

TOWN OF SPRUCE PINE
SPRUCE PINE, NORTH CAROLINA
FINANCIAL STATEMENTS

June 30, 2022

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

Town of Spruce Pine, North Carolina
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6/30/2022

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TOWN OF SPRUCE PINE
June 30, 2022

Mayor

Darla Harding

Town Council

James Acuff

Rocky Buchanan

Larry McKinney

Jackie Rensink

Town Manager

Darlene Butler

Finance Officer

Crystal Young

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INDEPENDENT AUDITORS' REPORT

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

Opinions

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

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the Town of Spruce Pine, North Carolina as of June 30, 2022, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund, and major, annually budgeted special revenue funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Town of Spruce Pine's ABC Board, which represent 100 percent, 100 percent, and 100 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component unit as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Town of Spruce Pine's ABC Board, is solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Spruce Pine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Town of Spruce Pine's ABC Board were not audited in accordance with Governmental Auditing Standards.

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 13, and the Other Post Employment Benefit and Law Enforcement Officers' Special Separation allowance Schedules of Funding Progress and Employer Contributions on pages 52 through 53, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions on pages 50 and 51, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2022, on our consideration of the Town of Spruce Pine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the Town of Spruce Pine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering the Town of Spruce Pine's internal control over financial reporting and compliance.

COMBS, TENNANT & CARPENTER, P.C.

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

October 20, 2022

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, 2022. We encourage readers to review the information presented here in conjunction with additional information furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

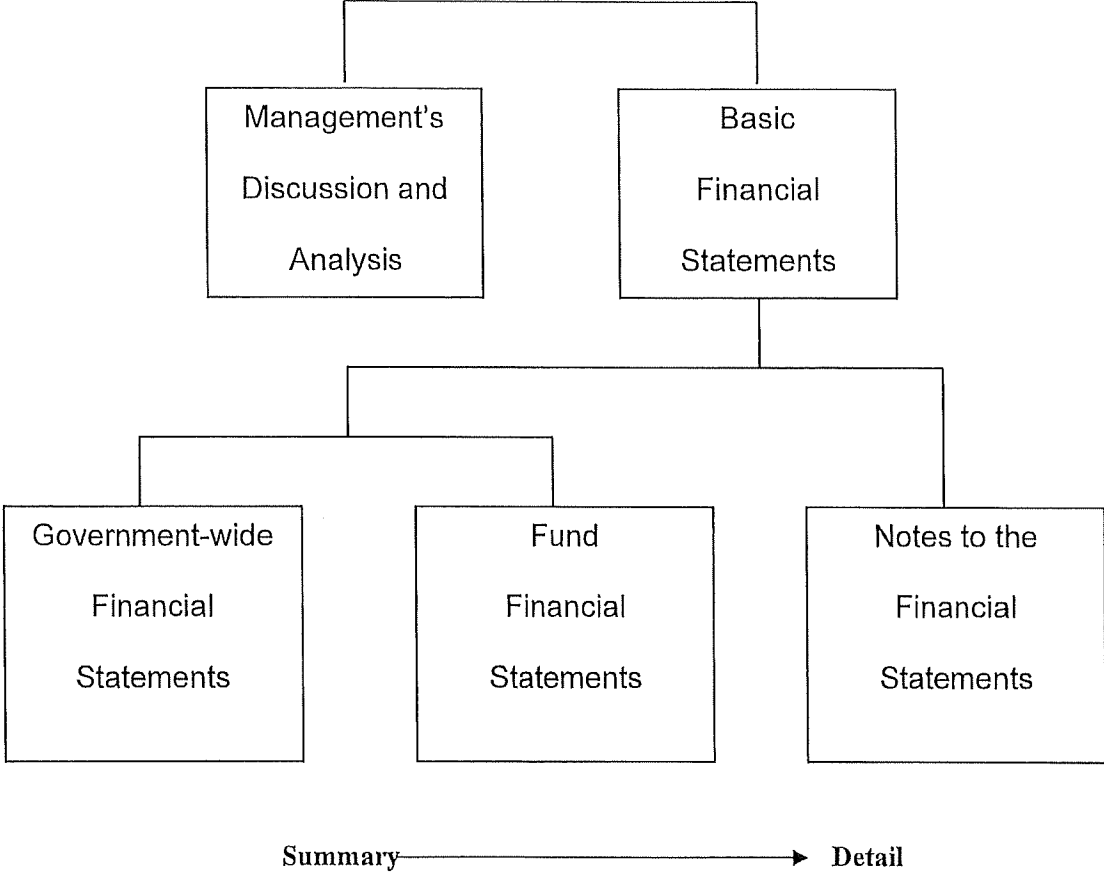
- The assets and deferred outflows of resources of the Town of Spruce Pine exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$21,276,841 (*net position*).
- The government's total net position increased by \$820,611.
- As of the close of the fiscal year, the Town of Spruce Pine's General fund reported ending fund balances of \$4,431,017, an increase of \$928,304 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 \$3,612,930 or 137.5% of total general fund expenditures for the fiscal year.
- The Town of Spruce Pine's total long-term debt decreased by \$230,169 (11%) during the current fiscal year mostly attributable to a decrease in the net pension liability.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and state-shared revenues such as gas tax or utility franchise tax finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Spruce Pine. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

Fund Financial Statements

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

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

The Town of Spruce Pine adopts an annual budget for its General Fund, as required by General Statutes. The budget is a legally adopted document that incorporates input from citizens, Town management, as well as decisions made by the Town Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services provided for in the adopted budget. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the

Management Discussion and Analysis
Town of Spruce Pine

board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Spruce Pine’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 of this report.

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 5,001,828	\$ 4,037,394	\$ 436,821	\$ 522,839	\$ 5,438,649	\$ 4,560,233
Noncurrent assets	3,502,532	3,336,719	14,664,008	14,845,127	18,166,540	18,181,846
Deferred outflows of resources	560,830	546,683	750	1,000	561,580	547,683
Total assets and deferred outflows of resources	9,065,190	7,920,796	15,101,579	15,368,966	24,166,769	23,289,762
Long-term liabilities outstanding	799,967	1,209,303	850,473	686,009	1,650,440	1,895,312
Other liabilities	503,974	230,478	322,693	655,083	826,667	885,561
Deferred inflows of resources	412,821	52,659	-	-	412,821	52,659
Total liabilities and deferred inflows of resources	1,716,762	1,492,440	1,173,166	1,341,092	2,889,928	2,833,532
Net position:						
Net investment in capital assets	3,398,944	3,162,366	13,748,692	14,107,099	17,147,636	17,269,465
Restricted	57,120	45,869	-	-	57,120	45,869
Unrestricted	3,892,364	3,220,121	179,721	(79,225)	4,072,085	3,140,896
Total net position	\$ 7,348,428	\$ 6,428,356	\$ 13,928,413	\$ 14,027,874	\$ 21,276,841	\$ 20,456,230

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town of Spruce Pine exceeded liabilities and deferred inflows by \$21,276,841 as of June 30, 2022. The Town’s net position increased by \$820,611 for the fiscal year ended June 30, 2022. However, the largest portion (80.5%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Spruce Pine uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Management Discussion and Analysis
Town of Spruce Pine

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, \$57,120 (0.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,072,085 (19.1%) 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 97.79%. The statewide average in fiscal year 2020 was 98.96%.

Town of Spruce Pine Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 33,363	\$ 25,551	\$ 2,371,784	\$ 2,276,190	\$ 2,405,147	\$ 2,301,741
Operating grants and contributions	470,542	279,994	-	-	470,542	279,994
Capital grants and contributions	650,000	-	13,125	-	663,125	-
General revenues:						
Property taxes	1,381,061	1,430,244	-	-	1,381,061	1,430,244
Other taxes	1,080,147	920,821	-	-	1,080,147	920,821
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	23,912	9,174	-	-	23,912	9,174
Total revenues	3,639,025	2,665,784	2,384,909	2,276,190	6,023,934	4,941,974
Expenditures:						
General government	411,016	352,395	-	-	411,016	352,395
Public safety	1,207,069	1,221,216	-	-	1,207,069	1,221,216
Transportation	234,769	348,736	-	-	234,769	348,736
Economic development	131,195	267,793	-	-	131,195	267,793
Culture and recreation	314,826	143,561	-	-	314,826	143,561
Environmental protection	78,669	74,029	-	-	78,669	74,029
Cemetery	19,030	20,518	-	-	19,030	20,518
Interest on long-term debt	3,516	4,971	-	-	3,516	4,971
Water and sewer	-	-	2,803,233	2,819,994	2,803,233	2,819,994
Total expenses	2,400,090	2,433,219	2,803,233	2,819,994	5,203,323	5,253,213
Increase (decrease) in net position before transfers	1,238,935	232,565	(418,324)	(543,804)	820,611	(311,239)
Transfers	(318,863)	-	318,863	-	-	-
Increase (decrease) in net position	920,072	232,565	(99,461)	(543,804)	820,611	(311,239)
Net position, beginning, restated	6,428,356	6,195,791	14,027,874	14,571,678	20,456,230	20,767,469
Net position, June 30	<u>\$ 7,348,428</u>	<u>\$ 6,428,356</u>	<u>\$ 13,928,413</u>	<u>\$ 14,027,874</u>	<u>\$ 21,276,841</u>	<u>\$ 20,456,230</u>

Governmental activities. Governmental activities increased the Town's net position by \$920,072. 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 (37.9%), 2) other taxes including franchise (29.6%), and 3) Capital grants (17.8%). These three sources reflect 85.3% of total general revenue sources.

Business-type activities: Business-type activities decreased the Town of Spruce Pine's net position by \$99,461. This is primarily due to a decrease in water and sewer charges in the current year.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Spruce Pine. At the end of the current fiscal year, the Town's fund balance available for spending in the General Fund was \$3,612,930, while total fund balance reached \$4,431,017.

At June 30, 2022, the governmental funds of the Town of Spruce Pine reported a combined fund balance of \$4,431,017, a 26.5% 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 \$179,721. The change in net position was a decrease of \$99,461.

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, 2022, totals \$18,166,540 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 548,641	\$ 548,641	\$ 48,845	\$ 48,845	\$ 597,486	\$ 597,486
Construction in progress	243,644	142,922	38,870	391,278	282,514	534,200
Buildings	1,129,721	1,167,465	-	-	1,129,721	1,167,465
Building improvements	194,036	190,816	-	-	194,036	190,816
Equipment	173,501	177,161	92,378	128,613	265,879	305,774
Recreation park	399,923	404,115	-	-	399,923	404,115
Furniture and maintainanc	-	-	-	-	-	-
Vehicles	143,908	205,048	-	-	143,908	205,048
Infrastructure	669,158	500,551	-	-	669,158	500,551
Water and sewer systems	-	-	14,282,226	14,072,019	14,282,226	14,072,019
Water meters	-	-	201,689	204,372	201,689	204,372
Total	\$ 3,502,532	\$ 3,336,719	\$ 14,664,008	\$ 14,845,127	\$ 18,166,540	\$ 18,181,846

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, 2022, 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	
	2022	2021	2022	2021	2022	2021
Installment purchases	\$ 103,588	\$ 174,353	\$ 313,729	\$ 346,750	\$ 417,317	\$ 521,103
Compensated absences	87,989	88,707	-	-	87,989	88,707
Pension related debt (LGERS)	257,491	596,405	-	-	257,491	596,405
Pension related debt (LEO)	453,043	450,103	-	-	453,043	450,103
State Revolving Loan Fund	-	-	601,587	391,278	601,587	391,278
Total	\$ 902,111	\$ 1,309,568	\$ 915,316	\$ 738,028	\$ 1,817,427	\$ 2,047,596

Town of Spruce Pine's Outstanding Debt. The Town of Spruce Pine's total debt decreased by \$230,169 (11%) during the past fiscal year.

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 \$20,530,266.

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

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

Economic Factors and Next Year's Budgets and Rates

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

Real estate and personal property rates will be 46 cents per hundred dollars an 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, 2023

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

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

Requests for Information

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

Basic Financial Statements

Town of Spruce Pine, North Carolina
Statement of Net Position
June 30, 2022

	Primary Government			Town of Spruce Pine ABC Board
	Governmental Activities	Business-type Activities	Total Primary Government	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,994,307	\$ 201,157	\$ 4,195,464	\$ 303,885
Cash and cash equivalents - restricted	683,118	57,103	740,221	-
Taxes receivable (net)	78,416	-	78,416	-
Accrued interest receivable on taxes	21,014	-	21,014	-
Accounts receivable (net)	4,534	178,561	183,095	-
Notes receivable (net)	67,383	-	67,383	-
Due from other governments	42,739	-	42,739	-
Inventories	637	-	637	176,074
Prepaid items	109,680	-	109,680	-
Total current assets	<u>5,001,828</u>	<u>436,821</u>	<u>5,438,649</u>	<u>479,959</u>
Non-current assets:				
Capital assets (Note III.A.4):				
Land, non-depreciable improvements, and construction in progress	792,285	87,715	880,000	40,000
Other capital assets, net of depreciation	2,710,247	14,576,293	17,286,540	273,723
Total non-current assets	<u>3,502,532</u>	<u>14,664,008</u>	<u>18,166,540</u>	<u>313,723</u>
Total assets	<u>8,504,360</u>	<u>15,100,829</u>	<u>23,605,189</u>	<u>793,682</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	560,830	-	560,830	-
Deferred charges on bond issuance	-	750	750	-
Total deferred outflows of resources	<u>560,830</u>	<u>750</u>	<u>561,580</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	379,209	200,747	579,956	118,976
Current portion of long-term liabilities	102,144	64,843	166,987	-
Liabilities payable from restricted assets:				
Customer deposits	-	57,103	57,103	-
Unearned revenue	22,621	-	22,621	-
Long-term liabilities:				
Total pension liability (LEO)	453,043	-	453,043	-
Net pension liability (LGERS)	257,491	-	257,491	-
Due in more than one year	89,433	850,473	939,906	-
Total liabilities	<u>1,303,941</u>	<u>1,173,166</u>	<u>2,477,107</u>	<u>118,976</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	2,168	-	2,168	-
Pension deferrals	410,653	-	410,653	-
Total deferred inflows of resources	<u>412,821</u>	<u>-</u>	<u>412,821</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	3,398,944	13,748,692	17,147,636	-
Restricted for:				
Stabilization by State Statute	47,273	-	47,273	-
Police Equitable Sharing	9,847	-	9,847	-
Unrestricted	3,892,364	179,721	4,072,085	674,706
Total net position	<u>\$ 7,348,428</u>	<u>\$ 13,928,413</u>	<u>\$ 21,276,841</u>	<u>\$ 674,706</u>

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, 2022

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Town of Spruce Pine ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 411,016	\$ -	\$ 318,863	\$ -	\$ (92,153)	\$ -	\$ (92,153)	\$ -
Public safety	1,207,069	1,171	62,670	-	(1,143,228)	-	(1,143,228)	-
Transportation	234,769	-	89,009	-	(145,760)	-	(145,760)	-
Economic and physical development	131,195	6,139	-	-	(125,056)	-	(125,056)	-
Environmental protection	78,669	1,673	-	-	(76,996)	-	(76,996)	-
Cultural and recreation	314,826	13,136	-	650,000	348,310	-	348,310	-
Cemetery	19,030	11,244	-	-	(7,786)	-	(7,786)	-
Interest on long-term debt	3,516	-	-	-	(3,516)	-	(3,516)	-
Total governmental activities (See Note 1)	2,400,090	33,363	470,542	650,000	(1,246,185)	-	(1,246,185)	-
Business-type activities:								
Water and sewer	2,803,233	2,371,784	-	13,125	-	(418,324)	(418,324)	-
Total business-type activities	2,803,233	2,371,784	-	13,125	-	(418,324)	(418,324)	-
Total primary government	\$ 5,203,323	\$ 2,405,147	\$ 470,542	\$ 663,125	(1,246,185)	(418,324)	(1,664,509)	-
Component units:								
ABC Board	\$ 1,856,869	\$ 2,018,956	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,087
Total component unit	\$ 1,856,869	\$ 2,018,956	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,087
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,381,061		1,381,061	
Other taxes					1,080,147		1,080,147	
Grants and contributions not restricted to specific programs					2,494		2,494	
Unrestricted investment earnings					-		-	
Sale of capital assets					21,418		21,418	
Miscellaneous					(318,863)	318,863	-	
Transfers					2,166,257	318,863	2,485,120	
Total general revenues and transfers					920,072	(99,461)	820,611	162,087
Change in net position					6,428,356	14,027,874	20,456,230	512,619
Net position, beginning					\$ 7,348,428	\$ 13,928,413	\$ 21,276,841	\$ 674,706
Net position, ending								

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

Town of Spruce Pine
Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	ARPA		
ASSETS				
Cash and cash equivalents	\$ 3,994,307	\$ -	\$ -	\$ 3,994,307
Taxes receivable, net	78,416	-	-	78,416
Accounts receivable, net	4,534	-	-	4,534
Notes receivable	67,383	-	-	67,383
Due from other governments	42,739	-	-	42,739
Prepaid expenses	109,680	-	-	109,680
Inventories	637	-	-	637
Restricted cash	9,847	22,621	650,650	683,118
Total assets	<u>4,307,543</u>	<u>22,621</u>	<u>650,650</u>	<u>4,980,814</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	379,209	-	-	379,209
Unearned revenue	-	22,621	-	22,621
Total liabilities	<u>379,209</u>	<u>22,621</u>	<u>-</u>	<u>401,830</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	78,416	-	-	78,416
Notes receivable	67,383	-	-	67,383
Prepaid taxes	2,168	-	-	2,168
Total deferred inflows of resources	<u>147,967</u>	<u>-</u>	<u>-</u>	<u>147,967</u>
FUND BALANCES				
Non Spendable				
Inventories	637	-	-	637
Prepays	109,680	-	-	109,680
Restricted				
Stabilization by State Statute	47,273	-	-	47,273
Police Equitable Sharing	9,847	-	-	9,847
Assigned				
Subsequent year's expenditures	-	-	-	-
Capital Outlay	-	-	650,650	650,650
Unassigned	3,612,930	-	-	3,612,930
Total fund balances	<u>3,780,367</u>	<u>-</u>	<u>650,650</u>	<u>4,431,017</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,307,543</u>	<u>\$ 22,621</u>	<u>\$ 650,650</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)
Capital assets used in governmental activities are not financial resources and therefore are
not reported in the funds.

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	3,502,532
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 Liabilities for earned revenues considered deferred inflows of resources in fund	560,830
Pension related deferrals	88,397
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	78,416
	(410,653)
	<u>(902,111)</u>
Net position of governmental activities	<u>\$ 7,348,428</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 Balances
Governmental Funds
For the Year Ended June 30, 2022

	Major Funds		Total Non-Major	Total
	General Fund	ARPA	Funds	Governmental Funds
REVENUES				
Ad valorem taxes	\$ 1,374,754	\$ -	\$ -	\$ 1,374,754
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	1,080,147	-	-	1,080,147
Restricted intergovernmental	145,248	318,863	650,000	1,114,111
Permits and fees	220	-	-	220
Sales and services	13,136	-	-	13,136
Investment earnings	1,844	-	650	2,494
Miscellaneous	289,208	-	-	289,208
Total revenues	<u>2,904,557</u>	<u>318,863</u>	<u>650,650</u>	<u>3,874,070</u>
EXPENDITURES				
Current:				
General government	425,296	-	-	425,296
Public safety	1,135,831	-	-	1,135,831
Transportation	466,510	-	-	466,510
Environmental protection	77,517	-	-	77,517
Cemetery	19,380	-	-	19,380
Culture and recreation	307,381	-	-	307,381
Economic development	120,707	-	-	120,707
Debt service:				
Principal	70,765	-	-	70,765
Interest and other charges	3,516	-	-	3,516
Capital outlay	-	-	-	-
Total expenditures	<u>2,626,903</u>	<u>-</u>	<u>-</u>	<u>2,626,903</u>
Excess (deficiency) of revenues over expenditures	<u>277,654</u>	<u>318,863</u>	<u>650,650</u>	<u>1,247,167</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	-	(318,863)	-	(318,863)
Sale of capital assets	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Discount on debt issued	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(318,863)</u>	<u>-</u>	<u>(318,863)</u>
Net change in fund balance	<u>277,654</u>	<u>-</u>	<u>650,650</u>	<u>928,304</u>
Fund balances, beginning	3,502,713	-	-	3,502,713
Fund balances, ending	<u>\$ 3,780,367</u>	<u>\$ -</u>	<u>\$ 650,650</u>	<u>\$ 4,431,017</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 Balances
Governmental Funds
For the Year Ended June 30, 2022

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

Net changes in fund balances - total governmental funds	\$	928,304
<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>		
		165,813
Book value assets disposed		-
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		141,768
<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>		
		5,601
<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		6,307
Change in unavailable revenue for notes receivable		(241,353)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction has an effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
New long-term debt issued	-	
Principal payments on long-term debt	<u>70,765</u>	70,765
<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		718
Pension expense (LGERS)		(112,971)
Pension expense (LEOSSA)		<u>(44,880)</u>
Total changes in net position of governmental activities	\$	<u>920,072</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, 2022

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1,392,500	\$ 1,347,500	\$ 1,374,754	\$ 27,254
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	874,600	1,073,440	1,080,147	6,707
Restricted intergovernmental	99,110	130,210	145,248	15,038
Permits and fees	325	325	220	(105)
Sales and services	33,240	16,000	13,136	(2,864)
Investment earnings	1,000	1,000	1,844	844
Miscellaneous	65,350	269,685	289,208	19,523
Total revenues	<u>2,466,125</u>	<u>2,838,160</u>	<u>2,904,557</u>	<u>66,397</u>
Expenditures:				
Current:				
General government	261,850	446,359	425,296	21,063
Public safety	1,120,982	1,158,557	1,135,831	22,726
Transportation	546,902	495,909	466,510	29,399
Environmental protection	79,913	79,913	77,517	2,396
Cemetery	18,540	21,040	19,380	1,660
Cultural and recreation	402,134	426,970	307,381	119,589
Economic development	142,140	134,540	120,707	13,833
Contingency	-	-	-	-
Debt service:				
Principal retirement	-	71,072	70,765	307
Interest and other charges	-	3,800	3,516	284
Total expenditures	<u>2,572,461</u>	<u>2,838,160</u>	<u>2,626,903</u>	<u>211,257</u>
Revenues over (under) expenditures	<u>(106,336)</u>	<u>-</u>	<u>277,654</u>	<u>277,654</u>
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	-	-
Sale of assets	-	-	-	-
Proceeds from installment purchase	39,122	-	-	-
Appropriated fund balance	67,214	-	-	-
Total other financing sources (uses)	<u>106,336</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>277,654</u>	<u>\$ 277,654</u>
Fund balances, beginning			<u>3,502,713</u>	
Fund balances, ending			<u>\$ 3,780,367</u>	

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

**Town of Spruce Pine
Statement of Fund Net Position
Proprietary Funds
June 30, 2022**

	<u>Water and Sewer Fund</u>		<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 201,157	\$	201,157
Cash and cash equivalents- restricted	57,103		57,103
Accounts receivable (net)	178,561		178,561
Prepaid items	-		-
Total current assets	<u>436,821</u>		<u>436,821</u>
Noncurrent assets:			
Capital assets (net)			
Land and other non-depreciable assets	87,715		87,715
Other capital assets, net of depreciation	14,576,293		14,576,293
Capital assets (net)	<u>14,664,008</u>		<u>14,664,008</u>
Total noncurrent assets	<u>14,664,008</u>		<u>14,664,008</u>
Total assets	<u>\$ 15,100,829</u>	\$	<u>15,100,829</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on bond issuance	750		750
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 122,427	\$	122,427
Customer deposits	57,103		57,103
Availability fees	78,320		78,320
General obligation bonds payable- current	31,662		31,662
Installment purchase-current	33,181		33,181
Total current liabilities	<u>322,693</u>		<u>322,693</u>
Noncurrent liabilities:			
General obligation bonds payable- noncurrent (net)	569,925		569,925
Installment purchase-noncurrent	280,548		280,548
Total noncurrent liabilities	<u>850,473</u>		<u>850,473</u>
Total liabilities	<u>1,173,166</u>		<u>1,173,166</u>
NET POSITION			
Net investment in capital assets	13,748,692		13,748,692
Unrestricted	179,721		179,721
Total net position	<u>\$ 13,928,413</u>	\$	<u>13,928,413</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, 2022

	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 2,154,331	\$ 2,154,331
Other operating revenues	217,453	217,453
Total operating revenues	2,371,784	2,371,784
OPERATING EXPENSES		
Administration	1,133,906	1,133,906
Water treatment and distribution	591,524	591,524
Wastewater collection and treatment	428,229	428,229
Depreciation	643,593	643,593
Total operating expenses	2,797,252	2,797,252
Operating income (loss)	(425,468)	(425,468)
NONOPERATING REVENUES (EXPENSES)		
Grants and contributions	-	-
Interest earnings	-	-
Interest expense	(5,731)	(5,731)
Bond amortization costs	(250)	(250)
Total nonoperating revenues (expenses)	(5,981)	(5,981)
Total income (loss) before contributions and transfers	(431,449)	(431,449)
Capital contributions	13,125	13,125
Transfers from other funds	318,863	318,863
Change in net position	(99,461)	(99,461)
Total net position, beginning	14,027,874	14,027,874
Total net position, ending	\$ 13,928,413	\$ 13,928,413

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, 2022

	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,566,443	\$ 2,566,443
Cash paid for goods and services	(2,501,898)	(2,501,898)
Customer deposits received (returned)	3,025	3,025
Net cash provided (used) by operating activities	<u>67,570</u>	<u>67,570</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	318,863	318,863
Total cash flows from noncapital financing activities	<u>318,863</u>	<u>318,863</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(462,474)	(462,474)
Installment note issued	-	-
Principal paid on bond maturities and equipment contracts	(64,684)	(64,684)
Interest paid on bond maturities and equipment contracts	(5,731)	(5,731)
State revolving loan fund proceeds	241,972	241,972
Capital contributions - grants	13,125	13,125
Net cash provided (used) by capital and related financing activities	<u>(277,792)</u>	<u>(277,792)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	-	-
Net increase (decrease) in cash and cash equivalents	108,641	108,641
Balances, beginning	<u>149,619</u>	<u>149,619</u>
Balances, ending	<u>\$ 258,260</u>	<u>\$ 258,260</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	\$ (425,468)	\$ (425,468)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	643,593	643,593
Changes in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	194,659	194,659
(Increase) decrease in prepaid items	-	-
Increase (decrease) in accounts payable and accrued liabilities	(348,239)	(348,239)
Increase (decrease) in customer deposits	3,025	3,025
Total adjustments	<u>493,038</u>	<u>493,038</u>
Net cash provided by operating activities	<u>\$ 67,570</u>	<u>\$ 67,570</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, 2022

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Spruce Pine and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

Town of Spruce Pine ABC Board

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

B. Basis of Presentation

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes

are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Spruce Pine Restricted Cash

Governmental Activities	
General Fund - restricted for Police Equitable Sharing	\$ 9,847
ARPA Fund - Unassigned proceeds	22,621
Brad Ragan Capital Fund - Unexpended grant funds	350,350
Riverside Capital Fund - Unexpended grant funds	300,300
Total governmental activities	<u>683,118</u>
Business-type activities	
Water and Sewer Fund - customer deposits	57,103
Total Business-type Activities	<u>57,103</u>
Total Restricted Cash	<u>\$ 740,221</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, 2021.

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 2022 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. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$682,969 of fiscal recovery funds to be paid in two equal installments. The first installment of \$341,484 was received in July 2021. The second installment will be received in July 2022. Town staff and the Board have elected to use the majority of the ARPA funds for salaries. The \$318,863 used in the current year was transferred to the Water Sewer Fund from the ARPA Fund.

12. Net Position / Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Spruce Pine's governing body (highest level of decision-making

authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

13. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance and Accountability

The audit for the fiscal year ended June 30, 2022 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, 2022, the Town's deposits had a carrying amount of \$4,110,775 and a bank balance of \$4,113,884. 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 \$303,885 and the bank balance was \$320,561. Of the bank balance \$250,000 was covered by federal depository insurance.

2. Investments

At June 30, 2022, the Town had \$824,910 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	6/30/2022
<hr/>	
General Fund:	
Taxes Receivable	\$ 5,000

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2022, 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	100,722	-	243,644
Total capital assets not being depreciated	<u>691,563</u>	<u>100,722</u>	<u>-</u>	<u>792,285</u>
Capital assets being depreciated:				
Buildings	1,568,927	-	-	1,568,927
Building improvements	426,287	22,105	-	448,392
Equipment	746,568	54,700	-	801,268
Recreation park	785,113	-	-	785,113
Furniture and maintenance equipment	42,163	-	-	42,163
Vehicles	880,221	-	-	880,221
Infrastructure	1,163,120	214,731	-	1,377,851
Total capital assets being depreciated	<u>5,612,399</u>	<u>291,536</u>	<u>-</u>	<u>5,903,935</u>
Less accumulated depreciation for:				
Buildings	401,462	37,744	-	439,206
Building improvements	235,471	18,885	-	254,356
Equipment	569,407	58,360	-	627,767
Recreation park	380,998	4,192	-	385,190
Furniture and maintenance equipment	42,163	-	-	42,163
Vehicles	675,173	61,140	-	736,313
Infrastructure	662,569	46,124	-	708,693
Total accumulated depreciation	<u>2,967,243</u>	<u>\$ 226,445</u>	<u>\$ -</u>	<u>3,193,688</u>
Total capital assets being depreciated, net	<u>2,645,156</u>			<u>2,710,247</u>
Governmental activity capital assets, net	<u>\$ 3,336,719</u>			<u>\$ 3,502,532</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 15,941
Public Safety	69,199
Transportation	48,281
Economic and physical development	83,443
Environmental protection	1,152
Cultural and recreational	8,429
	<u>\$ 226,445</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	391,278	285,862	(638,270)	38,870
Total capital assets not being depreciated	<u>440,123</u>	<u>285,862</u>	<u>(638,270)</u>	<u>87,715</u>
Capital assets being depreciated:				
Water and sewer systems	24,785,916	800,385	-	25,586,301
Water meters	504,682	14,497	-	519,179
Equipment	584,897	-	-	584,897
Total capital assets being depreciated	<u>25,875,495</u>	<u>814,882</u>	<u>-</u>	<u>26,690,377</u>
Less accumulated depreciation for:				
Water and sewer systems	10,713,897	590,178	-	11,304,075
Water meters	300,310	17,180	-	317,490
Equipment	456,284	36,235	-	492,519
Total accumulated depreciation	<u>11,470,491</u>	<u>\$ 643,593</u>	<u>\$ -</u>	<u>12,114,084</u>
Total capital assets being depreciated, net	<u>14,405,004</u>			<u>14,576,293</u>
Business-type activities capital assets, net	<u>\$ 14,845,127</u>			<u>\$ 14,664,008</u>

Discretely Presented component units

Activity for the ABC Board for the year ended June 30, 2022, was as follows:

	Cost	Accumulated Depreciation	Net
Land	\$ 40,000	\$ -	\$ 40,000
Building and Improvements	333,432	81,463	251,969
Equipment	110,736	88,982	21,754
Total	<u>\$ 484,168</u>	<u>\$ 170,445</u>	<u>\$ 313,723</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, 2022, was 12.04% of compensation for law enforcement officers and 11.46% 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 \$215,058 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Town reported a liability of \$257,491 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Town’s proportion was 0.01679%, which was an increase of 0.0001% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$112,971. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	81,917	-
Changes of assumptions	161,770	-
Net difference between projected and actual earnings on pension plan investments	-	367,877
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,958	-
Employer contributions subsequent to the measurement date	141,767	-
Total	<u>\$ 422,412</u>	<u>\$ 367,877</u>

\$141,767 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:

2023	\$	41,494
2024		7,560
2025		(23,714)
2026		(112,572)
2027		-
Thereafter		-
	\$	<u>(87,232)</u>

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

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
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 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Town's proportionate share of the net pension 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 6.5 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5 percent) or one percentage point higher (7.5 percent) than the current rate:

	<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
Town's proportionate share of the net pension liability (asset)	999,558	257,491	(353,187)

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

Inflation	2.5 Percent
Salary increases	3.25 to 7.75 Percent, including inflation and productivity factor
Discount rate	2.25 Percent

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

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on 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 \$18,444, as benefits came due for the reporting period.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2022, the Town reported a total pension liability of \$453,043. The total pension liability was measured as of December 31, 2021 based on December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$39,279.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	37,608	28,610
Changes of assumptions	95,209	14,166
Town benefit payments and plan administrative expense made subsequent to the measurement date	5,601	-
Total	<u>\$ 138,418</u>	<u>\$ 42,776</u>

\$5,601 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:

2023	\$ 22,166
2024	23,277
2025	20,486
2026	24,090
2027	22
Thereafter	-
	<u>\$ 90,041</u>

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

	1% Decrease (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
Town's proportionate share of the net pension liability (asset)	490,718	453,043	418,546

	2022
Beginning balance	\$ 450,103
Service cost	23,428
Interest on the total pension liability	8,509
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	1,149
Changes of assumptions or other inputs	(11,702)
Benefit payments	(18,444)
Other changes	-
Ending balance of total pension liability	\$ 453,043

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an 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	\$ 112,971	\$ 44,880	\$ 157,851
Pension Liability	257,491	453,043	710,534
Proportionate share of the net liability	0.01669%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	81,917	37,608	119,525
Changes of assumptions	161,770	95,209	256,979
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of			
Benefit payments and administrative costs paid subsequent to the measurement date	36,958	-	36,958
	141,767	5,601	147,368
Deferred Inflows of Resources			
Differences between expected and actual results	-	28,610	28,610
Changes of assumptions	-	14,166	14,166
Net difference between projected and actual earnings on plan investments	367,877	-	367,877
Changes in proportion and differences between contributions and proportionate share of	-	-	-

c. Supplemental Retirement Income Plan

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$26,379, 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:

<i><u>Deferred Outflows</u></i>	
<u>Source</u>	<u>Amount</u>
Contributions to the pension plan in the current fiscal year	\$ 141,767
Benefit payments made and administrative expenses for LEOSSA	5,601
Differences between expected and actual experience	119,525
Changes of assumptions	256,979
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,958
Charge on refunding	-
Total	<u>\$ 560,830</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)	\$ 2,168	\$ 2,168
Taxes receivable, less penalties (General Fund)	-	78,416
Notes receivable	-	67,383
Changes in assumptions	14,166	-
Differences between expected and actual experience	396,487	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	<u>\$ 412,821</u>	<u>\$ 147,967</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, 2022, 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 in 2021. The project was completed in 2022. The interest on the loan is 1.13% and will be paid in full in 2041.

Annual debt service payments to the State Revolving Fund, United Community Bank and HomeTrust Bank as of June 30, 2022 are as follows:

Year	Governmental Activities		Water/Sewer	
	Principal	Interest	Principal	Interest
2023	\$ 71,144	\$ 1,808	\$ 64,844	\$ 3,769
2024	21,531	493	65,006	3,428
2025	10,913	99	60,527	3,083
2026	-	-	55,922	2,862
2027	-	-	55,922	2,683
2028-2032	-	-	279,613	10,733
2033-2037	-	-	206,832	6,261
2038-2042	-	-	126,650	1,789
Total	\$ 103,588	\$ 2,400	\$ 915,316	\$ 34,608

At June 30, 2022, the Town of Spruce Pine had a legal debt margin of \$20,530,266.

c. Changes in Long-Term Liabilities

	Balance			Balance	
	July 1, 2021	Increases	Decreases	June 30, 2022	Current Portion
Government activities:					
Direct borrowing installment purchase	\$ 174,353	\$ -	\$ (70,765)	\$ 103,588	\$ 71,144
Compensated absences	88,707	31,850	(32,568)	87,989	31,000
Net pension liability (LGERS)	596,405	-	(338,914)	257,491	-
Pension Obligation (LEOSSA)	450,103	2,940	-	453,043	-
Governmental activity long-term debt	\$ 1,309,568	\$ 34,790	\$ (442,247)	\$ 902,111	\$ 102,144
Business activities:					
Direct borrowing installment purchase	\$ 346,750	\$ -	\$ (33,021)	\$ 313,729	\$ 33,181
State revolving loan fund - CIP	391,278	241,972	(31,663)	601,587	31,662
Business-type activity long-term debt	\$ 738,028	\$ 241,972	\$ (64,684)	\$ 915,316	\$ 64,843

C. Interfund Balances and Transfer Activity

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

From the American Rescue Plan Act Fund to the Water Sewer Fund as reimbursement for salaries	\$ 318,863
Total	\$ 318,863

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	\$ 4,431,017
Less:	
Stablization by State Statute	47,273
Prepays	109,680
Inventories	637
Police Equitable Sharing	9,847
Appropriated Fund Balance in 2023 budget	-
Capital outlay	650,650
Remaining fund balance	3,612,930

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 \$241,352, were received on a total of six outstanding loans, bringing the principal balance to \$67,383.

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, 2022.

The Town appropriated \$103,873 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 20, 2022 – the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

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

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

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.01679%	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) (\$)	\$ 257,491	\$ 596,405	\$ 431,759	\$ 348,734	\$ 234,505	\$ 342,120	\$ 72,525	\$ (92,170)	\$ 182,013
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	\$ 964,265
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	21.79%	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 **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%	102.64%

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

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

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

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 141,767	\$ 123,772	\$ 103,469	\$ 84,142	\$ 78,863	\$ 68,971	\$ 60,589	\$ 74,225	\$ 74,306
Contributions in relation to the contractually required contribution	141,767	123,772	103,469	84,142	78,863	68,971	60,589	74,225	74,306
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered employee payroll	\$1,214,190	\$1,181,572	\$1,115,857	\$1,042,453	\$1,006,983	\$ 908,457	\$ 977,155	\$ 963,587	\$ 965,013
Contributions as a percentage of covered-employee payroll	11.68%	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, 2022

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

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

Town of Spruce Pine, North Carolina
 Schedule of Total Pension Liability as a Percentage of Covered Payroll
 Law Enforcement Officers' Special Separation Allowance
 June 30, 2022

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

Notes to the schedules:

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

Individual Fund Statements and Schedules

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 1,367,352	\$
Penalties and interest		7,402	
Total	<u>1,347,500</u>	<u>1,374,754</u>	<u>27,254</u>
Other taxes and licenses:			
Other taxes		-	
Total	<u>-</u>	<u>-</u>	<u>-</u>
Unrestricted intergovernmental:			
Local Option Sales Tax		727,045	
Franchise tax		285,593	
Beer and wine tax		8,708	
ABC profit distribution		41,677	
Other unrestricted revenue		-	
Payments in lieu of taxes		17,124	
Total	<u>1,073,440</u>	<u>1,080,147</u>	<u>6,707</u>
Restricted intergovernmental:			
Powell Bill allocation		89,010	
Solid waste disposal tax		1,673	
ABC Revenue for law enforcement		8,355	
Federal and State grants		-	
Crime prevention grants		46,210	
Total	<u>130,210</u>	<u>145,248</u>	<u>15,038</u>
Permits and fees:			
License and permits		220	
Total	<u>325</u>	<u>220</u>	<u>(105)</u>
Sales and services:			
Recreation department fees		13,136	
Total	<u>16,000</u>	<u>13,136</u>	<u>(2,864)</u>
Investment earnings	<u>1,000</u>	<u>1,844</u>	<u>844</u>
Miscellaneous:			
Miscellaneous		29,967	
Cemetery revenue		11,244	
Revolving loan repayments		247,272	
Parking violations		725	
Total	<u>269,685</u>	<u>289,208</u>	<u>19,523</u>
Total revenues	<u>2,838,160</u>	<u>2,904,557</u>	<u>66,397</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, 2022

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		17,606	
Employee benefits		-	
Other operating expenditures		2,000	
Total	-	19,606	-
Administration			
Salaries and employee benefits		326,297	
Other operating expenditures		307,373	
Allocated administrative costs		(227,980)	
Total		405,690	
Total general government	446,359	425,296	21,063
Public safety:			
Police:			
Salaries and employee benefits		776,646	
Other operating expenditures		194,086	
Capital outlay		-	
Total	-	970,732	-
Fire:			
Other operating expenditures		138,489	
Total	-	138,489	-
Inspections:			
Other operating expenditures		26,610	
Total	-	26,610	-
Total public safety	1,158,557	1,135,831	22,726
Transportation:			
Street repair and construction			
Salaries and employee benefits		480,438	
Allocated administrative costs		(475,183)	
Other operating expenditures		221,781	
Capital outlay		239,474	
Total transportation	495,909	466,510	29,399
Environmental protection:			
Other operating expenditures		77,517	
Total environmental protection	79,913	77,517	2,396

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, 2022

	Budget	Actual	Variance Positive (Negative)
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		123,873	
Other operating expenditures		74,635	
Capital outlay		-	
Total	-	198,508	-
Libraries			
Other operating expenditures		103,873	
Capital outlay		-	
Total	-	103,873	-
Contribution to Toe River Arts Council		5,000	
Total cultural and recreation	426,970	307,381	119,589
Cemetery			
Operating expenses		19,380	
Total Cemetery	21,040	19,380	1,660
Economic Development			
Operating expenses		120,707	
Revolving loans made		-	
Total economic development	134,540	120,707	13,833
Debt service:			
Principal retirement		70,765	
Interest and other charges		3,516	
Total debt service	74,872	74,281	591
Contingency			
Total Contingency	-	-	-
Total expenditures	2,838,160	2,626,903	211,257
Revenues over (under) expenditures	-	277,654	277,654
Other financing sources (uses):			
Transfers from (to) other funds:		-	
Sale of assets		-	
Proceeds from installment purchase		-	
Appropriated fund balance		-	
Total	-	-	-
Revenues and other financing sources over expenditures and other financing uses	\$ -	277,654	\$ 277,654
Fund balances, beginning		3,502,713	
Change in reserve for inventories		-	
Fund balances, ending		\$ 3,780,367	

Town of Spruce Pine
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Brad Ragan Capital Fund	Riverside Capital Fund	Total Nonmajor Governmental Funds
ASSETS			
Current assets:			
Restricted cash and cash equivalents	\$ 350,350	\$ 300,300	\$ 650,650
Accounts receivable (net)	-	-	-
Prepaid items	-	-	-
Total current assets	<u>350,350</u>	<u>300,300</u>	<u>650,650</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other governments	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Assigned			
Capital Outlay	350,350	300,300	650,650
Unassigned	-	-	-
Total fund balances	<u>350,350</u>	<u>300,300</u>	<u>650,650</u>
Total liabilities and fund balances	<u>\$ 350,350</u>	<u>\$ 300,300</u>	<u>\$ 650,650</u>

Town of Spruce Pine
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2022

	Brad Ragan Capital Fund	Riverside Capital Fund	Total Nonmajor Governmental Funds
REVENUES			
Restricted intergovernmental	\$ 350,000	\$ 300,000	\$ 650,000
Interest earnings	350	300	650
Total revenues	<u>350,350</u>	<u>300,300</u>	<u>650,650</u>
EXPENDITURES			
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>350,350</u>	<u>300,300</u>	<u>650,650</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>350,350</u>	<u>300,300</u>	<u>650,650</u>
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u><u>\$ 350,350</u></u>	<u><u>\$ 300,300</u></u>	<u><u>\$ 650,650</u></u>

Town of Spruce Pine, North Carolina
 Coronavirus State Local Fiscal Recovery Funds CFR 21.027 (ARPA Funds)
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2022

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

Town of Spruce Pine, North Carolina
Brad Ragan Capital Projects Fund
Schedule of Revenues and Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
SCIF Revenue	\$ 350,000	\$ -	\$350,000	\$350,000	\$ -
Interest income	-	-	350	350	350
Total revenues	<u>350,000</u>	<u>-</u>	<u>350,350</u>	<u>350,350</u>	<u>350</u>
Expenditures					
Brad Ragan Park Renovations					
Fencing	50,000	-	-	-	50,000
Playground #2	50,000	-	-	-	50,000
Paving Improvements	50,000	-	-	-	50,000
Shelter 2,3,4 Improvments	20,000	-	-	-	20,000
Picnic tables	44,000	-	-	-	44,000
Trash Cans	8,500	-	-	-	8,500
Basketball goals	10,000	-	-	-	10,000
Fitness Equipment	25,500	-	-	-	25,500
Swimming Pool Water Slide	20,000	-	-	-	20,000
Swimming Pool Building Renovations	10,000	-	-	-	10,000
Playground & Fitness Area	7,000	-	-	-	7,000
Park Signage	5,000	-	-	-	5,000
Contingency	50,000	-	-	-	50,000
Total expenditures	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>350,350</u>	<u>350,350</u>	<u>350,350</u>
Other financing sources :					
Transfer from General Fund	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>-</u>	<u>-</u>	<u>350,350</u>	<u>350,350</u>	<u>350,350</u>
Fund balance, beginning			<u>-</u>		
Fund balanc, ending			<u>\$350,350</u>		

Town of Spruce Pine, North Carolina
Riverside Capital Projects Fund
Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
SCIF	\$ 300,000	\$ -	\$ 300,000	\$ 300,000	\$ -
Interest income	-	-	300	300	300
Total revenues	<u>300,000</u>	<u>-</u>	<u>300,300</u>	<u>300,300</u>	<u>300</u>
Expenditures					
Riverside Splash Pad					
Splash Pad	150,000	-	-	-	150,000
Restroom	100,000	-	-	-	100,000
Stroup Road	50,000	-	-	-	50,000
Total expenditures	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>300,300</u>	<u>300,300</u>	<u>300,300</u>
Other financing sources :					
Transfer from General Fund	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>300,300</u>	<u>\$ 300,300</u>	<u>\$ 300,300</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 300,300</u>		

Enterprise Funds

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenue			
Water sales		\$ 1,281,539	
Sewer charges		861,122	
Water taps		9,670	
Sewer taps		2,000	
Other operating revenues		217,453	
Total operating revenues	<u>2,198,367</u>	<u>2,371,784</u>	<u>173,417</u>
Nonoperating revenues			
Interest earnings	<u>250</u>	-	<u>(250)</u>
Total revenues	<u>2,198,617</u>	<u>2,371,784</u>	<u>173,167</u>
Expenditures:			
Administration			
Supplies and materials		-	
Contracted services		854,267	
Other departmental services		294,135	
Total administration	<u>1,158,080</u>	<u>1,148,402</u>	<u>9,678</u>
Water department			
Utilities		83,155	
Maintenance and repairs		485,309	
Other departmental services		106,923	
Total	<u>689,793</u>	<u>675,387</u>	<u>14,406</u>
Sewer department			
Utilities		101,589	
Employee benefits		231,399	
Contracted services		73,398	
Other departmental services		100,096	
Total	<u>543,897</u>	<u>506,482</u>	<u>37,415</u>
Debt service:			
Interest		5,731	
Bond service charge/amortization		250	
Bond and notes principal payments		64,684	
Total debt service	<u>70,665</u>	<u>70,665</u>	<u>-</u>
Total expenditures	<u>2,462,435</u>	<u>2,400,936</u>	<u>61,499</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, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing sources (uses):			
Transfer (to)/from other funds:			
General fund	318,863	318,863	-
Water and sewer capital projects fund	(30,000)	(12,984)	17,016
Proceeds from installment purchase	-	-	-
Sale of fixed assets	-	-	-
Contingency	(144,162)	-	144,162
Appropriated fund balance	119,117	-	(119,117)
Total other financing sources (uses)	<u>263,818</u>	<u>305,879</u>	<u>42,061</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>276,727</u>	<u>276,727</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		276,727	
Reconciling items:			
Principal retirement		64,684	
Capital outlay items capitalized		176,612	
Depreciation		(643,593)	
Transfers (to)/from Water and Sewer Capital Projects Fund		12,984	
Grant and contribution income from Water and Sewer Capital Projects Fund		<u>13,125</u>	
Total reconciling items		<u>(376,188)</u>	
Net income		<u>\$ (99,461)</u>	

Town of Spruce Pine, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures, and Changes in Fund Balances - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
ARC grant	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
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	13,825	21,055	8,445
Engineering	117,000	115,075	-	115,075	1,925
Construction	506,900	268,973	233,167	502,140	4,760
Contingency	12,385	-	-	-	12,385
Total PRC industries utilities improvement	665,785	391,278	246,992	638,270	27,515
Total expenditures	665,785	391,278	246,992	638,270	27,515
Revenues over (under) expenditures	(665,785)	(391,278)	(246,992)	(638,270)	27,515
Other financing sources :					
State Reserve Project Loan	665,785	391,278	241,972	633,250	(32,535)
Transfer from Water/Sewer fund	-	-	5,020	5,020	5,020
Total other financing sources	665,785	391,278	246,992	638,270	(27,515)
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

Town of Spruce Pine, North Carolina
Water and Sewer Golden Leaf Capital Projects Fund
Schedule of Revenues and Expenditures, and Changes in Fund Balances - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Golden Leaf	\$ 775,350	\$ -	\$ 13,125	\$ 13,125	\$ (762,225)
Interest income	-	-	-	-	-
Total revenues	<u>775,350</u>	<u>-</u>	<u>13,125</u>	<u>13,125</u>	<u>(762,225)</u>
Expenditures					
Sewer Line Rehabilitation					
Administration and legal expense	15,000	-	-	-	15,000
Engineering, Survey, Design	75,000	-	38,870	38,870	36,130
Legal expense	12,000	-	-	-	12,000
Construction Admin	67,000	-	-	-	67,000
Construction	618,130	-	-	-	618,130
Contingency	88,220	-	-	-	88,220
Total Sewer Line Rehabilitation	<u>875,350</u>	<u>-</u>	<u>38,870</u>	<u>38,870</u>	<u>836,480</u>
Total expenditures	<u>875,350</u>	<u>-</u>	<u>38,870</u>	<u>38,870</u>	<u>836,480</u>
Revenues over (under) expenditures	<u>(100,000)</u>	<u>-</u>	<u>(25,745)</u>	<u>(25,745)</u>	<u>74,255</u>
Other financing sources :					
Transfer from Water/Sewer fund	<u>100,000</u>	<u>-</u>	<u>7,964</u>	<u>7,964</u>	<u>(92,036)</u>
Total other financing sources	<u>100,000</u>	<u>-</u>	<u>7,964</u>	<u>7,964</u>	<u>(92,036)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(17,781)</u>	<u>\$ (17,781)</u>	<u>\$ (17,781)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (17,781)</u>		

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, 2022

Fiscal Year	Uncollected Balance June 30, 2021	Additions	Collections And Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 1,373,760	\$ 1,343,453	\$ 30,307
2020-2021	27,705	-	12,648	15,057
2019-2020	12,287	-	3,546	8,741
2018-2019	8,784	-	2,632	6,152
2017-2018	6,626	-	1,694	4,932
2016-2017	3,936	-	851	3,085
2015-2016	6,400	-	842	5,558
2014-2015	5,397	-	709	4,688
2013-2014	2,974	-	316	2,658
2012-2013	2,545	-	307	2,238
2011-2012	1,665	-	1,665	-
	<u>\$ 78,319</u>	<u>\$ 1,373,760</u>	<u>\$ 1,368,663</u>	<u>83,416</u>
Less: allowance for uncollectible ad valorem taxes receivable				<u>(5,000)</u>
Ad valorem taxes receivable - net				<u>\$ 78,416</u>
Reconciliation to revenues:				
Ad valorem taxes - General Fund				\$ 1,374,754
Releases, refunds and amounts written off per statute of limitations				<u>1,311</u>
Subtotal				1,376,065
Less penalties and interest collected				<u>(7,402)</u>
Total collections and credits				<u>\$ 1,368,663</u>

Town of Spruce Pine, North Carolina
 Analysis of Current Tax Levy
 For the Fiscal Year Ended June 30, 2022

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 268,157,564	0.51	\$ 1,367,604	\$ 1,265,320	\$ 102,284
Penalties	-		-	-	-
Total	<u>268,157,564</u>		<u>1,367,604</u>	<u>1,265,320</u>	<u>102,284</u>
Discoveries:					
Current year taxes	1,254,516	0.51	6,398	6,398	-
Prior year taxes	-	0.51	-	-	-
Penalties	-	0.51	-	-	-
	<u>1,254,516</u>		<u>6,398</u>	<u>6,398</u>	<u>-</u>
Abatements	(47,455)	0.51	(242)	(242)	-
Total property valuation	<u>\$ 269,364,625</u>				
Net levy			1,373,760	1,271,476	102,284
Uncollected taxes at June 30, 2022			<u>30,307</u>	<u>30,307</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,343,453</u>	<u>\$ 1,241,169</u>	<u>\$ 102,284</u>
Current levy collection percentage			<u>97.79%</u>	<u>97.62%</u>	<u>100.00%</u>

Compliance Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Spruce Pine, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises the Town of Spruce Pine's basic financial statements, and have issued our report thereon dated October 20, 2022. Our report includes a reference to other auditors who audited the financial statements of the Town of Spruce Pine ABC Board, as described in our report on the Town of Spruce Pine's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Spruce Pine ABC Board were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Spruce Pine's internal control over financial reporting (internal control) as a basis for designing audit procedures that are

appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Spruce Pine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Spruce Pine's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

COMBS, TENNANT & CARPENTER, P.C.

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

October 20, 2022

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

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

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

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

Basis for Opinion on Each Major State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

COMBS, TENNANT & CARPENTER, P.C.

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

October 20, 2022

Town of Spruce Pine, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2022

Section I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted _____ yes X no

State Awards

Internal control over major state programs:

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

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

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

Identification of major state programs:

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

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

Auditee qualified as low-risk auditee? _____ yes X no

Section II. Financial Statement Findings

None Reported

Section III. State Award Findings and Questioned Costs

None Reported

**Town of Spruce Pine, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2022**

Section II. Financial Statement Findings

None Reported

Section III. State Award Findings and Questioned Costs

None Reported

Town of Spruce Pine, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2022

Prior Year Audit Findings

None

Town of Spruce Pine
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>
Federal Grants:					
Cash Programs:					
<u>U. S. Department of Justice</u>					
Passed-through N.C. Department of Public Safety					
Edward Byrne Memorial Justice Assistance Grant Program	16.738		46,210	-	-
<u>U. S. Department Treasury</u>					
Passed-through the Office of State Budget and Management:					
NC Pandemic Recovery Office					
Coronavirus State and Local Fiscal Recovery Fund	21.027	NC0435	<u>318,863</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs			<u>365,073</u>	<u>-</u>	<u>-</u>
State Grants:					
Cash Assistance:					
<u>N.C. Department of Transportation:</u>					
Powell Bill		38570	-	89,010	-
<u>NC Department of Environmental Quality</u>					
State Revolving Loan Fund			-	246,992	-
<u>NC Office of State Budget and Management</u>					
SCIF Grant 11551		XXXX	-	-	-
SCIF Grant 11552		XXXX	-	-	-
Total assistance - State programs			<u>-</u>	<u>336,002</u>	<u>-</u>
Total assistance			<u>\$ 365,073</u>	<u>\$ 336,002</u>	<u>\$ -</u>

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

- The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of the Town of Spruce Pine under the programs of the Federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Spruce Pine, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Spruce Pine.
- Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- During the year ended 6/30/22, the Town of Spruce Pine received grant funding from SCIF Grant 11551 in the amount of \$300,000 and SCIF Grant 11552 in the amount of \$350,000. No funds were expended during the year ended 6/30/22.

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