total expenditures	<u>13,497,443</u>	<u>12,734,045</u>	<u>763,398</u>
Revenues over (under) expenditures	<u>(415,243)</u>	<u>(441,674)</u>	<u>(26,431)</u>
Other Financing Sources (Uses):			
Transfer to General Fund - payment in lieu of taxes	(28,929)	(28,929)	-
Appropriated fund balance	<u>444,172</u>	<u>-</u>	<u>(444,172)</u>
Total other financing sources (uses)	<u>415,243</u>	<u>(28,929)</u>	<u>(444,172)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(470,603)</u>	<u>\$ (470,603)</u>

TOWN OF PINEVILLE, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Capital asset additions		1,986,686	
Capital outlay not capitalized		(33,680)	
Depreciation		(578,939)	
Change in deferred outflows of resources - pensions		3,195	
Change in deferred outflows of resources - OPEB		817	
Change in net pension liability		14,318	
Change in total OPEB liability		(3,780)	
Change in deferred inflows of resources - pensions		(15,044)	
Change in deferred inflows of resources - OPEB		2,009	
Change in accrued vacation		20,336	
Interest income from Electric Rate Stabilization Fund		<u>939</u>	
Change in net position		<u>\$ 926,254</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

**ELECTRIC RATE STABILIZATION FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 1,000	\$ 939	\$ (61)
Expenditures:			
Rate stabilization operations	1,000	-	(1,000)
Net change in fund balance	<u>\$ -</u>	939	<u>\$ 939</u>
Fund Balance:			
Beginning of year - July 1		<u>725,226</u>	
End of year - June 30		<u>\$ 726,165</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

**ILEC TELEPHONE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services		\$ 1,088,366	
Non-operating revenues:			
Interest earnings		<u>5,611</u>	
Total revenues	<u>\$ 1,246,680</u>	<u>1,093,977</u>	<u>\$ (152,703)</u>
Expenditures:			
Administration:			
Salaries and employee benefits		276,496	
Reimbursement - CLEC		<u>(117,955)</u>	
Total		<u>158,541</u>	
Operations:			
Salaries and employee benefits		471,913	
Operating expenditures		319,490	
Reimbursement - CLEC		<u>(203,951)</u>	
Total		<u>587,452</u>	
Telephone access and service charges		<u>27,013</u>	
Capital outlay:			
Equipment		<u>421,805</u>	
Total expenditures	<u>1,600,085</u>	<u>1,194,811</u>	<u>405,274</u>
Revenues over (under) expenditures	<u>(353,405)</u>	<u>(100,834)</u>	<u>252,571</u>
Other Financing Sources (Uses):			
Transfers to General Fund - payment in lieu of taxes	(8,115)	(8,115)	-
Transfers to CLEC Fund	(384,550)	(384,550)	-
Appropriated fund balance	<u>746,070</u>	<u>-</u>	<u>(746,070)</u>
Total other financing sources (uses)	<u>353,405</u>	<u>(392,665)</u>	<u>(746,070)</u>

TOWN OF PINEVILLE, NORTH CAROLINA

**ILEC TELEPHONE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(493,499)	\$ (493,499)

**Reconciliation from Budgetary Basis
(Modified Accrual) to Full Accrual:**

Reconciling items:

Capital asset additions	421,805
Change in deferred outflows of resources - pensions	31,946
Change in deferred outflows of resources - OPEB	7,370
Change in net pension liability	143,185
Change in total OPEB liability	(34,126)
Change in deferred inflows of resources - pensions	(150,441)
Change in deferred inflows of resources - OPEB	18,137
Change in interest income - leases	2,505
Change in accrued vacation	(4,982)
Depreciation	<u>(144,796)</u>
Change in net position	<u>\$ (202,896)</u>

TOWN OF PINEVILLE, NORTH CAROLINA

CLEC TELEPHONE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON GAAP)
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services		\$ 1,066,856	
Non-operating revenues:			
Interest earnings		<u>2,140</u>	
Total revenues	<u>\$ 821,750</u>	<u>1,068,996</u>	<u>\$ 247,246</u>
Expenditures:			
Administration:			
Professional services		27,374	
Operating expenditures		<u>137,066</u>	
Total		<u>164,440</u>	
Operations:			
Operating expenditures		674,091	
Capital outlay		<u>138,255</u>	
Total		<u>812,346</u>	
Telephone access and service charges		<u>133,972</u>	
Total expenditures	<u>1,200,627</u>	<u>1,110,758</u>	<u>89,869</u>
Revenues over (under) expenditures	<u>(378,877)</u>	<u>(41,762)</u>	<u>337,115</u>
Other Financing Sources (Uses):			
Transfer from ILEC Fund	384,550	384,550	-
Transfers to General Fund - payment in lieu of taxes	<u>(5,673)</u>	<u>(5,673)</u>	<u>-</u>
Total other financing sources (uses)	<u>378,877</u>	<u>378,877</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>337,115</u>	<u>\$ 337,115</u>

TOWN OF PINEVILLE, NORTH CAROLINA

**CLEC TELEPHONE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Capital asset additions		138,255	
Depreciation		<u>(141,013)</u>	
Change in net position		<u>\$ 334,357</u>	

TOWN OF PINEVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2022

<u>Year Ended June 30</u>	<u>Uncollected Balance July 1, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 8,571,283	\$ 8,506,304	\$ 64,979
2020-2021	72,882	-	24,571	48,311
2019-2020	31,888	-	10,222	21,666
2018-2019	11,930	-	1,099	10,831
2017-2018	9,132	-	401	8,731
2016-2017	10,092	-	221	9,871
2015-2016	9,361	-	213	9,148
2014-2015	6,960	-	89	6,871
2013-2014	11,229	-	31	11,198
2012-2013	12,902	-	394	12,508
2011-2012	22,303	-	22,303	-
Total	<u>\$ 198,679</u>	<u>\$ 8,571,283</u>	<u>\$ 8,565,848</u>	<u>204,114</u>
Less: Allowance for uncollectible ad valorem taxes receivable				<u>89,361</u>
Ad valorem taxes receivable, net				<u>\$ 114,753</u>
Reconciliation with Revenues:				
Taxes - ad valorem				<u>\$ 8,210,242</u>
Reconciling items:				
Interest collected				(41,089)
Refunds and other adjustments				375,045
Miscellaneous adjustments				(653)
Amounts written off for tax years per statute of limitations				<u>22,303</u>
Total reconciling items				<u>355,606</u>
Total collections and credit				<u>\$ 8,565,848</u>

TOWN OF PINEVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2022

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 2,594,462,121	\$ 0.33	\$ 8,561,725	\$ 8,199,263	\$ 362,462
Discoveries	23,674,242		78,125	78,125	-
Abatements	<u>(20,777,879)</u>		<u>(68,567)</u>	<u>(68,567)</u>	<u>-</u>
Total property valuation	<u>\$ 2,597,358,485</u>				
Net Levy			8,571,283	8,208,821	362,462
Uncollected taxes at June 30, 2022			<u>(64,979)</u>	<u>(64,979)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 8,506,304</u>	<u>\$ 8,143,842</u>	<u>\$ 362,462</u>
Current Levy Collection Percentage			<u>99.24%</u>	<u>99.21%</u>	<u>100.00%</u>

TOWN OF PINEVILLE, NORTH CAROLINA**SCHEDULE OF TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>2021 Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Carolina Place Joint Venture	Shopping center	\$ 163,248,900	6.29%
Centro Heritage SPE 4 LLC	Shopping center	47,589,600	1.83%
HR of Carolinas LLC	Real estate	40,237,500	1.55%
New Willow Ridge Associates LLC	Real estate	40,012,000	1.54%
Arc CTCHRNC001LLC	Shopping center	37,220,655	1.43%
Westdale Sabal Point NC LLC	Manufacturing	32,691,600	1.26%
BIN-PDS LLC	Real estate	25,564,400	0.98%
LCF LLC	Real estate	27,579,800	1.06%
Elements Property Holdings LLC	Real estate	25,919,900	1.00%
TH Property Owner 5 LP	Real estate	22,908,200	0.88%
Total		<u>\$ 462,972,555</u>	<u>17.82%</u>

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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*

Independent Auditor's Report

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

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

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Pineville's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal 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 Town's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pineville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2022-001.

Town of Pineville's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 30, 2022

TOWN OF PINEVILLE, NORTH CAROLINA

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

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? Yes

TOWN OF PINEVILLE, NORTH CAROLINA

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

2. Financial Statement Findings

Material Weakness, Non-Compliance

Finding 2022-001

Criteria: N.C. General Statute 159-28(a) requires that all money received and expended by a local government should be included in the budget ordinance. The statutes require that funds be appropriated before incurring the obligation for funds. These requirements imply that the Town has a responsibility to design a system to monitor its compliance with the budget ordinance and the General Statutes pertaining to local government finance.

Condition: There were over-expenditures in two of the Town's funds during fiscal year 2022. A detailed note of the excess of expenditures over appropriations is found in the notes to the financial statements of the Town of Pineville's audit report. The General Fund made a transfer to another fund during the year that exceeded the budget. In addition, the Emergency Telephone System Fund exceeded its operations budget.

Effect: Expenditures exceed approved budgeted amounts.

Cause: Lack of budgetary control.

Recommendation: Management and the Board should review the budget reports to ensure compliance in future years.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding. Please refer to the Corrective Action Plan.



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022**

Material Weakness/Material Non-Compliance

Finding 2022-001

Name of Contact Person: Chris Tucker, Finance Director

Management's Response: Management concurs that expenditures exceeded the function appropriations. Both over-expenditures were the result of activity in the E911 Special Revenue Fund.

The Transfer to Other Funds from the General Fund to the E911 Fund was in direct response to correcting the two previous year expenditure reports that were final approved by the State 911 Board in September 2022.

The over-expenditure for the operations of the E911 Fund was the result of not amending the budget to bring forward available fund balance to cover existing encumbrances.

The Finance Department experienced turnover in the Finance Director position twice this past fiscal year. The Town hired Mr. Tucker towards the very end of the fiscal year which limited his opportunities to present corrective budget amendments.

Corrective Action Plan: Finance staff will recommend and present annually a budget for this special revenue fund that includes all resources available for appropriation.

Finance staff will include this special revenue fund in its monthly budget report to allow for better oversight at all management levels.

Proposed Completion Date: Staff has already implemented the above procedure.

TOWN OF PINEVILLE, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no findings reported in the prior year.