

REVIEWED

By SLGFD at 9:43 am, Nov 03, 2021

TOWN OF SPRUCE PINE
SPRUCE PINE, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2021

Town of Spruce Pine, North Carolina
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6/30/2021

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TOWN OF SPRUCE PINE
June 30, 2021

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Spruce Pine ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Spruce Pine ABC Board, is based solely on the report of other auditors. We conducted our audit in accordance with auditing

standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Spruce Pine ABC Board were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the 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, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 48 and 49, the Law Enforcement Officers' Special Separation Allowance's Schedule of the Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll, on pages 50 and 51, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Spruce Pine, North Carolina. The individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

COMBS, TENNANT & CARPENTER, P.C.

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

October 18, 2021

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, 2021. 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

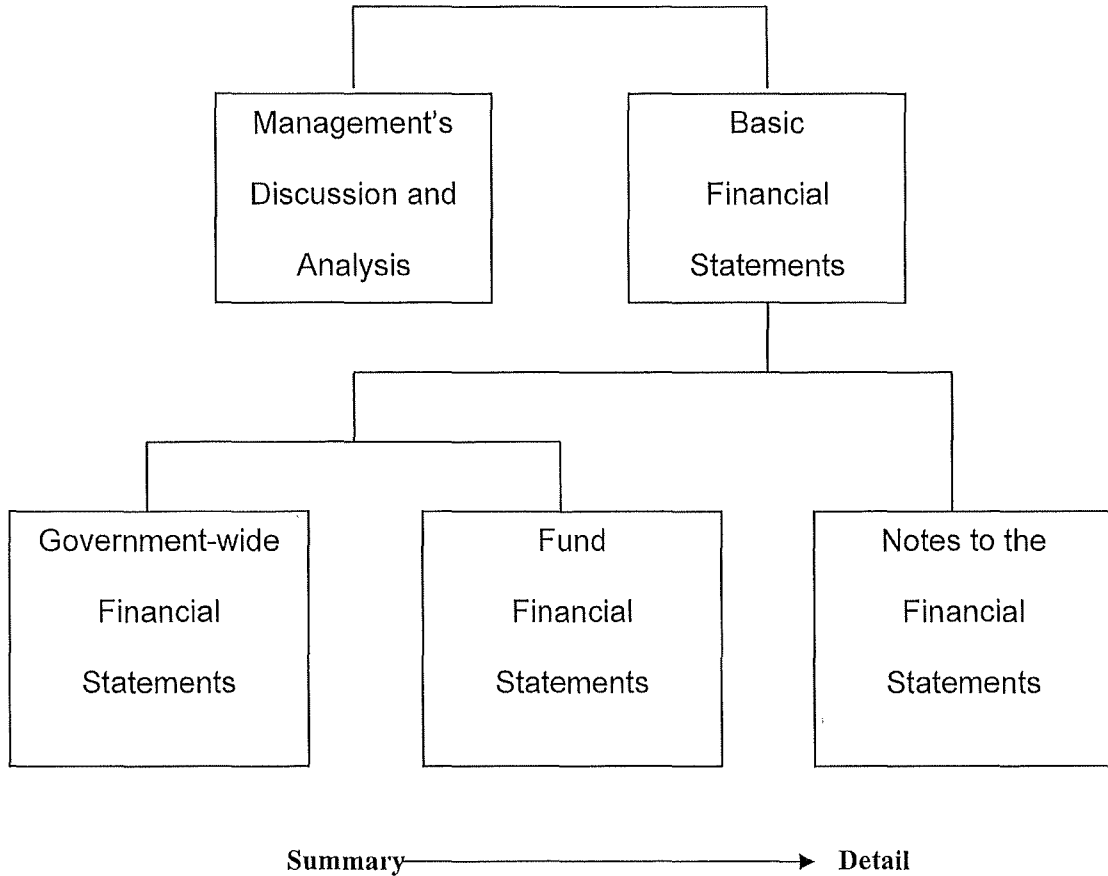
- The assets and deferred outflows of resources of the Town of Spruce Pine exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,456,230 (*net position*).
- The government's total net position decreased by \$311,239.
- As of the close of the fiscal year, the Town of Spruce Pine's General fund reported ending fund balances of \$3,502,713, an increase of \$236,919 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 \$3,349,212 or 124.6% of total general fund expenditures for the fiscal year.
- The Town of Spruce Pine's total long-term debt increased by \$744,228 (57%) during the current fiscal year mostly attributable to the Town obtaining a loan for the purchase of vehicles and an increase in pension related debt.

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; 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 23 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 48 of this report.

Government-Wide Financial Analysis

Town of Spruce Pine’s Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 4,037,394	\$ 3,943,454	\$ 522,839	\$ 411,953	\$ 4,560,233	\$ 4,355,407
Noncurrent assets	3,336,719	3,046,454	14,845,127	14,878,166	18,181,846	17,924,620
Deferred outflows of resources	546,683	338,428	1,000	1,250	547,683	339,678
Total assets and deferred outflows of resources	7,920,796	7,328,336	15,368,966	15,291,369	23,289,762	22,619,705
Long-term liabilities outstanding	1,209,303	885,228	686,009	315,380	1,895,312	1,200,608
Other liabilities	230,478	178,700	655,083	404,311	885,561	583,011
Deferred inflows of resources	52,659	68,617	-	-	52,659	68,617
Total liabilities and deferred inflows of resources	1,492,440	1,132,545	1,341,092	719,691	2,833,532	1,852,236
Net position:						
Net investment in capital assets	3,162,366	2,896,454	14,107,099	14,538,526	17,269,465	17,434,980
Restricted	45,869	33,072	-	-	45,869	33,072
Unrestricted	3,220,121	3,266,265	(79,225)	33,152	3,140,896	3,299,417
Total net position	\$ 6,428,356	\$ 6,195,791	\$ 14,027,874	\$ 14,571,678	\$ 20,456,230	\$ 20,767,469

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 \$20,456,230 as of June 30, 2021. The Town’s net position decreased by \$311,239 for the fiscal year ended June 30, 2021. However, the largest portion (84.42%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Spruce Pine uses these capital

Management Discussion and Analysis
Town of Spruce Pine

assets 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, \$45,869 (0.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,140,896 (15%) 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 98.05%. The statewide average in fiscal year 2020 was 98.96%.

Management Discussion and Analysis
Town of Spruce Pine

Town of Spruce Pine Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 25,551	\$ 44,944	\$ 2,276,190	\$ 2,383,521	\$ 2,301,741	\$ 2,428,465
Operating grants and contributions	279,994	90,829	-	-	279,994	90,829
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	1,430,244	1,320,701	-	-	1,430,244	1,320,701
Other taxes	920,821	814,504	-	-	920,821	814,504
Grants and contributions not restricted to specific programs	-	18,903	-	-	-	18,903
Other	9,174	82,823	-	3,836	9,174	86,659
Total revenues	2,665,784	2,372,704	2,276,190	2,387,357	4,941,974	4,760,061
Expenditures:						
General government	352,395	477,298	-	-	352,395	477,298
Public safety	1,221,216	1,103,417	-	-	1,221,216	1,103,417
Transportation	348,736	186,535	-	-	348,736	186,535
Economic development	267,793	211,646	-	-	267,793	211,646
Culture and recreation	143,561	257,365	-	-	143,561	257,365
Environmental protection	74,029	74,865	-	-	74,029	74,865
Cemetery	20,518	15,611	-	-	20,518	15,611
Interest on long-term debt	4,971	4,822	-	-	4,971	4,822
Water and sewer	-	-	2,819,994	2,673,858	2,819,994	2,673,858
Total expenses	2,433,219	2,331,559	2,819,994	2,673,858	5,253,213	5,005,417
Increase in net position before transfers	232,565	41,145	(543,804)	(286,501)	(311,239)	(245,356)
Transfers	-	-	-	-	-	-
Increase in net position	232,565	41,145	(543,804)	(286,501)	(311,239)	(245,356)
Net position, beginning, restated	6,195,791	6,154,646	14,571,678	14,858,179	20,767,469	21,012,825
Net position, June 30	\$ 6,428,356	\$ 6,195,791	\$ 14,027,874	\$ 14,571,678	\$ 20,456,230	\$ 20,767,469

Governmental activities. Governmental activities increased the Town's net position by \$232,565. The property tax rate for the Town of Spruce Pine remains at \$0.51 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 (53.6%), 2) other taxes including franchise (34.5%), and 3) Powell bill (2.8%). These three sources reflect 90.9% of total general revenue sources.

Management Discussion and Analysis
Town of Spruce Pine

Business-type activities: Business-type activities decreased the Town of Spruce Pine's net position by \$543,804. This is primarily due to an increase in maintenance and repairs in the water department.

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 \$3,349,212, while total fund balance reached \$3,502,713.

At June 30, 2021, the governmental funds of the Town of Spruce Pine reported a combined fund balance of \$3,502,713, a 7.2% 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 (\$79,225). The change in net position was a decrease of \$543,804.

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, 2021, totals \$18,181,846 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 548,641	\$ 548,641	\$ 48,845	\$ 48,845	\$ 597,486	\$ 597,486
Construction in progress	142,922	-	391,278	78,220	534,200	78,220
Buildings	1,167,465	1,205,209	-	-	1,167,465	1,205,209
Building improvements	190,816	187,346	-	-	190,816	187,346
Equipment	177,161	214,305	128,613	112,915	305,774	327,220
Recreation park	404,115	408,307	-	-	404,115	408,307
Furniture and maintenanc	-	-	-	-	-	-
Vehicles	205,048	100,366	-	-	205,048	100,366
Infrastructure	500,551	382,280	-	-	500,551	382,280
Water and sewer systems	-	-	14,072,019	14,467,470	14,072,019	14,467,470
Water meters	-	-	204,372	170,716	204,372	170,716
Total	\$ 3,336,719	\$ 3,046,454	\$ 14,845,127	\$ 14,878,166	\$ 18,181,846	\$ 17,924,620

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, 2021, 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	
	2021	2020	2021	2020	2021	2020
Installment purchases	\$ 174,353	\$ 150,000	\$ 346,750	\$ 339,640	\$ 521,103	\$ 489,640
Compensated absences	88,707	91,612	-	-	88,707	91,612
Pension related debt (LGERS)	596,405	431,759	-	-	596,405	431,759
Pension related debt (LEO)	450,103	290,357	-	-	450,103	290,357
State Revolving Loan Fund	-	-	391,278	-	391,278	-
Total	\$ 1,309,568	\$ 963,728	\$ 738,028	\$ 339,640	\$ 2,047,596	\$ 1,303,368

Town of Spruce Pine's Outstanding Debt. The Town of Spruce Pine's total debt increased by \$744,228 (57%) 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 \$21,352,687.

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 remained 51 cents per hundred dollars with little or no increase in valuation. 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, 2022

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, 2021

	Primary Government			
	Governmental Activities	Business-type Activities	Total Primary Government	Town of Spruce Pine ABC Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,549,248	\$ 95,541	\$ 3,644,789	\$ 182,504
Cash and cash equivalents - restricted	9,847	54,078	63,925	-
Taxes receivable (net)	73,319	-	73,319	-
Accrued interest receivable on taxes	19,804	-	19,804	-
Accounts receivable (net)	2,999	373,220	376,219	-
Notes receivable (net)	308,736	-	308,736	-
Due from other governments	33,023	-	33,023	-
Inventories	1,802	-	1,802	170,809
Prepaid items	38,616	-	38,616	-
Total current assets	4,037,394	522,839	4,560,233	353,313
Non-current assets:				
Capital assets (Note 4):				
Land, non-depreciable improvements, and construction in progress	691,563	440,123	1,131,686	40,000
Other capital assets, net of depreciation	2,645,156	14,405,004	17,050,160	262,047
Total non-current assets	3,336,719	14,845,127	18,181,846	302,047
Total assets	7,374,113	15,367,966	22,742,079	655,360
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	546,683	-	546,683	-
Deferred charges on bond issuance	-	1,000	1,000	-
Total deferred outflows of resources	546,683	1,000	547,683	-
LIABILITIES				
Current liabilities:				
Accounts payable	130,213	548,986	679,199	56,687
Current portion of long-term liabilities	100,265	52,019	152,284	16,246
Liabilities payable from restricted assets:				
Customer deposits	-	54,078	54,078	-
Long-term liabilities:				
Total pension liability (LEO)	450,103	-	450,103	-
Net pension liability (LGERS)	596,405	-	596,405	-
Due in more than one year	162,795	686,009	848,804	69,808
Total liabilities	1,439,781	1,341,092	2,780,873	142,741
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	2,609	-	2,609	-
Pension deferrals	50,050	-	50,050	-
Total deferred inflows of resources	52,659	-	52,659	-
NET POSITION				
Net investment in capital assets	3,162,366	14,107,099	17,269,465	-
Restricted for:				
Stabilization by State Statute	36,022	-	36,022	-
Police Equitable Sharing	9,847	-	9,847	-
Unrestricted	3,220,121	(79,225)	3,140,896	512,619
Total net position	\$ 6,428,356	\$ 14,027,874	\$ 20,456,230	\$ 512,619

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, 2021

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
Primary government:								
Governmental Activities:								
General government	\$ 352,395	\$ -	\$ -	\$ -	\$ (352,395)	\$ -	\$ (352,395)	\$ -
Public safety	1,221,216	1,250	205,015	-	(1,014,951)	-	(1,014,951)	-
Transportation	348,736	-	74,979	-	(273,757)	-	(273,757)	-
Economic and physical development	267,793	13,430	-	-	(254,363)	-	(254,363)	-
Environmental protection	74,029	1,612	-	-	(72,417)	-	(72,417)	-
Cultural and recreation	143,561	1,100	-	-	(142,461)	-	(142,461)	-
Cemetery	20,518	8,159	-	-	(12,359)	-	(12,359)	-
Interest on long-term debt	4,971	-	-	-	(4,971)	-	(4,971)	-
Total governmental activities (See Note 1)	2,433,219	25,551	279,994	-	(2,127,674)	-	(2,127,674)	-
Business-type activities:								
Water and sewer	2,819,994	2,276,190	-	-	-	(543,804)	(543,804)	-
Total business-type activities	2,819,994	2,276,190	-	-	-	(543,804)	(543,804)	-
Total primary government	\$ 5,253,213	\$ 2,301,741	\$ 279,994	\$ -	(2,127,674)	(543,804)	(2,671,478)	-
Component units:								
ABC Board	\$ 1,676,184	\$ 1,838,704	\$ -	\$ -	-	-	-	162,520
Total component unit	\$ 1,676,184	\$ 1,838,704	\$ -	\$ -	-	-	-	162,520
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,430,244	-	1,430,244	-
Other taxes					920,821	-	920,821	-
Grants and contributions not restricted to specific programs					-	-	-	-
Unrestricted investment earnings					553	-	553	-
Sale of capital assets					700	-	700	-
Miscellaneous					7,921	-	7,921	-
Transfers					-	-	-	-
Total general revenues and transfers					2,360,239	-	2,360,239	-
Change in net position					232,565	(543,804)	(311,239)	162,520
Net position, beginning					6,195,791	14,571,678	20,767,469	350,099
Net position, ending					\$ 6,428,356	\$ 14,027,874	\$ 20,456,230	\$ 512,619

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

Town of Spruce Pine
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds	Total Governmental
	General	Funds
ASSETS		
Cash and cash equivalents	\$ 3,549,248	\$ 3,549,248
Taxes receivable, net	73,319	73,319
Accounts receivable, net	2,999	2,999
Notes receivable	308,736	308,736
Due from other governments	33,023	33,023
Prepaid expenses	38,616	38,616
Inventories	1,802	1,802
Restricted cash	9,847	9,847
Total assets	<u>4,017,590</u>	<u>4,017,590</u>
LIABILITIES		
Liabilities:		
Accounts payable and accrued liabilities	130,213	130,213
Total liabilities	<u>130,213</u>	<u>130,213</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	73,319	73,319
Notes receivable	308,736	308,736
Prepaid taxes	2,609	2,609
Total deferred inflows of resources	<u>384,664</u>	<u>384,664</u>
FUND BALANCES		
Non Spendable		
Inventories	1,802	1,802
Prepays	38,616	38,616
Restricted		
Stabilization by State Statute	36,022	36,022
Police Equitable Sharing	9,847	9,847
Assigned		
Subsequent year's expenditures	67,214	67,214
Unassigned	3,349,212	3,349,212
Total fund balances	<u>3,502,713</u>	<u>3,502,713</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,017,590</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,336,719
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	546,683
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 funds.	328,540
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	73,319
Pension related deferrals	(50,050)
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	<u>(1,309,568)</u>
Net position of governmental activities	<u>\$ 6,428,356</u>

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

Exhibit 4

Town of Spruce Pine
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds	Total
	General Fund	Governmental Funds
REVENUES		
Ad valorem taxes	\$ 1,423,541	\$ 1,423,541
Other taxes and licenses	-	-
Unrestricted intergovernmental	920,821	920,821
Restricted intergovernmental	281,606	281,606
Permits and fees	250	250
Sales and services	1,100	1,100
Investment earnings	553	553
Miscellaneous	211,225	211,225
Total revenues	<u>2,839,096</u>	<u>2,839,096</u>
EXPENDITURES		
Current:		
General government	452,453	452,453
Public safety	1,259,956	1,259,956
Transportation	320,230	320,230
Environmental protection	72,877	72,877
Cemetery	20,518	20,518
Culture and recreation	280,773	280,773
Economic development	215,452	215,452
Debt service:		
Principal	60,242	60,242
Interest and other charges	4,971	4,971
Capital outlay		
Total expenditures	<u>2,687,472</u>	<u>2,687,472</u>
Excess (deficiency) of revenues over expenditures	<u>151,624</u>	<u>151,624</u>
OTHER FINANCING SOURCES (USES)		
Transfers (to) from other funds	-	-
Sale of capital assets	700	700
Installment purchase obligations issued	84,595	84,595
Discount on debt issued	-	-
Total other financing sources (uses)	<u>85,295</u>	<u>85,295</u>
Net change in fund balance	236,919	236,919
Fund balances, beginning	3,265,794	3,265,794
Fund balances, ending	<u>\$ 3,502,713</u>	<u>\$ 3,502,713</u>

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 Balance
Governmental Funds
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$	236,919
<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>		
		290,265
Book value assets disposed		-
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		123,771
<p>Benefit payments paid and administrative costs made in the current fiscal year for the LEOSSA are not included on the Statement of Activities</p>		
		9,946
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		6,703
Change in unavailable revenue for notes receivable		(180,715)
<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	(84,595)	
Principal payments on long-term debt	<u>60,242</u>	(24,353)
<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		2,905
Pension expense (LERS)		(206,804)
Pension expense (LEOSSA)		<u>(26,072)</u>
Total changes in net position of governmental activities	\$	<u><u>232,565</u></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, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1,190,626	\$ 1,403,926	\$ 1,423,541	\$ 19,615
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	878,162	887,325	920,821	33,496
Restricted intergovernmental	115,475	285,825	281,606	(4,219)
Permits and fees	325	325	250	(75)
Sales and services	21,000	13,000	1,100	(11,900)
Investment earnings	10,000	500	553	53
Miscellaneous	60,515	197,952	211,225	13,273
Total revenues	<u>2,276,103</u>	<u>2,788,853</u>	<u>2,839,096</u>	<u>50,243</u>
Expenditures:				
Current:				
General government	270,936	618,004	452,453	165,551
Public safety	1,061,546	1,270,130	1,259,956	10,174
Transportation	567,863	340,597	320,230	20,367
Environmental protection	78,965	78,965	72,877	6,088
Cemetery	18,540	20,540	20,518	22
Cultural and recreation	292,781	303,781	280,773	23,008
Economic development	135,318	235,318	215,452	19,866
Contingency	10,154	160,154	-	160,154
Debt service:				
Principal retirement	-	60,369	60,242	127
Interest and other charges	-	5,000	4,971	29
Total expenditures	<u>2,436,103</u>	<u>3,092,858</u>	<u>2,687,472</u>	<u>405,386</u>
Revenues over (under) expenditures	<u>(160,000)</u>	<u>(304,005)</u>	<u>151,624</u>	<u>455,629</u>
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	-	-
Sale of assets	-	4,000	700	(3,300)
Proceeds from installment purchase	160,000	121,000	84,595	(36,405)
Appropriated fund balance	-	179,005	-	(179,005)
Total other financing sources (uses)	<u>160,000</u>	<u>304,005</u>	<u>85,295</u>	<u>(218,710)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>236,919</u>	<u>\$ 236,919</u>
Fund balances, beginning			<u>3,265,794</u>	
Fund balances, ending			<u>\$ 3,502,713</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, 2021**

	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 95,541	\$ 95,541
Cash and cash equivalents- restricted	54,078	54,078
Accounts receivable (net)	373,220	373,220
Prepaid items	-	-
Total current assets	<u>522,839</u>	<u>522,839</u>
Noncurrent assets:		
Capital assets (net)		
Land and other non-depreciable assets	440,123	440,123
Other capital assets, net of depreciation	14,405,004	14,405,004
Capital assets (net)	<u>14,845,127</u>	<u>14,845,127</u>
Total noncurrent assets	<u>14,845,127</u>	<u>14,845,127</u>
Total assets	<u>\$ 15,367,966</u>	<u>\$ 15,367,966</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on bond issuance	1,000	1,000
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 470,666	\$ 470,666
Customer deposits	54,078	54,078
Availability fees	78,320	78,320
General obligation bonds payable- current	18,998	18,998
Installment purchase-current	33,021	33,021
Total current liabilities	<u>655,083</u>	<u>655,083</u>
Noncurrent liabilities:		
General obligation bonds payable- noncurrent (net)	372,280	372,280
Installment purchase-noncurrent	313,729	313,729
Total noncurrent liabilities	<u>686,009</u>	<u>686,009</u>
Total liabilities	<u>1,341,092</u>	<u>1,341,092</u>
NET POSITION		
Net investment in capital assets	14,107,099	14,107,099
Unrestricted	(79,225)	(79,225)
Total net position	<u>\$ 14,027,874</u>	<u>\$ 14,027,874</u>

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, 2021

	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 2,237,933	\$ 2,237,933
Other operating revenues	38,257	38,257
Total operating revenues	2,276,190	2,276,190
OPERATING EXPENSES		
Administration	1,179,909	1,179,909
Water treatment and distribution	573,722	573,722
Wastewater collection and treatment	425,792	425,792
Depreciation	627,280	627,280
Total operating expenses	2,806,703	2,806,703
Operating income (loss)	(530,513)	(530,513)
NONOPERATING REVENUES (EXPENSES)		
Grants and contributions	-	-
Interest earnings	-	-
Interest expense	(13,041)	(13,041)
Bond amortization costs	(250)	(250)
Total nonoperating revenues (expenses)	(13,291)	(13,291)
Total income (loss) before contributions and transfers	(543,804)	(543,804)
Capital contributions	-	-
Change in net position	(543,804)	(543,804)
Total net position, beginning	14,571,678	14,571,678
Total net position, ending	\$ 14,027,874	\$ 14,027,874

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, 2021

	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,105,018	\$ 2,105,018
Cash paid for goods and services	(1,958,935)	(1,958,935)
Customer deposits received (returned)	2,525	2,525
Net cash provided (used) by operating activities	<u>148,608</u>	<u>148,608</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants and contributions	-	-
Total cash flows from noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(594,241)	(594,241)
Installment note issued	35,691	35,691
Principal paid on bond maturities and equipment contracts	(28,581)	(28,581)
Interest paid on bond maturities and equipment contracts	(13,041)	(13,041)
State revolving loan fund proceeds	391,278	391,278
Capital contributions - federal grant	-	-
Net cash provided (used) by capital and related financing activities	<u>(208,894)</u>	<u>(208,894)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	-	-
Net increase (decrease) in cash and cash equivalents	(60,286)	(60,286)
Balances, beginning	<u>209,905</u>	<u>209,905</u>
Balances, ending	<u>\$ 149,619</u>	<u>\$ 149,619</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, 2021**

Reconciliation of operating income to net cash provided by operating activities		
Operating income	<u>\$ (530,513)</u>	<u>\$ (530,513)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	627,280	627,280
Changes in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	(171,172)	(171,172)
(Increase) decrease in prepaid items	-	-
Increase (decrease) in accounts payable and accrued liabilities	220,488	220,488
Increase (decrease) in customer deposits	2,525	2,525
Total adjustments	<u>679,121</u>	<u>679,121</u>
Net cash provided by operating activities	<u><u>\$ 148,608</u></u>	<u><u>\$ 148,608</u></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, 2021

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.

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 Enterprise Fund Capital Projects Fund. 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.

Town of Spruce Pine Restricted Cash

Governmental Activities	
General Fund - restricted for Police Equitable Sharing	\$ 9,847
Total governmental activities	<u>9,847</u>
Business-type activities	
Water and Sewer Fund - customer deposits	54,078
Total Business-type Activities	<u>54,078</u>
Total Restricted Cash	<u>\$ 63,925</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, 2020.

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 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows*

of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, 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. 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.

12. 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, 2021 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, 2021, the Town's deposits had a carrying amount of \$2,233,355 and a bank balance of \$2,236,651. 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 \$182,504 and the bank balance was \$237,174. Of the bank balance \$237,174 was covered by federal depository insurance.

2. Investments

At June 30, 2021, the Town had \$1,475,359 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	6/30/2021
<hr/>	
General Fund:	
Taxes Receivable	\$ 5,000

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 548,641	\$ -	\$ -	\$ 548,641
Construction in progress	-	142,922	-	142,922
Total capital assets not being depreciated	<u>548,641</u>	<u>142,922</u>	<u>-</u>	<u>691,563</u>
Capital assets being depreciated:				
Buildings	1,568,927	-	-	1,568,927
Building improvements	405,037	21,250	-	426,287
Equipment	733,167	13,401	-	746,568
Recreation park	785,113	-	-	785,113
Furniture and maintenance equipment	42,163	-	-	42,163
Vehicles	693,003	187,218	-	880,221
Infrastructure	1,013,041	150,079	-	1,163,120
Total capital assets being depreciated	<u>5,240,451</u>	<u>371,948</u>	<u>-</u>	<u>5,612,399</u>
Less accumulated depreciation for:				
Buildings	363,718	37,744	-	401,462
Building improvements	217,691	17,780	-	235,471
Equipment	518,862	50,545	-	569,407
Recreation park	376,806	4,192	-	380,998
Furniture and maintenance equipment	42,163	-	-	42,163
Vehicles	592,637	82,536	-	675,173
Infrastructure	630,761	31,808	-	662,569
Total accumulated depreciation	<u>2,742,638</u>	<u>\$ 224,605</u>	<u>\$ -</u>	<u>2,967,243</u>
Total capital assets being depreciated, net	<u>2,497,813</u>			<u>2,645,156</u>
Governmental activity capital assets, net	<u>\$ 3,046,454</u>			<u>\$ 3,336,719</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 15,941
Public Safety	81,861
Transportation	33,965
Economic and physical development	83,257
Environmental protection	1,152
Cultural and recreational	8,429
	<u>\$ 224,605</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	78,220	313,058	-	391,278
Total capital assets not being depreciated	<u>127,065</u>	<u>313,058</u>	<u>-</u>	<u>440,123</u>
Capital assets being depreciated:				
Water and sewer systems	24,615,974	169,942	-	24,785,916
Water meters	447,981	56,701	-	504,682
Equipment	530,357	54,540	-	584,897
Total capital assets being depreciated	<u>25,594,312</u>	<u>281,183</u>	<u>-</u>	<u>25,875,495</u>
Less accumulated depreciation for:				
Water and sewer systems	10,148,504	565,393	-	10,713,897
Water meters	277,265	23,045	-	300,310
Equipment	417,442	38,842	-	456,284
Total accumulated depreciation	<u>10,843,211</u>	<u>\$ 627,280</u>	<u>\$ -</u>	<u>11,470,491</u>
Total capital assets being depreciated, net	<u>14,751,101</u>			<u>14,405,004</u>
Business-type activities capital assets, net	<u>\$ 14,878,166</u>			<u>\$ 14,845,127</u>

Discretely Presented component units

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

	Cost	Accumulated Depreciation	Net
Land	\$ 40,000	\$ -	\$ 40,000
Building and Improvements	333,432	73,101	260,331
Equipment	88,982	87,266	1,716
Total	<u>\$ 462,414</u>	<u>\$ 160,367</u>	<u>\$ 302,047</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.

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, 2021, was 10.84% of compensation for law enforcement officers and 10.26% 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 \$195,095 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$596,405 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension 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, 2020, the Town’s proportion was 0.01669%, which was an increase of 0.00088% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$206,804. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	75,315	-
Changes of assumptions	44,384	-
Net difference between projected and actual earnings on pension plan investments	83,928	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	37,672	419
Employer contributions subsequent to the measurement date	123,772	-
Total	<u>\$ 365,071</u>	<u>\$ 419</u>

\$123,772 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	70,317
2023		89,736
2024		55,990
2025		24,838
2026		-
Thereafter		-
	\$	<u>240,881</u>

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

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

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

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

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

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

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

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

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

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

	<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)	1,210,040	596,405	86,431

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, 2019, the valuation date, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>10</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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

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 \$19,892, 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, 2021, the Town reported a total pension liability of \$450,103. The total pension liability was measured as of December 31, 2020 based on December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$26,072.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	50,923	41,917
Changes of assumptions	120,743	7,714
Town benefit payments and plan administrative expense made subsequent to the measurement date	9,946	-
Total	<u>\$ 181,612</u>	<u>\$ 49,631</u>

\$9,946 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:

2022	\$ 23,245
2023	23,970
2024	25,081
2025	22,290
2026	25,894
Thereafter	1,555
	<u>\$ 122,035</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 1.93 percent, as well as what the Town’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Town's proportionate share of the net pension liability (asset)	489,119	450,103	414,393

	<u>2021</u>
Beginning balance	\$ 290,357
Service cost	13,578
Interest on the total pension liability	9,141
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	26,779
Changes of assumptions or other inputs	130,140
Benefit payments	(19,892)
Other changes	-
Ending balance of total pension liability	<u>\$ 450,103</u>

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

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

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	\$ 206,804	\$ 26,072	\$ 232,876
Pension Liability	596,405	450,103	1,046,508
Proportionate share of the net liability	0.01669%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	75,315	50,923	126,238
Changes of assumptions	44,384	120,743	165,127
Net difference between projected and actual earnings on plan investments	83,928	-	83,928
Changes in proportion and differences between contributions and proportionate share of			
Benefit payments and administrative costs paid subsequent to the measurement date	37,672	-	37,672
	123,772	9,946	133,718
Deferred Inflows of Resources			
Differences between expected and actual results	-	41,917	41,917
Changes of assumptions	-	7,714	7,714
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of	419	-	419

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 \$25,618, 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	\$ 123,772
Benefit payments made and administrative expenses for LEOSSA	9,946
Differences between expected and actual experience	126,238
Changes of assumptions	165,127
Net difference between projected and actual earnings on pension plan investments	83,928
Changes in proportion and differences between employer contributions and proportionate share of contributions	37,672
Charge on refunding	-
Total	<u>\$ 546,683</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)	\$ 2,609	\$ 2,609
Taxes receivable, less penalties (General Fund)	-	73,319
Notes receivable	-	308,736
Changes in assumptions	7,714	-
Differences between expected and actual experience	41,917	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	419	-
Total	<u>\$ 52,659</u>	<u>\$ 384,664</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 \$50,000 and \$25,000, respectively.

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2021, 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 will be 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 during the year. The project will be completed in 2022.

Annual debt service payments to the State Revolving Fund, United Community Bank and HomeTrust Bank as of June 30, 2021 are as follows:

Year	Governmental Activities		Water/Sewer	
	Principal	Interest	Principal	Interest
2022	\$ 70,765	\$ 3,874	\$ 52,019	\$ 3,589
2023	71,144	1,808	52,179	2,410
2024	21,531	493	52,342	2,140
2025	10,913	99	47,862	1,867
2026	-	-	43,258	1,717
2027-2031	-	-	216,290	6,977
2032-2034	-	-	167,770	4,293
2035-2039	-	-	106,308	1,610
Total	\$ 174,353	\$ 6,274	\$ 738,028	\$ 24,603

At June 30, 2021, the Town of Spruce Pine had a legal debt margin of \$21,352,687.

c. Changes in Long-Term Liabilities

	Balance			Balance	
	July 1, 2020	Increases	Decreases	June 30, 2021	Current Portion
Government activities:					
Direct borrowing installment purchase	\$ 150,000	\$ 84,595	\$ (60,242)	\$ 174,353	\$ 70,765
Compensated absences	91,612	32,200	(35,105)	88,707	29,500
Net pension liability (LGERS)	431,759	164,646	-	596,405	-
Pension Obligation (LEOSSA)	290,357	159,746	-	450,103	-
Governmental activity long-term debt	\$ 963,728	\$ 441,187	\$ (95,347)	\$ 1,309,568	\$ 100,265
Business activities:					
Direct borrowing installment purchase	\$ 339,640	\$ 35,691	\$ (28,581)	\$ 346,750	\$ 33,021
State revolving loan fund - CIP	-	391,278	-	391,278	18,998
Business-type activity long-term debt	\$ 339,640	\$ 426,969	\$ (28,581)	\$ 738,028	\$ 52,019

C. Interfund Balances and Activity

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs. During the 2021 fiscal year, the Town made no transfers between funds.

D. Fund Balance

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

Total fund balance - General Fund	\$ 3,502,713
Less:	
Stablization by State Statute	36,022
Prepays	38,616
Inventories	1,802
Police Equitable Sharing	9,847
Appropriated Fund Balance in 2022 budget	67,214
Remaining fund balance	3,349,212

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, 2021, repayments of \$180,715, were received on a total of six outstanding loans, bringing the principal balance to \$308,736.

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, 2021.

The Town appropriated \$88,832 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 18, 2021 – 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 Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.01669%	0.01581%	0.01470%	0.01535%	0.01612%	0.01616%	(0.01670%)	0.01510%
Town's proportion of the net pension liability (asset) (\$)	\$ 596,405	\$ 431,759	\$ 348,734	\$ 234,505	\$ 342,120	\$ 72,525	\$ (92,170)	\$ 182,013
Town's covered-employee payroll	\$1,115,857	\$1,042,433	\$1,006,983	\$ 908,437	\$ 977,155	\$ 963,587	\$ 965,013	\$ 964,265
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.45%	41.42%	34.63%	25.81%	35.01%	7.53%	-9.55%	18.88%
Plan fiduciary net position as a percentage of the total pension liability **	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	99.07%	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 Seven Fiscal Years

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 123,772	\$ 103,469	\$ 84,142	\$ 78,863	\$ 68,971	\$ 60,589	\$ 74,225	\$ 74,306
Contributions in relation to the contractually required contribution	<u>123,772</u>	<u>103,469</u>	<u>84,142</u>	<u>78,863</u>	<u>68,971</u>	<u>60,589</u>	<u>74,225</u>	<u>74,306</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$1,181,572	\$1,115,857	\$1,042,433	\$1,006,983	\$ 908,437	\$ 977,155	\$ 963,587	\$ 965,013
Contributions as a percentage of covered-employee payroll	10.48%	9.27%	8.07%	7.83%	7.59%	6.20%	7.70%	7.70%

Town of Spruce Pine, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 290,357	\$ 319,827	\$ 261,898	\$ 273,306	\$ 268,265
Service cost	13,578	10,051	14,027	11,899	11,255
Interest on the total pension liability	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	26,779	(39,065)	58,110	(42,276)	-
Changes of assumptions or other inputs	130,140	8,156	(12,709)	17,276	(6,947)
Benefit payments	(19,892)	(19,892)	(9,623)	(8,689)	(8,689)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 450,103	\$ 290,357	\$ 319,827	\$ 261,898	\$ 273,306
Covered payroll	512,364	394,976	437,682	444,600	406,412
Total pension liability as a percentage of covered payroll	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 the GASB 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, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 1,413,259	\$ -
Penalties and interest	-	10,282	-
Total	<u>1,403,926</u>	<u>1,423,541</u>	<u>19,615</u>
Other taxes and licenses:			
Other taxes	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Unrestricted intergovernmental:			
Local Option Sales Tax		609,264	
Franchise tax		283,061	
Beer and wine tax		9,046	
ABC profit distribution		-	
Other unrestricted revenue		-	
Payments in lieu of taxes	-	19,450	-
Total	<u>887,325</u>	<u>920,821</u>	<u>33,496</u>
Restricted intergovernmental:			
Powell Bill allocation	-	74,979	-
Solid waste disposal tax		1,612	
ABC Revenue for law enforcement		6,268	
Federal and State grants		163,749	
Crime prevention grants	-	34,998	-
Total	<u>285,825</u>	<u>281,606</u>	<u>(4,219)</u>
Permits and fees:			
License and permits	-	250	-
Total	<u>325</u>	<u>250</u>	<u>(75)</u>
Sales and services:			
Recreation department fees	-	1,100	-
Total	<u>13,000</u>	<u>1,100</u>	<u>(11,900)</u>
Investment earnings	<u>500</u>	<u>553</u>	<u>53</u>
Miscellaneous:			
Miscellaneous	-	7,921	-
Cemetery revenue	-	8,159	-
Revolving loan repayments	-	194,145	-
Parking violations	-	1,000	-
Total	<u>197,952</u>	<u>211,225</u>	<u>13,273</u>
Total revenues	<u>2,788,853</u>	<u>2,839,096</u>	<u>50,243</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	-	17,380	-
Other operating expenditures	-	1,029	-
Total	<u>-</u>	<u>18,409</u>	<u>-</u>
Administration			
Salaries and employee benefits	-	360,630	-
Other operating expenditures	-	319,003	-
Allocated administrative costs	-	(245,589)	-
Total	<u>-</u>	<u>434,044</u>	<u>-</u>
Total general government	<u>618,004</u>	<u>452,453</u>	<u>165,551</u>
Public safety:			
Police:			
Salaries and employee benefits	-	766,250	-
Other operating expenditures	-	154,367	-
Capital outlay	-	171,403	-
Total	<u>-</u>	<u>1,092,020</u>	<u>-</u>
Fire:			
Other operating expenditures	-	145,482	-
Total	<u>-</u>	<u>145,482</u>	<u>-</u>
Inspections:			
Other operating expenditures	-	22,454	-
Total	<u>-</u>	<u>22,454</u>	<u>-</u>
Total public safety	<u>1,270,130</u>	<u>1,259,956</u>	<u>10,174</u>
Transportation:			
Street repair and construction			
Salaries and employee benefits	-	434,173	-
Allocated administrative costs	-	(419,082)	-
Other operating expenditures	-	275,923	-
Capital outlay	-	29,216	-
Total transportation	<u>340,597</u>	<u>320,230</u>	<u>20,367</u>
Environmental protection:			
Other operating expenditures	-	72,877	-
Total environmental protection	<u>78,965</u>	<u>72,877</u>	<u>6,088</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, 2021

	Budget	Actual	Variance Positive (Negative)
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	88,983	-
Other operating expenditures	-	86,234	-
Capital outlay	-	-	-
Total	<u>-</u>	<u>175,217</u>	<u>-</u>
Libraries			
Other operating expenditures	-	99,556	-
Capital outlay	-	-	-
Total	<u>-</u>	<u>99,556</u>	<u>-</u>
Contribution to Toe River Arts Council	-	6,000	-
Total cultural and recreation	<u>303,781</u>	<u>280,773</u>	<u>23,008</u>
Cemetery			
Operating expenses	-	20,518	-
Total Cemetery	<u>20,540</u>	<u>20,518</u>	<u>22</u>
Economic Development			
Operating expenses	-	215,452	-
Revolving loans made	-	-	-
Total economic development	<u>235,318</u>	<u>215,452</u>	<u>19,866</u>
Debt service:			
Principal retirement		60,242	-
Interest and other charges		4,971	-
Total debt service	<u>65,369</u>	<u>65,213</u>	<u>156</u>
Contingency			
Total Contingency	<u>160,154</u>	<u>-</u>	<u>160,154</u>
Total expenditures	<u>3,092,858</u>	<u>2,687,472</u>	<u>405,386</u>
Revenues over (under) expenditures	<u>(304,005)</u>	<u>151,624</u>	<u>455,629</u>
Other financing sources (uses):			
Transfers from (to) other funds:	-	-	-
Sale of assets	4,000	700	(3,300)
Proceeds from installment purchase	121,000	84,595	(36,405)
Appropriated fund balance	179,005	-	(179,005)
Total	<u>\$ 304,005</u>	<u>85,295</u>	<u>\$ (218,710)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>236,919</u>	<u>\$ 236,919</u>
Fund balances, beginning		3,265,794	
Change in reserve for inventories		-	
Fund balances, ending		<u>\$ 3,502,713</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenue			
Water sales	\$ -	\$ 1,314,412	\$ -
Sewer charges	-	892,840	-
Water taps	-	27,681	-
Sewer taps	-	3,000	-
Other operating revenues	-	38,257	-
Total operating revenues	<u>2,268,967</u>	<u>2,276,190</u>	<u>7,223</u>
Nonoperating revenues			
Interest earnings	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Total revenues	<u>2,271,467</u>	<u>2,276,190</u>	<u>4,723</u>
Expenditures:			
Administration			
Supplies and materials	-	-	-
Contracted services	-	867,515	-
Other departmental services	-	369,095	-
Total administration	<u>1,242,293</u>	<u>1,236,610</u>	<u>5,683</u>
Water department			
Utilities	-	82,863	-
Maintenance and repairs	-	462,929	-
Other departmental services	-	86,285	-
Total	<u>646,599</u>	<u>632,077</u>	<u>14,522</u>
Sewer department			
Utilities	-	89,182	-
Employee benefits	-	233,048	-
Contracted services	-	44,270	-
Other departmental services	-	225,419	-
Total	<u>596,942</u>	<u>591,919</u>	<u>5,023</u>
Debt service:			
Interest	-	13,041	-
Bond service charge/amortization	-	250	-
Bond and notes principal payments	-	28,581	-
Total debt service	<u>42,308</u>	<u>41,872</u>	<u>436</u>
Total expenditures	<u>2,528,142</u>	<u>2,502,478</u>	<u>25,664</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfer (to)/from other funds:			
General fund		-	-
Water and sewer capital projects fund	(250,000)	78,220	328,220
Proceeds from installment purchase	-	35,691	35,691
Sale of fixed assets	-	-	-
Appropriated fund balance	<u>506,675</u>	<u>-</u>	<u>(506,675)</u>
Total other financing sources (uses)	<u>256,675</u>	<u>113,911</u>	<u>(142,764)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>(112,377)</u>	<u>(112,377)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		(112,377)	
Reconciling items:			
Principal retirement		28,581	
Capital outlay items capitalized		281,183	
Depreciation		(627,280)	
Transfers (to)/from Water and Sewer Capital Projects Fund		(78,220)	
		(35,691)	
Grant and contribution income from Water and Sewer Capital Projects Fund		<u>-</u>	
Total reconciling items		<u>(431,427)</u>	
Net income		<u>\$ (543,804)</u>	

Town of Spruce Pine, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
ARC grant	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-	-
Total restricted intergovernmental	-	-	-	-	-
Wastewater Bar Screen					
Administration and legal expense	-	-	-	-	-
Engineering	-	-	-	-	-
Construction	-	-	-	-	-
Contingency	-	-	-	-	-
Total PRC industries utilities improvement	-	-	-	-	-
Sewer Line Rehabilitation					
Administration and legal expense	29,500	-	7,230	7,230	22,270
Engineering	117,000	78,220	36,855	115,075	1,925
Construction	461,900	-	268,973	268,973	192,927
Contingency	57,385	-	-	-	57,385
Total PRC industries utilities improvement	665,785	78,220	313,058	391,278	274,507
Total expenditures	665,785	78,220	313,058	391,278	274,507
Revenues over / (under) expenditures	(665,785)	(78,220)	(313,058)	(391,278)	274,507
Other financing sources :					
State Reserve Project Loan	665,785	-	391,278	391,278	(274,507)
Transfer from Water/Sewer fund	-	78,220	(78,220)	-	-
Total other sources	665,785	78,220	313,058	391,278	(274,507)
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Other Schedules

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, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 1,419,398	\$ 1,391,693	\$ 27,705
2019-2020	26,329	-	14,042	12,287
2018-2019	11,377	-	2,593	8,784
2017-2018	8,142	-	1,516	6,626
2016-2017	5,004	-	1,068	3,936
2015-2016	7,384	-	984	6,400
2014-2015	6,081	-	684	5,397
2013-2014	4,356	-	1,382	2,974
2012-2013	2,647	-	102	2,545
2011-2012	1,671	-	6	1,665
2010-2011	720	-	720	-
	<u>\$ 73,711</u>	<u>\$ 1,419,398</u>	<u>\$ 1,414,790</u>	<u>78,319</u>
				Less: allowance for uncollectible ad valorem taxes receivable
				<u>(5,000)</u>
				Ad valorem taxes receivable - net
				<u>\$ 73,319</u>
				Reconciliation to revenues:
				Ad valorem taxes - General Fund
				\$ 1,423,541
				Releases and refunds
				939
				Amounts written off per statute of limitations
				<u>592</u>
				Subtotal
				1,425,072
				Less penalties and interest collected
				<u>(10,282)</u>
				Total collections and credits
				<u>\$ 1,414,790</u>

Town of Spruce Pine, North Carolina
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2021

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 275,818,218	0.510%	\$ 1,406,673	\$ 1,310,030	\$ 96,643
Penalties	-		-	-	-
Total	<u>275,818,218</u>		<u>1,406,673</u>	<u>1,310,030</u>	<u>96,643</u>
Discoveries:					
Current year taxes	2,660,103	0.510%	13,566	13,566	-
Prior year taxes	-	0.510%	-	-	-
Penalties	-	0.510%	-	-	-
	<u>2,660,103</u>		<u>13,566</u>	<u>13,566</u>	<u>-</u>
Abatements	(164,976)	0.510%	(841)	(841)	-
Total property valuation	<u>\$ 278,313,345</u>				
Net levy			1,419,398	1,322,755	96,643
Uncollected taxes at June 30, 2020			<u>27,705</u>	<u>27,705</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,391,693</u>	<u>\$ 1,295,050</u>	<u>\$ 96,643</u>
Current levy collection percentage			<u>98.05%</u>	<u>97.91%</u>	<u>100.00%</u>