

**TOWN OF SPRUCE PINE**  
SPRUCE PINE, NORTH CAROLINA  
FINANCIAL STATEMENTS  
June 30, 2023

COMBS,   
TENNANT & CARPENTER, P.C.  
Certified Public Accountants

Town of Spruce Pine, North Carolina  
Table of Contents  
6/30/2023

<u>Exhibit</u>		<u>Page</u>
	<b>Financial Section:</b>	
	Town Officials	
	Independent Auditors' Report	1-4
	Management's Discussion and Analysis	5-13
	<b>Basic Financial Statements:</b>	
	Government-wide Financial Statements:	
1	Statement of Net Position	14
2	Statement of Activities	15
	Fund Financial Statements:	
3	Balance Sheet -- Governmental Funds	16
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
4	Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds	17
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
6	Statement of Revenues, Expenditures, and Changes in Fund Balance -- Annual Budget and Actual -- General Fund	19
7	Statement of Fund Net Position -- Proprietary Funds	20
8	Statement of Revenues, Expenses, and Changes in Fund Net Position -- Proprietary Funds	21
9	Statement of Cash Flows -- Proprietary Funds	22-23
	<b>Notes to the Financial Statements</b>	24-49
	<b>Required Supplementary Financial Data</b>	
	Schedule of the Proportionate Share of the Net Pension Liability (Asset) -- Local Government Employees' Retirement System	50
	Schedule of Contributions -- Local Government Employees' Retirement System	51
	Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	52

Schedule of Total Pension Liability as a Percentage of Covered Payroll	53
<b>Individual Fund Statements and Schedules:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual -- General Fund	54-56
Combining Balance Sheet - Non-major Governmental Funds	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-major Governmental Funds	58
<b>Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual</b>	
American Rescue Plan Act Fund	59
Brad Ragan Capital Projects Fund	60
Riverside Capital Projects Fund	61
PARTF Grant	62
<b>Enterprise Funds</b>	
Schedules of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual (Non-GAAP):	
Water and Sewer Fund	63-64
Water and Sewer Golden Leaf Capital Projects Fund	65
<b>Other Schedules:</b>	
Schedule of Ad Valorem Taxes Receivable	66
Analysis of Current Tax Levy -- Town-Wide Levy	67
<b>Compliance Section:</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	68-69
Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; with OMB Uniform Guidance and the State Single Audit Implementation Act	70-72
Schedule of Findings and Questioned Costs	73
Corrective Action Plan	74
Schedule of Prior Year Audit Findings	75
Schedule of Expenditures of Federal and State Awards	76

**TOWN OF SPRUCE PINE**  
**June 30, 2023**

**Mayor**

Darla Harding

**Town Council**

James Acuff

Rocky Buchanan

Larry McKinney

Jackie Rensink

**Town Manager**

Darlene Butler

**Finance Officer**

Crystal Young

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**INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and Members  
Of the Town Council  
Town of Spruce Pine, North Carolina

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the Town of Spruce Pine, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, 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, the aggregate discretely presented component unit and each major fund of the Town of Spruce Pine, North Carolina as of June 30, 2023, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund, and major, annually budgeted special revenue funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Town of Spruce Pine's ABC Board, which represent 100 percent, 100 percent, and 100 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component unit as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Town of Spruce Pine's ABC Board, is solely on the report of the other auditors.

## **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Spruce Pine 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. The financial statements of the Town of Spruce Pine's ABC Board were not audited in accordance with Governmental Auditing Standards.

## **Responsibilities of Management for the Audit of the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Spruce Pine'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 substantial doubt about the Town of Spruce Pine'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 the Management's Discussion and Analysis on pages 5 through 13, and the Other Post Employment Benefit and Law Enforcement Officers' Special Separation allowance Schedules of Funding Progress and Employer Contributions on pages 52 through 53, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions on pages 50 and 51, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Spruce Pine's basic financial statements. The individual fund statements, budgetary schedules, other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors the individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2023, on our consideration of the Town of Spruce Pine'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 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 of the effectiveness of the Town of Spruce Pine'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 of Spruce Pine's internal control over financial reporting and compliance.

*COMBS, TENNANT + CARPENTER, P.C.*

COMBS, TENNANT & CARPENTER, P.C.  
Certified Public Accountants  
Boone, NC

October 13, 2023



## Management's Discussion and Analysis

As management of the Town of Spruce Pine, we offer readers of the Town of Spruce Pine's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. We encourage readers to review the information presented here in conjunction with additional information furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

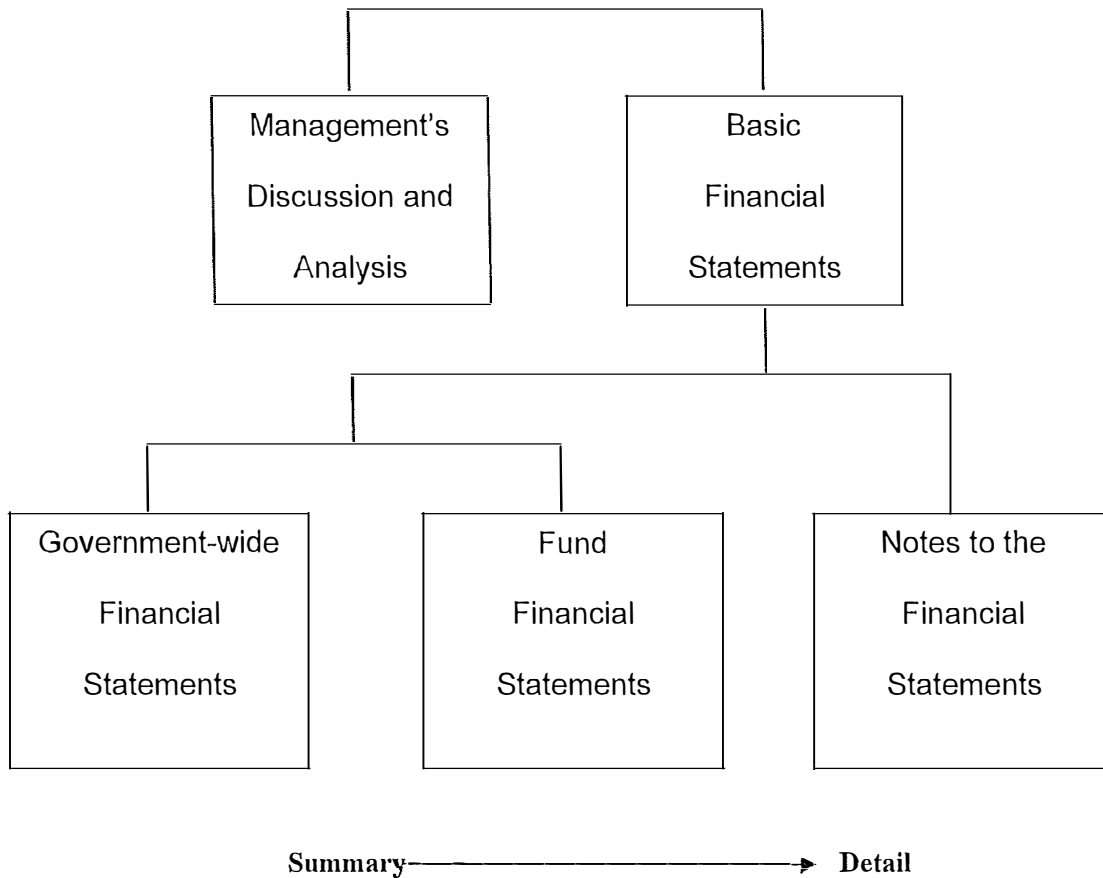
- The assets and deferred outflows of resources of the Town of Spruce Pine exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$21,973,113 (*net position*).
- The government's total net position increased by \$696,272.
- As of the close of the fiscal year, the Town of Spruce Pine's General fund reported ending fund balances of \$4,666,691, an increase of \$235,674 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned (available for spending at the government's discretion) fund balance for the General Fund was \$4,262,284 or 172.5% of total general fund expenditures for the fiscal year.
- The Town of Spruce Pine's total long-term debt increased by \$532,864 (29%) during the current fiscal year mostly attributable to an increase in the net pension liability.

### Overview of the Financial Statements

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

### Required Components of Annual Financial Report

Figure 1



#### Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements for major governmental funds; and 3) the proprietary fund statements.

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

## Government-Wide Financial Statements

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

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

The government-wide statements are divided into 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, sales taxes and state-shared revenues such as gas tax or utility franchise tax finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Spruce Pine. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

## Fund Financial Statements

The fund financial statements 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 Spruce Pine, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinances. All of the Town's funds can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for 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 be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the coming fiscal 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 can help him or her determine if more or less financial resources are available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Town of Spruce Pine adopts an annual budget for its General Fund, as required by General Statutes. The budget is a legally adopted document that incorporates input from citizens, Town management, as well as decisions made by the Town Council 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 provided for in the adopted budget. 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

Management Discussion and Analysis  
 Town of Spruce Pine

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 Spruce Pine has one proprietary, or *Enterprise Fund*, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses one enterprise fund to account for its water and sewer activity. This fund functions in the same way as those shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 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 Spruce Pine’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 of this report.

**Government-Wide Financial Analysis**

**Town of Spruce Pine’s Net Position  
 Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 4,952,855	\$ 5,001,828	\$ 682,392	\$ 436,821	\$ 5,635,247	\$ 5,438,649
Noncurrent assets	3,917,445	3,502,532	14,357,098	14,664,008	18,274,543	18,166,540
Deferred outflows of resources	785,297	560,830	500	750	785,797	561,580
Total assets and deferred outflows of resources	9,655,597	9,065,190	15,039,990	15,101,579	24,695,587	24,166,769
Long-term liabilities outstanding	1,446,287	799,967	843,445	850,473	2,289,732	1,650,440
Other liabilities	187,848	503,974	153,480	322,693	341,328	826,667
Deferred inflows of resources	91,414	412,821	-	-	91,414	412,821
Total liabilities and deferred inflows of resources	1,725,549	1,716,762	996,925	1,173,166	2,722,474	2,889,928
Net position:						
Net investment in capital assets	3,885,001	3,398,944	13,506,625	13,748,692	17,391,626	17,147,636
Restricted	114,465	57,120	-	-	114,465	57,120
Unrestricted	3,930,582	3,892,364	536,440	179,721	4,467,022	4,072,085
Total net position	\$ 7,930,048	\$ 7,348,428	\$ 14,043,065	\$ 13,928,413	\$ 21,973,113	\$ 21,276,841

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 of Spruce Pine exceeded liabilities and deferred inflows by \$21,973,113 as of June 30, 2023. The Town’s net position increased by \$696,272 for the fiscal year ended June 30, 2023. However, the largest portion (79%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Spruce Pine uses these capital assets

**Management Discussion and Analysis**  
**Town of Spruce Pine**

to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Spruce Pine'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's net position, \$114,465 (0.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,467,022 (20.3%) is unrestricted.

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

- Utilization of a Financial Operating Policy which maximizes cash management.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.14%.

Town of Spruce Pine Changes in Net Position  
Figure 3

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 47,521	\$ 33,363	\$ 2,864,872	\$ 2,371,784	\$ 2,912,393	\$ 2,405,147
Operating grants and contributions	463,661	470,542	-	-	463,661	470,542
Capital grants and contributions	50,297	650,000	6,975	13,125	57,272	663,125
General revenues:						
Property taxes	1,586,635	1,381,061	-	-	1,586,635	1,381,061
Other taxes	1,307,522	1,080,147	-	-	1,307,522	1,080,147
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	143,902	23,912	7,734	-	151,636	23,912
<b>Total revenues</b>	<b>3,599,538</b>	<b>3,639,025</b>	<b>2,879,581</b>	<b>2,384,909</b>	<b>6,479,119</b>	<b>6,023,934</b>
<b>Expenditures:</b>						
General government	330,107	411,016	-	-	330,107	411,016
Public safety	1,342,716	1,207,069	-	-	1,342,716	1,207,069
Transportation	200,947	234,769	-	-	200,947	234,769
Economic development	280,302	131,195	-	-	280,302	131,195
Culture and recreation	376,556	314,826	-	-	376,556	314,826
Environmental protection	86,297	78,669	-	-	86,297	78,669
Cemetery	36,097	19,030	-	-	36,097	19,030
Interest on long-term debt	790	3,516	-	-	790	3,516
Water and sewer	-	-	3,129,035	2,803,233	3,129,035	2,803,233
<b>Total expenses</b>	<b>2,653,812</b>	<b>2,400,090</b>	<b>3,129,035</b>	<b>2,803,233</b>	<b>5,782,847</b>	<b>5,203,323</b>
Increase (decrease) in net position before transfers	945,726	1,238,935	(249,454)	(418,324)	696,272	820,611
Transfers	(364,106)	(318,863)	364,106	318,863	-	-
Increase (decrease) in net position	581,620	920,072	114,652	(99,461)	696,272	820,611
Net position, beginning, restated	7,348,428	6,428,356	13,928,413	14,027,874	21,276,841	20,456,230
<b>Net position, June 30</b>	<b>\$ 7,930,048</b>	<b>\$ 7,348,428</b>	<b>\$ 14,043,065</b>	<b>\$ 13,928,413</b>	<b>\$ 21,973,113</b>	<b>\$ 21,276,841</b>

**Governmental activities.** Governmental activities increased the Town's net position by \$581,620. The property tax rate for the Town of Spruce Pine decreased to \$0.46 per \$100 valuation. Operating expenses increased during the year. Normal capital items were included for all departments. The main revenue sources for the General Fund are 1) property and vehicle taxes (44%), 2) other taxes including franchise (36.3%), and 3) operating grants and contributions (12.8%). These three sources reflect 93.1% of total general revenue sources.

Management Discussion and Analysis  
Town of Spruce Pine

**Business-type activities:** Business-type activities increased the Town of Spruce Pine's net position by \$114,652. This is primarily due to an increase in water and sewer charges in the current year.

**Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Spruce Pine. At the end of the current fiscal year, the Town's fund balance available for spending in the General Fund was \$4,262,284, while total fund balance reached \$4,666,691.

At June 30, 2023, the governmental funds of the Town of Spruce Pine reported a combined fund balance of \$4,666,691, a 5.3% increase from last year.

**General Fund Budgetary Highlights:** The Town revised the budget on several occasions throughout the year. 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 updated 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.

Conservative revenue estimation and diligent monitoring of expenditures contributed to budget stability and continued sound financial condition for the Town.

**Proprietary Funds.** The Town of Spruce Pine's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$536,440. The change in net position was an increase of \$114,652.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Spruce Pine's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$18,274,543 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Spruce Pine's Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 548,641	\$ 548,641	\$ 48,845	\$ 48,845	\$ 597,486	\$ 597,486
Construction in progress	790,258	243,644	64,350	38,870	854,608	282,514
Buildings	1,091,977	1,129,721	-	-	1,091,977	1,129,721
Building improvements	175,151	194,036	-	-	175,151	194,036
Equipment	120,154	173,501	56,142	92,378	176,296	265,879
Recreation park	395,731	399,923	-	-	395,731	399,923
Furniture and maintenance	-	-	-	-	-	-
Vehicles	139,249	143,908	-	-	139,249	143,908
Infrastructure	656,284	669,158	-	-	656,284	669,158
Water and sewer systems	-	-	14,002,357	14,282,226	14,002,357	14,282,226
Water meters	-	-	185,404	201,689	185,404	201,689
<b>Total</b>	<b>\$ 3,917,445</b>	<b>\$ 3,502,532</b>	<b>\$ 14,357,098</b>	<b>\$ 14,664,008</b>	<b>\$ 18,274,543</b>	<b>\$ 18,166,540</b>

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

**Long-term Debt.** As of June 30, 2023, the Town of Spruce Pine's long-term debt consisted of the following:

**Town of Spruce Pine's Outstanding Debt  
General Obligation Bonds and Other Long-Term Liabilities**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Installment purchases	\$ 32,444	\$ 103,588	\$ 280,548	\$ 313,729	\$ 312,992	\$ 417,317
Compensated absences	85,284	87,989	-	-	85,284	87,989
Pension related debt (LGERS)	965,812	257,491	-	-	965,812	257,491
Pension related debt (LEO)	416,278	453,043	-	-	416,278	453,043
State Revolving Loan Fund	-	-	569,925	601,587	569,925	601,587
<b>Total</b>	<b>\$ 1,499,818</b>	<b>\$ 902,111</b>	<b>\$ 850,473</b>	<b>\$ 915,316</b>	<b>\$ 2,350,291</b>	<b>\$ 1,817,427</b>

**Town of Spruce Pine's Outstanding Debt.** The Town of Spruce Pine's total debt increased by \$532,864 (29.3%) during the past fiscal year.



**Management Discussion and Analysis  
Town of Spruce Pine**

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Spruce Pine is \$26,444,726.

Additional information regarding the Town of Spruce Pine's long-term debt can be found in note III.B.6 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The Town's economy has remained steady for the past year and should remain that way for the next budget year. Revenue estimates for next year's budget are projected slightly higher primarily due to projected increase in sales taxes and franchise taxes.

Real estate and personal property rates will remain steady at 46 cents per hundred dollars. Water and sewer rates were increased across the board for inside and outside rates.

These increases should cover the economic increases in normal contract increases and ongoing increases in utilities, wages, benefits, and supplies.

**Budget Highlights for the Fiscal Year Ending June 30, 2023**

**Governmental Activities:** Property taxes and budgeted expenditures in the General Fund are expected to remain constant.

**Business – type Activities:** The water and sewer rates and expenditures are expected to slightly increase.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Spruce Pine, P.O. Box 189, Spruce Pine, NC 28777.

# **Basic Financial Statements**

Town of Spruce Pine, North Carolina  
Statement of Net Position  
June 30, 2023

	Primary Government			Town of Spruce Pine ABC Board
	Governmental Activities	Business-type Activities	Total Primary Government	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,429,550	\$ 401,856	\$ 4,831,406	\$ 283,668
Cash and cash equivalents - restricted	232,249	56,978	289,227	-
Taxes receivable (net)	71,615	-	71,615	-
Accrued interest receivable on taxes	18,636	-	18,636	-
Accounts receivable (net)	1,896	223,558	225,454	-
Notes receivable (net)	59,551	-	59,551	-
Due from other governments	104,205	-	104,205	-
Inventories	1,064	-	1,064	202,224
Prepaid items	34,089	-	34,089	-
Total current assets	4,952,855	682,392	5,635,247	485,892
Non-current assets:				
Capital assets (Note III.A.4):				
Land, non-depreciable improvements, and construction in progress	1,338,899	113,195	1,452,094	40,000
Other capital assets, net of depreciation	2,578,546	14,243,903	16,822,449	273,337
Total non-current assets	3,917,445	14,357,098	18,274,543	313,337
Total assets	8,870,300	15,039,490	23,909,790	799,229
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	785,297	-	785,297	-
Deferred charges on bond issuance	-	500	500	-
Total deferred outflows of resources	785,297	500	785,797	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	134,317	89,474	223,791	109,226
Current portion of long-term liabilities	53,531	64,006	117,537	-
Liabilities payable from restricted assets:				
Customer deposits	-	56,978	56,978	-
Unearned revenue	-	-	-	-
Long-term liabilities:				
Total pension liability (LEO)	416,278	-	416,278	-
Net pension liability (LGERS)	965,812	-	965,812	-
Due in more than one year	64,197	786,467	850,664	-
Total liabilities	1,634,135	996,925	2,631,060	109,226
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	2,045	-	2,045	-
Pension deferrals	89,369	-	89,369	-
Total deferred inflows of resources	91,414	-	91,414	-
<b>NET POSITION</b>				
Net investment in capital assets	3,885,001	13,506,625	17,391,626	-
Restricted for:				
Stabilization by State Statute	73,679	-	73,679	-
Transportation	30,939	-	30,939	-
Police Equitable Sharing	9,847	-	9,847	-
Unrestricted	3,930,582	536,440	4,467,022	690,003
Total net position	\$ 7,930,048	\$ 14,043,065	\$ 21,973,113	\$ 690,003

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

Town of Spruce Pine, North Carolina  
 Statement of Activities  
 For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Town of Spruce Pine ABC Board
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 330,107	\$ -	\$ 364,106	\$ -	\$ 33,999	\$ -	\$ 33,999	\$ -
Public safety	1,342,716	828	11,102	-	(1,330,786)	-	(1,330,786)	-
Transportation	200,947	-	88,453	-	(112,494)	-	(112,494)	-
Economic and physical development	280,302	2,418	-	-	(277,884)	-	(277,884)	-
Environmental protection	86,297	1,721	-	-	(84,576)	-	(84,576)	-
Cultural and recreation	376,556	25,554	-	50,297	(300,705)	-	(300,705)	-
Cemetery	36,097	17,000	-	-	(19,097)	-	(19,097)	-
Interest on long-term debt	790	-	-	-	(790)	-	(790)	-
Total governmental activities (See Note 1)	2,653,812	47,521	463,661	50,297	(2,092,333)	-	(2,092,333)	-
Business-type activities:								
Water and sewer	3,129,035	2,864,872	-	6,975	-	(257,188)	(257,188)	-
Total business-type activities	3,129,035	2,864,872	-	6,975	-	(257,188)	(257,188)	-
Total primary government	\$ 5,782,847	\$ 2,912,393	\$ 463,661	\$ 57,272	(2,092,333)	(257,188)	(2,349,521)	-
Component units:								
ABC Board	\$ 2,092,925	\$ 2,108,221	\$ -	\$ -	-	-	-	15,296
Total component unit	\$ 2,092,925	\$ 2,108,221	\$ -	\$ -	-	-	-	15,296
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,586,635	-	1,586,635	-
Other taxes					1,307,522	-	1,307,522	-
Grants and contributions not restricted to specific programs					-	-	-	-
Unrestricted investment earnings					125,683	7,734	133,417	-
Sale of capital assets					-	-	-	-
Miscellaneous					18,219	-	18,219	-
Transfers					(364,106)	364,106	-	-
Total general revenues and transfers					2,673,953	371,840	3,045,793	-
Change in net position					581,620	114,652	696,272	15,296
Net position, beginning					7,348,428	13,928,413	21,276,841	674,707
Net position, ending					\$ 7,930,048	\$ 14,043,065	\$ 21,973,113	\$ 690,003

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

Town of Spruce Pine  
Balance Sheet  
Governmental Funds  
June 30, 2023

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	ARPA		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,429,550	\$ -	\$ -	\$ 4,429,550
Taxes receivable, net	71,615	-	-	71,615
Accounts receivable, net	1,896	-	-	1,896
Notes receivable	59,551	-	-	59,551
Due from other governments	71,783	-	32,422	104,205
Due from (to) other funds	-	-	-	-
Prepaid expenses	34,089	-	-	34,089
Inventories	1,064	-	-	1,064
Restricted cash	9,847	-	222,402	232,249
Total assets	<u>4,679,395</u>	<u>-</u>	<u>254,824</u>	<u>4,934,219</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable and accrued liabilities	134,282	-	35	134,317
Unearned revenue	-	-	-	-
Total liabilities	<u>134,282</u>	<u>-</u>	<u>35</u>	<u>134,317</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	71,615	-	-	71,615
Notes receivable	59,551	-	-	59,551
Prepaid taxes	2,045	-	-	2,045
Total deferred inflows of resources	<u>133,211</u>	<u>-</u>	<u>-</u>	<u>133,211</u>
<b>FUND BALANCES</b>				
Non Spendable				
Inventories	1,064	-	-	1,064
Prepays	34,089	-	-	34,089
Restricted				
Stabilization by State Statute	73,679	-	-	73,679
Transportation	30,939	-	-	30,939
Police Equitable Sharing	9,847	-	-	9,847
Assigned				
Subsequent year's expenditures	-	-	-	-
Capital Outlay	-	-	254,789	254,789
Unassigned	4,262,284	-	-	4,262,284
Total fund balances	<u>4,411,902</u>	<u>-</u>	<u>254,789</u>	<u>4,666,691</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,679,395</u>	<u>\$ -</u>	<u>\$ 254,824</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

3,917,445

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position

785,297

Other long-term assets (notes receivable and accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the

78,187

Liabilities for earned revenues considered deferred inflows of resources in fund

71,615

Pension related deferrals

(89,369)

Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)

(1,499,818)

Net position of governmental activities

\$ 7,930,048

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

Town of Spruce Pine  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2023

	Major Funds		Total Non-Major	Total Governmental Funds
	General Fund	ARPA	Funds	
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,595,814	\$ -	\$ -	\$ 1,595,814
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	1,307,522	-	-	1,307,522
Restricted intergovernmental	101,276	364,106	50,297	515,679
Permits and fees	280	-	-	280
Sales and services	25,554	-	-	25,554
Investment earnings	119,137	-	6,546	125,683
Miscellaneous	46,017	-	-	46,017
Total revenues	3,195,600	364,106	56,843	3,616,549
<b>EXPENDITURES</b>				
Current:				
General government	371,911	-	-	371,911
Public safety	1,233,001	-	-	1,233,001
Transportation	165,045	-	-	165,045
Environmental protection	85,145	-	-	85,145
Cemetery	36,097	-	-	36,097
Culture and recreation	393,446	-	-	393,446
Economic development	114,003	-	-	114,003
Debt service:				
Principal	71,144	-	-	71,144
Interest and other charges	790	-	-	790
Capital outlay	-	-	546,614	546,614
Total expenditures	2,470,582	-	546,614	3,017,196
Excess (deficiency) of revenues over expenditures	725,018	364,106	(489,771)	599,353
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (to) from other funds	(93,910)	(364,106)	93,910	(364,106)
Sale of capital assets	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Discount on debt issued	-	-	-	-
Total other financing sources (uses)	(93,910)	(364,106)	93,910	(364,106)
Net change in fund balance	631,108	-	(395,861)	235,247
Fund balances, beginning	3,780,367	-	650,650	4,431,017
Change in reserve for inventories	427	-	-	427
Fund balances, ending	\$ 4,411,902	\$ -	\$ 254,789	\$ 4,666,691

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

Town of Spruce Pine  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2023

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

Net changes in fund balances - total governmental funds	\$	235,247
Change in fund balance due to change in reserve for inventory		427
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
Book value assets disposed		414,913
		-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		180,848
Benefit payments paid and administrative costs made in the current fiscal year for the LEOSSA are not included on the Statement of Activities		12,753
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		(9,179)
Change in unavailable revenue for notes receivable		(7,832)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction has an effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
New long-term debt issued	-	
Principal payments on long-term debt	<u>71,144</u>	71,144
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		2,705
Pension expense (LERS)		(277,916)
Pension expense (LEOSSA)		<u>(41,490)</u>
Total changes in net position of governmental activities	<u>\$</u>	<u>581,620</u>

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

Town of Spruce Pine  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2023

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,402,500	\$ 1,547,500	\$ 1,595,814	\$ 48,314
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	1,027,000	1,134,960	1,307,522	172,562
Restricted intergovernmental	110,562	88,815	101,276	12,461
Permits and fees	325	325	280	(45)
Sales and services	26,000	26,000	25,554	(446)
Investment earnings	1,000	84,187	119,137	34,950
Miscellaneous	25,590	25,590	46,017	20,427
Total revenues	<u>2,592,977</u>	<u>2,907,377</u>	<u>3,195,600</u>	<u>288,223</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	524,560	409,218	371,911	37,307
Public safety	1,165,273	1,252,715	1,233,001	19,714
Transportation	294,155	283,555	165,045	118,510
Environmental protection	83,909	86,909	85,145	1,764
Cemetery	19,850	40,850	36,097	4,753
Cultural and recreation	243,242	412,069	393,446	18,623
Economic development	116,577	158,728	114,003	44,725
Contingency	45,411	45,411	-	45,411
<b>Debt service:</b>				
Principal retirement	-	71,622	71,144	478
Interest and other charges	-	800	790	10
Total expenditures	<u>2,492,977</u>	<u>2,761,877</u>	<u>2,470,582</u>	<u>291,295</u>
Revenues over (under) expenditures	<u>100,000</u>	<u>145,500</u>	<u>725,018</u>	<u>579,518</u>
<b>Other financing sources (uses):</b>				
Transfers to other funds	(100,000)	(145,500)	(93,910)	51,590
Transfers from other funds	-	-	-	-
Sale of assets	-	-	-	-
Proceeds from installment purchase	-	-	-	-
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>(100,000)</u>	<u>(145,500)</u>	<u>(93,910)</u>	<u>51,590</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>631,108</u>	<u>\$ 631,108</u>
Fund balances, beginning			3,780,367	
Change in reserve for inventories			427	
Fund balances, ending			<u>\$ 4,411,902</u>	

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



## Exhibit 7

Town of Spruce Pine  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2023

	Water and Sewer Fund		Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 401,856	\$	401,856
Cash and cash equivalents- restricted	56,978		56,978
Accounts receivable (net)	223,558		223,558
Prepaid items	-		-
Total current assets	682,392		682,392
Noncurrent assets:			
Capital assets (net)			
Land and other non-depreciable assets	113,195		113,195
Other capital assets, net of depreciation	14,243,903		14,243,903
Capital assets (net)	14,357,098		14,357,098
Total noncurrent assets	14,357,098		14,357,098
Total assets	\$ 15,039,490	\$	15,039,490
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on bond issuance	500		500
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 11,154	\$	11,154
Customer deposits	56,978		56,978
Availability fees	78,320		78,320
General obligation bonds payable- current	31,662		31,662
Installment purchase-current	32,344		32,344
Total current liabilities	210,458		210,458
Noncurrent liabilities:			
General obligation bonds payable- noncurrent (net)	538,263		538,263
Installment purchase-noncurrent	248,204		248,204
Total noncurrent liabilities	786,467		786,467
Total liabilities	996,925		996,925
<b>NET POSITION</b>			
Net investment in capital assets	13,506,625		13,506,625
Unrestricted	536,440		536,440
Total net position	\$ 14,043,065	\$	14,043,065

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

Town of Spruce Pine  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2023

	Water and Sewer Fund	Total
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,774,841	\$ 2,774,841
Other operating revenues	90,031	90,031
<b>Total operating revenues</b>	<b>2,864,872</b>	<b>2,864,872</b>
<b>OPERATING EXPENSES</b>		
Administration	1,248,872	1,248,872
Water treatment and distribution	699,780	699,780
Wastewater collection and treatment	513,507	513,507
Depreciation	659,354	659,354
<b>Total operating expenses</b>	<b>3,121,513</b>	<b>3,121,513</b>
<b>Operating income (loss)</b>	<b>(256,641)</b>	<b>(256,641)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grants and contributions	-	-
Interest earnings	7,734	7,734
Interest expense	(7,272)	(7,272)
Bond amortization costs	(250)	(250)
<b>Total nonoperating revenues (expenses)</b>	<b>212</b>	<b>212</b>
<b>Total income (loss) before contributions and transfers</b>	<b>(256,429)</b>	<b>(256,429)</b>
Capital contributions	6,975	6,975
Transfers from other funds	364,106	364,106
<b>Change in net position</b>	<b>114,652</b>	<b>114,652</b>
<b>Total net position, beginning</b>	<b>13,928,413</b>	<b>13,928,413</b>
<b>Total net position, ending</b>	<b>\$ 14,043,065</b>	<b>\$ 14,043,065</b>

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

Town of Spruce Pine  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2023

	Water and Sewer Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,819,875	\$ 2,819,875
Cash paid for goods and services	(2,573,432)	(2,573,432)
Customer deposits received (returned)	(125)	(125)
Net cash provided (used) by operating activities	<u>246,318</u>	<u>246,318</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	<u>364,106</u>	<u>364,106</u>
Total cash flows from noncapital financing activities	<u>364,106</u>	<u>364,106</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(352,444)	(352,444)
Installment note issued	-	-
Principal paid on bond maturities and equipment contracts	(64,843)	(64,843)
Interest paid on bond maturities and equipment contracts	(7,272)	(7,272)
State revolving loan fund proceeds	-	-
Capital contributions - grants	<u>6,975</u>	<u>6,975</u>
Net cash provided (used) by capital and related financing activities	<u>(417,584)</u>	<u>(417,584)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	<u>7,734</u>	<u>7,734</u>
Net increase (decrease) in cash and cash equivalents	200,574	200,574
Balances, beginning	<u>258,260</u>	<u>258,260</u>
Balances, ending	<u>\$ 458,834</u>	<u>\$ 458,834</u>

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

Town of Spruce Pine  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2023

Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (256,641)	\$ (256,641)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	659,354	659,354
Changes in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	(44,997)	(44,997)
(Increase) decrease in prepaid items	-	-
Increase (decrease) in accounts payable and accrued liabilities	(111,273)	(111,273)
Increase (decrease) in customer deposits	(125)	(125)
Total adjustments	<u>502,959</u>	<u>502,959</u>
Net cash provided by operating activities	<u>\$ 246,318</u>	<u>\$ 246,318</u>

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

**Town of Spruce Pine, North Carolina**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2023

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Spruce Pine and its discretely presented component unit 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 Spruce Pine is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, legally separate entities for which the Town is financially accountable. The discretely presented component unit presented below is reported in separate columns in the Town's financial statements in order to emphasize that it is legally separate from the Town.

**Town of Spruce Pine ABC Board**

The Town appoints the members of the ABC Board's governing board. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Spruce Pine ABC Board, 12344 South 226 Highway, Spruce Pine, NC 28777.

**B. Basis of Presentation**

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients

of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The Town reports the following major governmental funds:

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

*American Rescue Plan Fund.* This fund accounts for the transactions related to the American Rescue Plan Funds.

The Town reports the following major enterprise fund:

*Water and Sewer Fund.* This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

### **C. Measurement Focus and Basis of Accounting**

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

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded

when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from 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 enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a 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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Mitchell County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

#### **D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual operating budget appropriations lapse at the fiscal-year end. Project ordinances are adopted for the General Fund Capital Projects Funds and Enterprise Fund Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Finance Officer is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000 must be approved by the governing board. During the year, several immaterial 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**

##### **1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State



of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT). The Town's and the ABC Board's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

**3. Restricted Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Police Equitable Sharing funds are also classified as restricted cash.

<u>Town of Spruce Pine Restricted Cash</u>	
Governmental Activities	
General Fund - restricted for Police Equitable Sharing	\$ 9,847
ARPA Fund - Unassigned proceeds	-
Brad Ragan Capital Fund - Unexpended grant funds	154,064
Riverside Capital Fund - Unexpended grant funds	68,338
Total governmental activities	<u>232,249</u>
Business-type activities	
Water and Sewer Fund - customer deposits	<u>56,978</u>
Total Business-type Activities	<u>56,978</u>
Total Restricted Cash	<u><u>\$ 289,227</u></u>

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2022.

**5. Allowances for Doubtful Accounts**

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

## 6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased. The inventories of the Town's Enterprise Fund and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than purchased.

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

## 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all capital assets. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 have not been recorded under the allowable exemption for Phase III governments in GASB Statement No. 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings	50
Building Improvements	20
Vehicles	3-5
Furniture and Equipment	5-7
Computer Equipment	3

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

Asset Class	Estimated Useful Lives
Land	n/a
Building and Improvements	10-39
Equipment	5-10

## 8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents

a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension deferrals and OPEB deferrals for the 2023 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), and OPEB deferrals.

#### **9. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Material bond issuance costs are deferred and amortized over the life of the bond using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Material issuance costs are reported as deferred charges and amortized over the term of the related debt.

#### **10. Compensated Absences**

The vacation policies of the Town provide for the accumulation of thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and 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 has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### **11. 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 the eligible state, local, territorial, and tribal governments. The Town was allocated \$682,969 of fiscal recovery funds to be paid in two equal installments. The first installment of \$341,484 was received in July 2021. The second installment was received in July 2022. Town staff and the Board have elected to use the majority of the

ARPA funds for salaries. The \$364,106 used in the current year was transferred to the Water Sewer Fund from the ARPA Fund.

## 12. Net Position / Fund Balances

### Net Position

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

### Fund Balances

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

The governmental fund types classify fund balances as follows:

**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.

**Inventories**- portion of fund balance that is not an available resource because it represents the year-end balance of inventories, which are not spendable resources.

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

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

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

**Assigned fund balance** – portion of fund balance that the Town of Spruce Pine intends to use for specific purposes.

**Subsequent year’s expenditures** – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

### **13. 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 Spruce Pine’s employer contributions are recognized when due and the Town of Spruce Pine 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.

## **II. Stewardship, Compliance and Accountability**

The audit for the fiscal year ended June 30, 2023 disclosed no Material Violations of Finance-Related Legal and Contractual Provisions.

## **III. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board’s agents in the unit'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 and the ABC Board these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and the Authority have no policy regarding custodial credit risk for deposits.

At June 30, 2023 the Town's deposits had a carrying amount of \$1,030,921 and a bank balance of \$1,201,387. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$282,670 and the bank balance was \$458,322. Of the bank balance \$250,000 was covered by federal depository insurance.

**2. Investments**

At June 30, 2023, the Town had \$4,089,712 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm with Standard and Poor's. The Town and the ABC Board have no policy regarding credit risk.

**3. Receivables – Allowances for Doubtful Accounts**

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

Fund	6/30/2023
General Fund:	
Taxes Receivable	\$ 5,000

**4. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 548,641	\$ -	\$ -	\$ 548,641
Construction in progress	243,644	546,614	-	790,258
Total capital assets not being depreciated	<u>792,285</u>	<u>546,614</u>	<u>-</u>	<u>1,338,899</u>
Capital assets being depreciated:				
Buildings	1,568,927	-	-	1,568,927
Building improvements	448,392	-	-	448,392
Equipment	801,268	6,250	-	807,518
Recreation park	785,113	-	-	785,113
Furniture and maintenance equipment	42,163	-	-	42,163
Vehicles	880,221	70,600	-	950,821
Infrastructure	1,377,851	35,000	-	1,412,851
Total capital assets being depreciated	<u>5,903,935</u>	<u>111,850</u>	<u>-</u>	<u>6,015,785</u>
Less accumulated depreciation for:				
Buildings	439,206	37,744	-	476,950
Building improvements	254,356	18,885	-	273,241
Equipment	627,767	59,597	-	687,364
Recreation park	385,190	4,192	-	389,382
Furniture and maintenance equipment	42,163	-	-	42,163
Vehicles	736,313	75,259	-	811,572
Infrastructure	708,693	47,874	-	756,567
Total accumulated depreciation	<u>3,193,688</u>	<u>\$ 243,551</u>	<u>\$ -</u>	<u>3,437,239</u>
Total capital assets being depreciated, net	<u>2,710,247</u>			<u>2,578,546</u>
Governmental activity capital assets, net	<u>\$ 3,502,532</u>			<u>\$ 3,917,445</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 15,942
Public Safety	77,417
Transportation	50,376
Economic and physical development	83,442
Environmental protection	1,152
Cultural and recreational	15,222
	<u>\$ 243,551</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water/Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 48,845	\$ -	\$ -	\$ 48,845
Construction in progress	38,870	25,480	-	64,350
Total capital assets not being depreciated	<u>87,715</u>	<u>25,480</u>	<u>-</u>	<u>113,195</u>
Capital assets being depreciated:				
Water and sewer systems	25,586,301	326,964	-	25,913,265
Water meters	519,179	-	-	519,179
Equipment	584,897	-	-	584,897
Total capital assets being depreciated	<u>26,690,377</u>	<u>326,964</u>	<u>-</u>	<u>27,017,341</u>
Less accumulated depreciation for:				
Water and sewer systems	11,304,075	606,833	-	11,910,908
Water meters	317,490	16,285	-	333,775
Equipment	492,519	36,236	-	528,755
Total accumulated depreciation	<u>12,114,084</u>	<u>\$ 659,354</u>	<u>\$ -</u>	<u>12,773,438</u>
Total capital assets being depreciated, net	<u>14,576,293</u>			<u>14,243,903</u>
Business-type activities capital assets, net	<u>\$ 14,664,008</u>			<u>\$ 14,357,098</u>

#### Discretely Presented component units

Activity for the ABC Board for the year ended June 30, 2023 was as follows:

	Cost	Accumulated Depreciation	Net
Land	\$ 40,000	\$ -	\$ 40,000
Building and Improvements	343,383	90,376	253,007
Equipment	99,260	78,930	20,330
Total	<u>\$ 482,643</u>	<u>\$ 169,306</u>	<u>\$ 313,337</u>

## B. Liabilities

### 1. Pension Plan Obligations

#### a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Spruce Pine is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 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 Spruce Pine's 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 Spruce Pine's contractually required contribution rate for the year ended June 30, 2023, was 13.04% of compensation for law enforcement officers and 12.2% 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. Total contributions to the pension plan from the Town of Spruce Pine were \$181,370 for the year ended June 30, 2023.

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

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

At June 30, 2023, the Town reported a liability of \$965,812 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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 0.01712%, which was an increase of 0.00033% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$277,916. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	41,616	4,080
Changes of assumptions	96,366	-
Net difference between projected and actual earnings on pension plan investments	319,211	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,827	-
Employer contributions subsequent to the measurement date	180,848	-
Total	<b>\$ 669,868</b>	<b>\$ 4,080</b>

\$180,848 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2024	\$	162,242
2025		130,571
2026		40,049
2027		152,078
2028		-
Thereafter		-
	\$	<u>484,940</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	1,743,167	965,812	325,227

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

## **b. Law Enforcement Officers Special Separation Allowance**

### *1. Plan Description.*

The Town of Spruce Pine administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2021, the valuation date, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>11</u>
Total	<u>12</u>

*2. Summary of Significant Accounting Policies.*

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

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

*3. Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 Percent
Salary increases	3.25 to 7.75 Percent, including inflation and productivity factor
Discount rate	4.31 Percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021.

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

*Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the 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 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 investments earnings. The Town paid \$11,203, 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, 2023, the Town reported a total pension liability of \$416,278. The total pension liability was measured as of December 31, 2022, based on December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$47,092.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	33,001	15,303
Changes of assumptions	69,675	69,986
Town benefit payments and plan administrative expense made subsequent to the measurement date	12,753	-
Total	<u>\$ 115,429</u>	<u>\$ 85,289</u>

\$12,753 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2024	\$ 13,769
2025	10,978
2026	14,582
2027	(9,486)
2028	(9,508)
Thereafter	(2,948)
	<u>\$ 17,387</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 4.31 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 (3.31 percent) or 1-percentage-point higher (4.31 percent) than the current rate:

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Town's proportionate share of the net pension liability (asset)	449,404	416,278	386,118

	<u>2023</u>	
Beginning balance	\$	453,043
Service cost		24,367
Interest on the total pension liability		10,067
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the total pension liability		11,713
Changes of assumptions or other inputs		(71,709)
Benefit payments		(11,203)
Other changes		-
Ending balance of total pension liability	<u>\$</u>	<u>416,278</u>

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 277,916	\$ 41,490	\$ 319,406
Pension Liability	965,812	416,278	1,382,090
Proportionate share of the net liability	0.01669%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	41,616	33,001	74,617
Changes of assumptions	96,366	69,675	166,041
Net difference between projected and actual earnings on plan investments	319,211	-	319,211
Changes in proportion and differences between contributions and proportionate share of			
Benefit payments and administrative costs paid subsequent to the measurement date	31,827	-	31,827
	180,848	12,753	193,601
Deferred Inflows of Resources			
Differences between expected and actual results	4,080	15,303	19,383
Changes of assumptions	-	69,986	69,986
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of	-	-	-

#### c. Supplemental Retirement Income Plan

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers of 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 five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$28,880, for the reporting year. No amounts were forfeited.

#### d. Other Post-Employment Benefits (OPEB)

##### Healthcare Benefits



*Plan Description.* At retirement, all employees have the option to purchase basic medical insurance at the Town's retirees' group rate. The entire cost of this insurance is borne by the employees; thus, no additional reporting is required under Governmental Accounting Standards Board Statement No. 75.

## 2. Other Employment Benefit

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

## 3. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to the pension plan in the current fiscal year	\$ 180,848
Benefit payments made and administrative expenses for LEOSSA	12,753
Differences between expected and actual experience	74,617
Changes of assumptions	166,041
Net difference between projected and actual earnings on pension plan investments	319,211
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,827
Charge on refunding	-
Total	<u>\$ 785,297</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 2,045	\$ 2,045
Taxes receivable, less penalties (General Fund)	-	71,615
Notes receivable	-	59,551
Changes in assumptions	69,986	-
Differences between expected and actual experience	19,383	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	<u>\$ 91,414</u>	<u>\$ 133,211</u>

#### 4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town does not carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$1,000,000 and \$25,000, respectively.

#### 5. Claims, Judgments, and Contingent Liabilities

At June 30, 2023, the Town was defendant to various lawsuits. In the opinion of the Town’s management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town’s financial position.

**6. Long-Term Obligations**

**a. Installment Purchases**

In September 2014 Spruce Pine entered into a loan agreement with the State Revolving Fund for the construction of Water and Sewer projects. The interest on the loan is 0% and will be paid in full in 2034. The net revenues of the water and sewer system are pledged as collateral for the loan.

In January of 2019 Spruce Pine entered into a direct borrowing contract with United Community Bank for the purchase of a single engine crosswind sweeper. The equipment is pledged as collateral for the debt while the debt is outstanding. The interest on the loan is 3.177% and was paid in full in 2023.

In April of 2021 Spruce Pine entered into a loan agreement with HomeTrust Bank for the purchase of a truck and two police vehicles. The vehicles are pledged as collateral for the debt while the debt is outstanding. The interest on the loan is 1.813% and will be paid in full in 2025.

The Town also entered into a loan agreement with the State Revolving Loan Fund for construction in progress in 2021. The project was completed in 2022. The interest on the loan is 1.13% and will be paid in full in 2041.

Annual debt service payments to the State Revolving Fund, United Community Bank and HomeTrust Bank as of June 30, 2023, are as follows:

Year	Governmental Activities		Water/Sewer	
	Principal	Interest	Principal	Interest
2024	\$ 21,531	\$ 493	65,006	6,647
2025	10,913	99	60,527	6,124
2026	-	-	55,922	5,725
2027	-	-	55,922	5,367
2028	-	-	55,923	5,009
2029-2033	-	-	279,612	19,678
2034-2038	-	-	182,573	10,734
2039-2042	-	-	94,988	2,147
Total	\$ 32,444	\$ 592	\$ 850,473	\$ 61,431

At June 30, 2023, the Town of Spruce Pine had a legal debt margin of \$26,444,726.

**b. Changes in Long-Term Liabilities**

	Balance			Balance	
	July 1, 2022	Increases	Decreases	June 30, 2023	Current Portion
<b>Government activities:</b>					
Direct borrowing installment purchase	\$ 103,588	\$ -	\$ (71,144)	\$ 32,444	\$ 21,531
Compensated absences	87,989	29,875	(32,580)	85,284	32,000
Net pension liability (LGERS)	257,491	708,321	-	965,812	-
Pension Obligation (LEOSSA)	453,043	-	(36,765)	416,278	-
<b>Governmental activity long-term debt</b>	<b>\$ 902,111</b>	<b>\$ 738,196</b>	<b>\$ (140,489)</b>	<b>\$ 1,499,818</b>	<b>\$ 53,531</b>
<b>Business activities:</b>					
Direct borrowing installment purchase	\$ 313,729	\$ -	\$ (33,181)	\$ 280,548	\$ 32,344
State revolving loan fund - CIP	601,587	-	(31,662)	569,925	31,662
<b>Business-type activity long-term debt</b>	<b>\$ 915,316</b>	<b>\$ -</b>	<b>\$ (64,843)</b>	<b>\$ 850,473</b>	<b>\$ 64,006</b>

**C. Interfund Balances and Transfer Activity**

Transfers to/from other funds at June 30, 2023, consist of the following:

From the American Rescue Plan Act Fund to the Water Sewer Fund as reimbursement for salaries	\$ 364,106
<b>Total</b>	<b>\$ 364,106</b>

**D. Fund Balance**

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

<b>Total fund balance - General Fund</b>	<b>\$ 4,666,691</b>
Less:	
Stablization by State Statute	73,679
Prepays	34,089
Inventories	1,064
Transportation	30,939
Police Equitable Sharing	9,847
Appropriated Fund Balance in 2024 budget	-
Capital outlay	254,789
<b>Remaining fund balance</b>	<b>4,262,284</b>

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

**IV. Urban Development Action Grant**

In 1979, the Town was awarded an Urban Development Action Grant (UDAG) for \$600,000. The grant provisions required the total grant proceeds to be turned directly over to Henredon, Inc. for plant expansion in Spruce Pine. Henredon, Inc. was required to repay the grant proceeds back to the Town in ten annual payments of \$60,000 plus 10% interest on the unpaid principal. The last payment was received in 1991. Upon the repayment of the grant proceeds, the Town could use the funds as needed. During 1988, the Town established a revolving loan fund, using UDAG funds repaid. The Town makes loans to qualifying individuals for the purpose of economic development and downtown revitalization. The loans bear interest at various rates, with repayment terms varying as determined by Town Council. For the year ended June 30, 2023, repayments of \$7,832, were received on a total of four outstanding loans, bringing the principal balance to \$59,551.

#### **V. Jointly Governed Organization**

The Town, in conjunction with seven counties and eighteen municipalities, established the High Country Council of Government (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council.

#### **VI. Joint Ventures**

The Town participates in a joint venture to operate a regional library with three other local governments: the counties of Avery, Mitchell and Yancey. The twelve-member board is appointed equally from among the counties with four being chosen by the counties of Avery and Yancey and two each from the county of Mitchell and the Town of Spruce Pine. The Town has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements of June 30, 2023.

The Town appropriated \$99,707 of its fund balance for the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at the Avery-Mitchell-Yancey Regional Library; P.O. Box 310, Burnsville, North Carolina 28714.

#### **VII. Related Organization**

The mayor and town council of the Town of Spruce Pine appoint the board of the Spruce Pine Housing Authority. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town of Spruce Pine is also disclosed as a related organization in the notes to the financial statements for the Spruce Pine Housing Authority.

**VII. Significant Effects of Subsequent Events**

Management has evaluated subsequent events through October 13, 2023 – the date the financial statements were available to be issued.

# Required Supplementary Financial Data

This section contains additional statements required by generally accepted accounting principles.

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

Town of Spruce Pine, North Carolina  
Town of Spruce Pine's Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Nine Fiscal Years \*

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset) (%)	0.01712%	0.01679%	0.01669%	0.01581%	0.01470%	0.01535%	0.01612%	0.01616%	(0.01670%)
Town's proportion of the net pension liability (asset) (\$)	\$ 965,812	\$ 257,491	\$ 596,405	\$ 431,759	\$ 348,734	\$ 234,505	\$ 342,120	\$ 72,525	\$ (92,170)
Town's covered-employee payroll	\$ 1,214,190	\$ 1,181,572	\$ 1,115,857	\$ 1,042,433	\$ 1,006,983	\$ 908,437	\$ 977,155	\$ 963,587	\$ 965,013
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	79.54%	21.79%	53.45%	41.42%	34.63%	25.81%	35.01%	7.53%	-9.55%
Plan fiduciary net position as a percentage of the total pension liability **	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%

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

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



Town of Spruce Pine, North Carolina  
Town of Spruce Pine's Contributions  
Required Supplementary Information  
Last Nine Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 180,848	\$ 141,767	\$ 123,772	\$ 103,469	\$ 84,142	\$ 78,863	\$ 68,971	\$ 60,589	\$ 74,225
Contributions in relation to the contractually required contribution	180,848	141,767	123,772	103,469	84,142	78,863	68,971	60,589	74,225
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered employee payroll	\$ 1,199,221	\$ 1,214,190	\$ 1,181,572	\$ 1,115,857	\$ 1,042,433	\$ 1,006,983	\$ 908,437	\$ 977,155	\$ 963,587
Contributions as a percentage of covered-employee payroll	15.08%	11.68%	10.48%	9.27%	8.07%	7.83%	7.59%	6.20%	7.70%

**Town of Spruce Pine, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 453,043	\$ 450,103	\$ 290,357	\$ 319,827	\$ 261,898	\$ 273,306	\$ 268,265
Service cost	24,367	23,428	13,578	10,051	14,027	11,899	11,255
Interest on the total pension liability	10,067	8,509	9,141	11,280	8,124	10,382	9,422
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	11,713	1,149	26,779	(39,065)	58,110	(42,276)	-
Changes of assumptions or other inputs	(71,709)	(11,702)	130,140	8,156	(12,709)	17,276	(6,947)
Benefit payments	(11,203)	(18,444)	(19,892)	(19,892)	(9,623)	(8,689)	(8,689)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 416,278</u>	<u>\$ 453,043</u>	<u>\$ 450,103</u>	<u>\$ 290,357</u>	<u>\$ 319,827</u>	<u>\$ 261,898</u>	<u>\$ 273,306</u>

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

**Town of Spruce Pine, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 416,278	\$ 453,043	\$ 450,103	\$ 290,357	\$ 319,827	\$261,898	\$ 273,306
Covered payroll	577,608	527,577	512,364	394,976	437,682	444,600	406,412
Total pension liability as a percentage of covered payroll	72.07%	85.87%	87.85%	73.51%	73.07%	58.91%	67.25%

Notes to the schedules:

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

# **Individual Fund Statements and Schedules**

Town of Spruce Pine, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 1,582,193	\$
Penalties and interest		13,621	
Total	<u>1,547,500</u>	<u>1,595,814</u>	<u>48,314</u>
Other taxes and licenses:			
Other taxes		-	
Total	<u>-</u>	<u>-</u>	<u>-</u>
Unrestricted intergovernmental:			
Local Option Sales Tax		782,941	
Franchise tax		291,489	
Beer and wine tax		10,016	
ABC profit distribution		200,000	
Other unrestricted revenue		-	
Payments in lieu of taxes		23,076	
Total	<u>1,134,960</u>	<u>1,307,522</u>	<u>172,562</u>
Restricted intergovernmental:			
Powell Bill allocation		88,453	
Solid waste disposal tax		1,721	
ABC Revenue for law enforcement		8,887	
Federal and State grants		-	
Crime prevention grants		2,215	
Total	<u>88,815</u>	<u>101,276</u>	<u>12,461</u>
Permits and fees:			
License and permits		280	
Total	<u>325</u>	<u>280</u>	<u>(45)</u>
Sales and services:			
Recreation department fees		25,554	
Total	<u>26,000</u>	<u>25,554</u>	<u>(446)</u>
Investment earnings	<u>84,187</u>	<u>119,137</u>	<u>34,950</u>
Miscellaneous:			
Miscellaneous		18,717	
Cemetery revenue		17,000	
Revolving loan repayments		10,250	
Parking violations		50	
Total	<u>25,590</u>	<u>46,017</u>	<u>20,427</u>
Total revenues	<u>2,907,377</u>	<u>3,195,600</u>	<u>288,223</u>

Town of Spruce Pine, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits		18,161	
Employee benefits		-	
Other operating expenditures		2,939	
Total	-	21,100	-
Administration			
Salaries and employee benefits		338,822	
Other operating expenditures		281,060	
Allocated administrative costs		(269,071)	
Total		350,811	
Total general government	409,218	371,911	37,307
Public safety:			
Police:			
Salaries and employee benefits		848,389	
Other operating expenditures		160,082	
Capital outlay		41,095	
Total	-	1,049,566	-
Fire:			
Other operating expenditures		155,001	
Total	-	155,001	-
Inspections:			
Other operating expenditures		28,434	
Total	-	28,434	-
Total public safety	1,252,715	1,233,001	19,714
Transportation:			
Street repair and construction			
Salaries and employee benefits		490,638	
Allocated administrative costs		(485,064)	
Other operating expenditures		159,471	
Capital outlay		-	
Total transportation	283,555	165,045	118,510
Environmental protection:			
Other operating expenditures		85,145	
Total environmental protection	86,909	85,145	1,764

Town of Spruce Pine, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		157,756	
Other operating expenditures		123,839	
Capital outlay		-	
Total	-	281,595	-
Libraries			
Other operating expenditures		106,851	
Capital outlay		-	
Total	-	106,851	-
Contribution to Toe River Arts Council		5,000	
Total cultural and recreation	412,069	393,446	18,623
Cemetery			
Operating expenses		36,097	
Total Cemetery	40,850	36,097	4,753
Economic Development			
Operating expenses		114,003	
Revolving loans made		-	
Total economic development	158,728	114,003	44,725
Debt service:			
Principal retirement		71,144	
Interest and other charges		790	
Total debt service	72,422	71,934	488
Contingency			
Total Contingency	45,411	-	45,411
Total expenditures	2,761,877	2,470,582	291,295
Revenues over (under) expenditures	145,500	725,018	579,518
Other financing sources (uses):			
Transfers from (to) other funds:	(145,500)	(93,910)	51,590
Sale of assets		-	
Proceeds from installment purchase		-	
Appropriated fund balance		-	
Total	(145,500)	(93,910)	51,590
Revenues and other financing sources over expenditures and other financing uses	\$ -	631,108	\$ 631,108
Fund balances, beginning		3,780,367	
Change in reserve for inventories		427	
Fund balances, ending		\$ 4,411,902	

Town of Spruce Pine  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023

	Brad Ragan Capital Fund	Riverside Capital Fund	PARTF Grant	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Current assets:				
Restricted cash and cash equivalents	\$ 154,064	\$ 68,338	\$ -	\$ 222,402
Accounts receivable (net)	-	-	32,422	32,422
Prepaid items	-	-	-	-
Total current assets	<u>154,064</u>	<u>68,338</u>	<u>32,422</u>	<u>254,824</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ -	\$ 35	\$ -	\$ 35
Due to other funds	-	-	-	-
Total current liabilities	<u>-</u>	<u>35</u>	<u>-</u>	<u>35</u>
<b>FUND BALANCES</b>				
Assigned				
Capital Outlay	154,064	68,303	32,422	254,789
Unassigned	-	-	-	-
Total fund balances	<u>154,064</u>	<u>68,303</u>	<u>32,422</u>	<u>254,789</u>
Total liabilities and fund balances	<u>\$ 154,064</u>	<u>\$ 68,338</u>	<u>\$ 32,422</u>	<u>\$ 254,824</u>



Town of Spruce Pine  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Nonmajor Governmental Funds  
June 30, 2023

	Brad Ragan Capital Fund	Riverside Capital Fund	PARTF Grant	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Restricted intergovernmental	\$ -		\$ 50,297	\$ 50,297
Interest earnings	3,416	3,130	-	6,546
Total revenues	<u>3,416</u>	<u>3,130</u>	<u>50,297</u>	<u>56,843</u>
<b>EXPENDITURES</b>				
Capital Outlay	199,702	235,127	111,785	546,614
Total expenditures	<u>199,702</u>	<u>235,127</u>	<u>111,785</u>	<u>546,614</u>
Excess (deficiency) of revenues over expenditures	<u>(196,286)</u>	<u>(231,997)</u>	<u>(61,488)</u>	<u>(489,771)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from other funds	-	-	93,910	93,910
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>93,910</u>	<u>93,910</u>
Net change in fund balances	<u>(196,286)</u>	<u>(231,997)</u>	<u>32,422</u>	<u>(395,861)</u>
Fund balances, beginning	<u>350,350</u>	<u>300,300</u>	<u>-</u>	<u>650,650</u>
Fund balances, ending	<u>\$ 154,064</u>	<u>\$ 68,303</u>	<u>\$ 32,422</u>	<u>\$ 254,789</u>

Town of Spruce Pine, North Carolina  
 Coronavirus State Local Fiscal Recovery Funds CFR 21.027 (ARPA Funds)  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 From Inception and for the Fiscal Year Ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
ARPA Funds	\$ 682,969	\$ 318,863	\$ 364,106	\$ 682,969	\$ -
Total	<u>682,969</u>	<u>318,863</u>	<u>364,106</u>	<u>682,969</u>	<u>-</u>
Total revenues	<u>682,969</u>	<u>318,863</u>	<u>364,106</u>	<u>682,969</u>	<u>-</u>
<b>Expenditures</b>					
General Government					
Unassigned ARPA Expenditures	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)					
Transfer (to) from other fund					
General Fund	-	-	-	-	-
Enterprise fund	<u>682,969</u>	<u>(318,863)</u>	<u>(364,106)</u>	<u>(682,969)</u>	<u>-</u>
Total other financing sources (uses)	<u>682,969</u>	<u>(318,863)</u>	<u>(364,106)</u>	<u>(682,969)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning as previously reported			<u>-</u>		
Fund balances, ending			<u>\$ -</u>		

Town of Spruce Pine, North Carolina  
Brad Ragan Capital Projects Fund  
Schedule of Revenues and Expenditures, and Changes in Fund Balances - Budget and Actual  
From Inception and for the Fiscal Year Ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
SCIF Revenue	\$ 350,000	\$ 350,000	\$ -	\$ 350,000	\$ -
Interest income	-	350	3,416	3,766	3,766
Total revenues	<u>350,000</u>	<u>350,350</u>	<u>3,416</u>	<u>353,766</u>	<u>3,766</u>
<b>Expenditures</b>					
Brad Ragan Park Renovations					
Fencing	50,000	-	14,699	14,699	35,301
Playground #2	98,000	-	97,469	97,469	531
Paving Improvements	50,000	-	-	-	50,000
Shelter 2,3,4 Improvements	16,000	-	7,771	7,771	8,229
Picnic tables	24,000	-	3,983	3,983	20,017
Trash Cans	8,500	-	-	-	8,500
Basketball goals	14,000	-	13,095	13,095	905
Fitness Equipment	29,500	-	28,982	28,982	518
Swimming Pool Water Slide	20,000	-	-	-	20,000
Swimming Pool Building Renovations	2,000	-	-	-	2,000
Playground & Fitness Area	18,000	-	17,749	17,749	251
Park Signage	5,000	-	4,429	4,429	571
Contingency	15,000	-	11,525	11,525	3,475
Total expenditures	<u>350,000</u>	<u>-</u>	<u>199,702</u>	<u>199,702</u>	<u>150,298</u>
Revenues over (under) expenditures	<u>-</u>	<u>350,350</u>	<u>(196,286)</u>	<u>154,064</u>	<u>154,064</u>
Other financing sources :					
Transfer from General Fund	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>-</u>	<u>350,350</u>	<u>(196,286)</u>	<u>154,064</u>	<u>154,064</u>
Fund balance, beginning			<u>350,350</u>		
Fund balance, ending			<u>\$ 154,064</u>		

Town of Spruce Pine, North Carolina  
Riverside Capital Projects Fund  
Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual  
From Inception and for the Fiscal Year Ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
SCIF	\$ 300,000	\$ 300,000	\$ -	\$ 300,000	\$ -
Interest income	"	300	3,130	3,430	3,430
Total revenues	<u>300,000</u>	<u>300,300</u>	<u>3,130</u>	<u>303,430</u>	<u>3,430</u>
<b>Expenditures</b>					
Riverside Splash Pad					
Splash Pad	133,000	-	118,672	118,672	14,328
Restroom	117,000	-	116,455	116,455	545
Stroup Road	50,000	-	"	-	50,000
Total expenditures	<u>300,000</u>	<u>-</u>	<u>235,127</u>	<u>235,127</u>	<u>64,873</u>
Revenues over (under) expenditures	<u>-</u>	<u>300,300</u>	<u>(231,997)</u>	<u>68,303</u>	<u>68,303</u>
<b>Other financing sources :</b>					
Transfer from General Fund	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 300,300</u>	<u>(231,997)</u>	<u>\$ 68,303</u>	<u>\$ 68,303</u>
Fund balance, beginning			<u>300,300</u>		
Fund balance, ending			<u>\$ 68,303</u>		

Town of Spruce Pine, North Carolina  
**PARTF Grant**  
Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual  
From Inception and for the Fiscal Year Ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
PARTF Grant	\$ 100,000	\$ -	\$ 50,297	\$ 50,297	\$ (49,703)
Local Funds	15,000	-	-	-	(15,000)
Total revenues	<u>115,000</u>	<u>-</u>	<u>50,297</u>	<u>50,297</u>	<u>(64,703)</u>
<b>Expenditures</b>					
Riverside Splash Pad					
Mountain Bike	37,500	-	-	-	37,500
Site Amenities	15,000	-	-	-	15,000
Tennis Court / Basketball	80,000	-	43,475	43,475	36,525
Dog park	32,600	-	32,502	32,502	98
Shelter #1 Renovations	7,500	-	750	750	6,750
Concrete Cornhole Set	2,100	-	2,058	2,058	42
New Playground Equipment	33,000	-	33,000	33,000	-
Contingency	7,300	-	-	-	7,300
Total expenditures	<u>215,000</u>	<u>-</u>	<u>111,785</u>	<u>111,785</u>	<u>103,215</u>
Revenues over (under) expenditures	<u>(100,000)</u>	<u>-</u>	<u>(61,488)</u>	<u>(61,488)</u>	<u>38,512</u>
<b>Other financing sources :</b>					
Transfer from General Fund	100,000	-	93,910	93,910	(6,090)
Total other financing sources	<u>100,000</u>	<u>-</u>	<u>93,910</u>	<u>93,910</u>	<u>(6,090)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>32,422</u>	<u>\$ 32,422</u>	<u>\$ 32,422</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 32,422</u>		

# **Enterprise Funds**

Town of Spruce Pine, North Carolina  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating Revenue			
Water sales		\$ 1,570,559	
Sewer charges		1,143,478	
Water taps		38,354	
Sewer taps		22,450	
Other operating revenues		90,031	
Total operating revenues	<u>2,771,500</u>	<u>2,864,872</u>	<u>93,372</u>
Nonoperating revenues			
Interest earnings	<u>5,250</u>	<u>7,734</u>	<u>2,484</u>
Total revenues	<u>2,776,750</u>	<u>2,872,606</u>	<u>95,856</u>
<b>Expenditures:</b>			
Administration			
Supplies and materials		33,567	
Contracted services		893,134	
Other departmental services		322,171	
Total administration	<u>1,264,918</u>	<u>1,248,872</u>	<u>16,046</u>
Water department			
Utilities		78,102	
Maintenance and repairs		601,667	
Other departmental services		270,419	
Total	<u>1,002,588</u>	<u>950,188</u>	<u>52,400</u>
Sewer department			
Utilities		114,398	
Employee benefits		292,480	
Contracted services		82,328	
Other departmental services		100,857	
Total	<u>608,377</u>	<u>590,063</u>	<u>18,314</u>
Debt service:			
Interest		7,272	
Bond service charge/amortization		250	
Bond and notes principal payments		64,843	
Total debt service	<u>72,778</u>	<u>72,365</u>	<u>413</u>
Total expenditures	<u>2,948,661</u>	<u>2,861,488</u>	<u>87,173</u>

Town of Spruce Pine, North Carolina  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfer (to)from other funds:			
General fund	364,106	364,106	-
Water and sewer capital projects fund	(50,000)	(36,286)	13,714
Proceeds from installment purchase	-	-	-
Sale of fixed assets	-	-	-
Contingency	(142,195)	-	142,195
Appropriated fund balance	-	-	-
Total other financing sources	<u>171,911</u>	<u>327,820</u>	<u>155,909</u>
(uses)			
Revenues and other sources over			
expenditures and other uses	<u>\$ -</u>	<u>338,938</u>	<u>338,938</u>
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Revenues and other sources over			
expenditures and other uses		338,938	
Reconciling items:			
Principal retirement		64,843	
Capital outlay items capitalized		326,964	
Depreciation		(659,354)	
Transfers (to)/from Water and Sewer Capital Projects Fund		36,286	
Grant and contribution income from Water and			
Sewer Capital Projects Fund		<u>6,975</u>	
Total reconciling items		<u>(224,286)</u>	
Net income		<u>\$ 114,652</u>	



Town of Spruce Pine, North Carolina  
Water and Sewer Golden Leaf Capital Projects Fund  
Schedule of Revenues and Expenditures, and Changes in Fund Balances - Budget and Actual (Non - GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Golden Leaf	\$ 775,350	\$ 13,125	\$ 6,975	\$ 20,100	\$ (755,250)
Interest income	-	-	-	-	-
Total revenues	<u>775,350</u>	<u>13,125</u>	<u>6,975</u>	<u>20,100</u>	<u>(755,250)</u>
<b>Expenditures</b>					
<b>Sewer Line Rehabilitation</b>					
Administration and legal expense	15,000	-	-	-	15,000
Engineering, Survey, Design	75,000	38,870	25,480	64,350	10,650
Legal expense	12,000	-	-	-	12,000
Construction Admin	67,000	-	-	-	67,000
Construction	618,130	-	-	-	618,130
Contingency	88,220	-	-	-	88,220
Total Sewer Line Rehabilitation	<u>875,350</u>	<u>38,870</u>	<u>25,480</u>	<u>64,350</u>	<u>811,000</u>
Total expenditures	<u>875,350</u>	<u>38,870</u>	<u>25,480</u>	<u>64,350</u>	<u>811,000</u>
Revenues over (under) expenditures	<u>(100,000)</u>	<u>(25,745)</u>	<u>(18,505)</u>	<u>(44,250)</u>	<u>55,750</u>
<b>Other financing sources :</b>					
Transfer from Water/Sewer fund	100,000	7,964	36,286	44,250	(55,750)
Total other financing sources	<u>100,000</u>	<u>7,964</u>	<u>36,286</u>	<u>44,250</u>	<u>(55,750)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (17,781)</u>	17,781	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>(17,781)</u>		
Fund balance, ending			<u>\$ -</u>		

# Other Schedules

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This section contains additional information required on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Year Tax Levy

Town of Spruce Pine, North Carolina  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2023

Fiscal Year	Uncollected Balance June 30, 2022	Additions	Collections And Credits	Uncollected Balance June 30, 2023
2022-2023	\$ -	\$ 1,523,285	\$ 1,493,898	\$ 29,387
2021-2022	30,307	53,278	71,322	12,263
2020-2021	15,057	-	5,291	9,766
2019-2020	8,741	-	3,399	5,342
2018-2019	6,152	-	2,352	3,800
2017-2018	4,932	-	1,831	3,101
2016-2017	3,085	-	764	2,321
2015-2016	5,558	-	525	5,033
2014-2015	4,688	-	501	4,187
2013-2014	2,658	-	1,243	1,415
2012-2013	2,238	-	2,238	-
	<u>\$ 83,416</u>	<u>\$ 1,576,563</u>	<u>\$ 1,583,364</u>	<u>76,615</u>
Less: allowance for uncollectible ad valorem taxes receivable				<u>(5,000)</u>
Ad valorem taxes receivable - net				<u>\$ 71,615</u>
Reconciliation to revenues:				
Ad valorem taxes - General Fund				\$ 1,595,814
Releases, refunds and amounts written off per statute of limitations				<u>1,171</u>
Subtotal				1,596,985
Less penalties and interest collected				<u>(13,621)</u>
Total collections and credits				<u>\$ 1,583,364</u>

**Town of Spruce Pine, North Carolina**  
**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2023**

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 328,693,172	0.46	\$ 1,511,989	\$ 1,408,950	\$ 103,039
Penalties	-		-	-	-
Total	<u>328,693,172</u>		<u>1,511,989</u>	<u>1,408,950</u>	<u>103,039</u>
Discoveries:					
Current year taxes	3,035,829	0.46	13,965	13,965	-
Prior year taxes	10,446,634	0.51	53,278	53,278	-
Penalties	-		-	-	-
	<u>13,482,463</u>		<u>67,243</u>	<u>67,243</u>	<u>-</u>
Abatements	(580,093)	0.46	(2,668)	(2,668)	-
Total property valuation	<u>\$ 341,595,542</u>				
Net levy			1,576,563	1,473,524	103,039
Uncollected taxes at June 30, 2023			<u>29,387</u>	<u>29,387</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,547,176</u>	<u>\$ 1,444,137</u>	<u>\$ 103,039</u>
Current levy collection percentage			<u>98.14%</u>	<u>98.01%</u>	<u>100.00%</u>

# **Compliance Section**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Spruce Pine, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprises the Town of Spruce Pine's basic financial statements, and have issued our report thereon dated October 13, 2023. Our report includes a reference to other auditors who audited the financial statements of the Town of Spruce Pine ABC Board, as described in our report on the Town of Spruce Pine's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Spruce Pine ABC Board were not audited in accordance with *Government Auditing Standards*.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Spruce Pine'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 of Spruce Pine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Spruce Pine's internal control.

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

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

#### **Report on Compliance and Other Matters**

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

#### **Purpose of this Report**

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

*COMBS, TENNANT & CARPENTER, P.C.*

COMBS, TENNANT & CARPENTER, P.C.  
Certified Public Accountants  
Boone, NC

October 13, 2023

COMBS,  
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**Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act**

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

**Report on Compliance for Each Major State Program**

***Opinion on Each Major State Program***

We have audited the Town of Spruce Pine, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Spruce Pine's major State programs for the year ended June 30, 2023. The Town of Spruce Pine's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Spruce Pine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major State Program***

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

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



### *Responsibilities of Management for Compliance*

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

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Spruce Pine's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Spruce Pine's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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

*COMBS, TENNANT & CARPENTER, P.C.*

COMBS, TENNANT & CARPENTER, P.C.  
Certified Public Accountants  
Boone, NC

October 13, 2023

Town of Spruce Pine, North Carolina  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2023

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**Section I. Summary of Auditors' Results**

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Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> _____ no
Significant deficiency(s)	_____ yes	_____ <u>X</u> _____ none reported
Noncompliance material to financial statements noted	_____ yes	_____ <u>X</u> _____ no

State Awards

Internal control over major state programs:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> _____ no
Significant deficiency(s)	_____ yes	_____ <u>X</u> _____ none reported

Type of auditor's report issued on compliance for state programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

Identification of major state programs:

Program Name  
 NC Office of State Budget and Management  
 SCIF Grant 11551  
 SCIF Grant 11552

Dollar threshold used to distinguish major program \$500,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ X \_\_\_\_\_ yes \_\_\_\_\_ no

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**Section II. Financial Statement Findings**

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None Reported

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**Section III. State Award Findings and Questioned Costs**

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None Reported

Town of Spruce Pine, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2023

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**Section II. Financial Statement Findings**

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None Reported

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**Section III. State Award Findings and Questioned Costs**

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None Reported

Town of Spruce Pine, North Carolina  
Summary Schedule of Prior Year Audit Findings  
For the Fiscal Year Ended June 30, 2023

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Prior Year Audit Findings

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None

Town of Spruce Pine  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to subrecipients
Federal Grants:					
Cash Programs:					
<u>U. S. Department of Justice</u>					
Passed-through N.C. Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	16.738		2,215	-	-
<u>U. S. Department Treasury</u>					
Passed-through the Office of State Budget and Management: NC Pandemic Recovery Office Coronavirus State and Local Fiscal Recovery Fund	21.027	NC0435	364,106	-	-
Total assistance - federal programs			366,321	-	-
State Grants:					
Cash Assistance:					
<u>N.C. Department of Transportation:</u>					
Powell Bill		38570	-	58,705	-
<u>NC Department of Natural and Cultural, Division of Parks and Recreation</u>					
Parks and Recreation Trust Fund		2022-990	-	50,297	-
<u>NC Office of State Budget and Management</u>					
State Capital and Infrastructure Grants		11551 & 11552	-	434,829	-
Total assistance - State programs			-	543,831	-
Total assistance			\$ 366,321	\$ 543,831	\$ -

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

1. The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of the Town of Spruce Pine under the programs of the Federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Spruce Pine, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Spruce Pine.
2. Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
3. The Town of Spruce Pine has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.