

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

Prepared by the Town of Pilot Mountain's Financial Staff

Michael Boaz, Town Manager/Finance Officer

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

INTRODUCTORY SECTION

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

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June 30, 2021

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**Pilot Mountain Town Hall
124 West Main Street
Pilot Mountain, NC 27041**



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(Fax) – 336.368.9532
www.pilotmountainnc.org**

March 4, 2022

Members of the Board of Commissioners
And Citizens of Pilot Mountain,

It is our privilege to present to you the Town of Pilot Mountain's (the Town's) Comprehensive Annual Financial Report (CAFR). This CAFR represents the official report of the Town's operations and financial position for the fiscal year ended June 30, 2021 and details the status of Town finances to residents, elected officials, investment bankers, underwriters, rating agencies, and all other interested parties.

The Local Government Commission of the North Carolina State Treasurer's Office requires all general-purpose local governments to file with their office by November 30 of each year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licenses certified public accountants. The CAFR allows us to comply with that regulation.

This report consists of management's representations concerning the finances of the Town of Pilot Mountain. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient information for the preparation of the Town's financial statements in accordance with GAAP. The Town's internal control framework has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements contained herein have been audited by Bernard Robinson and Company a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2019 are free of material misstatements. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used; and evaluating the overall financial statement presentation. The independent audit for the fiscal year ended June 30, 2020 concluded that there was reasonable basis for rendering an unmodified opinion of the Town's financial statements and that they are fairly presented in conformity with GAAP.

The independent auditor's report is presented as the first component of the financial section of this report. GAAP requires that the management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Town Profile

Pilot Mountain is located in the foothills of North Carolina and in the southern section of Surry County, approximately 25 miles north of Winston-Salem and 15 miles south of Mt. Airy. The Town is situated at the base of its namesake, Pilot Mountain. The area was settled long ago by Native Americans who used Pilot Mountain as a navigational guide. Non-native settlers came to the area well over two hundred years ago and the Town was first incorporated by the General Assembly in 1889.

Pilot Mountain prides itself in providing its current population of 1,502 citizens with convenient and reliable town services while maintaining its small town, friendly atmosphere. The full range of services include police, garbage & recycling collection, street maintenance, water production & distribution, sewer collection and treatment, zoning, and yard waste collections.

Demographic Characteristics

The US Department of Commerce, Bureau of the Census, has recorded the Town’s population as follows:

1990	2000	2010	2020	2030 estimate
1,151	1,281	1,477	1,649	1,775

The North Carolina Office of Management and Budget has estimated the population of the Town to be 1,649 as of July 2021.

The Town has suffered from a lack of growth over the last 8 years, mainly as a result of the Great Recession. The Town had started a modest recovery, but the COVID-19 pandemic and the related economic downturn has put that recovery into question. The Board of Commissioners budgeted for a significant decrease in sales tax revenues for FY 2021 and made corresponding cuts to the operating budget. However, our sales tax collections remained strong throughout the pandemic and allowed the Town to make additional investments in infrastructure and equipment during FY 2021.

Governmental Structure

The Town of Pilot Mountain operates under the Council/Manager form of government. Policymaking and legislative authority are vested in the governing Board of Commissioners. The Board is made up of a mayor and four Board members that serve staggered four year terms. The Town Board is responsible, among other things, for passing ordinances, adopting the budget, appointment committees, and hiring the Town Manager and Town Attorney. The Town Manager operates as the chief executive officer and is responsible for carrying out the policies and ordinances of the Town Board and for overseeing the day-to-day operations of the government.

Services Provided by the Town of Pilot Mountain

Administration:

- Town Management
- Planning & Zoning
- Utility Billing & Collections
- Budget & Finance
- Town Clerk
- Code Enforcement
- Personnel Administration

Police

- Administration
- Criminal Investigations
- Community Policing
- Crime Prevention
- Patrol
- Auxiliary Force
- Community Programs

Public Works:

Garbage & Recycling Collection
Leaf & Limb Collection
Right of Way Mowing
Storm Drainage
Water & Sewer Line Maintenance
Water & Sewer Taps
Sewer Treatment

White Goods Collections
Street & Sidewalk Maintenance
Street Lighting
Snow/Ice Removal
Water Meter Reading
Water Treatment

Budget Process

The annual budget serves as the foundation for the Town’s financial planning and fiscal control. All departments are required to submit requests to the Town Manager, who serves as the Budget Officer per State law, on or before the last day of April each year. The Manager then uses these requests as the starting point for developing a proposed budget to be submitted to the Town Board by June 1. The Board is required to hold at least one public hearing on the proposed budget and must adopt a final budget no later than June 30. The Budget Ordinance, as adopted by the Town Board, creates a legal limit on spending authorizations. For the Town of Pilot Mountain, the FY 2020-2021 budget was adopted to include the General Fund, Water/Sewer Fund, and Capital Reserve Fund. Multi-year project ordinances are adopted for all Capital Project funds. For internal accounting purposes, budgetary control is maintained by line item. The budget ordinance adopted by the Board of Commissioners allows management to move money between line items and departments within functional areas (General Government, Public Safety, Economic & Community Development, Sanitation, and Culture & Recreation) without prior approval of the Board of Commissioners.

Factors Affecting Pilot Mountain’s Financial Condition

Pilot Mountain’s economy is still recovering from massive manufacturing job losses over the past 10-15 years that was primarily attributed to the textile industry. The unemployment rate for all of Surry County in August of 2020 was 5.8%. However, the poverty rate in Pilot Mountain is well over 20% and so there is a significant portion of the population that is either unemployed or not looking for work or is under employed. The average wages in the County have increased over the last several years and the unemployment rate has remained at near historic lows. These are all signs that the County’s economy is improving.

The economic improvement is a slow process however, but the Town is making efforts to insure that this growth happens in a diversified way that makes the economy stronger and less susceptible to downturns in any one economic sector in the future. The Town has made efforts to encourage the redevelopment of downtown, including specialized incentive programs for owner that remodel their downtown properties. The Town has incentive policies in place for both retail and industrial growth and hopes that these policies will balance the growth in both sectors.

In addition to these efforts, the Town is a center for tourism growth in Surry County. In 2017, over 750,000 people visited Pilot Mountain State Park. In addition to the Park, there are many visitors to the wineries in our area and to other outdoor recreation venues. Tourism is a strong part of the Surry County and Pilot Mountain economy and the Town is working to take advantage of this surge in tourism spending.

The Town believes that all of these factors combine for a positive outlook on the Town’s financial condition in the future. As residential construction continues to grow and as more and more visitors flock to our area to engage in outdoor recreation and take advantage of the many wineries in our area the retail sector will continue to grow and this will lead to further growth in other sectors of the economy.

Awards and Acknowledgements

The Town believes that our current CAFR meets the standards for the Government Finance Officers' Association Certificate of Achievement for Excellence in Financial Reporting award and we will be submitting it to the GFOA for consideration. The Town received the award for FY 2018 and 2019.

Conclusion

The economy in the Winston-Salem area continues to grow on pace with North Carolina. This should continue to benefit the Town and lead to continued growth in all sectors of the economy. While we expect continued growth, the Town realizes that it must prepare for the potential impacts in our departmental service demands and balance what could be significant impacts on the Town's finances. We must continue to work to keep or expenses as low as possible and find ways to leverage our available resources to continue to invest in our community.

I would like to express my great appreciation to Town Clerk Holly Utt for all her work in compiling much of the information within this report and her work in monitoring the Town's budget and general finances. The Board of Commissioners also deserves tremendous accolades for its work in overseeing the Town's finances and ensuring that all Town operations, policies, and procedures are completed with the ultimate levels of transparency and financial accountability.

Respectfully submitted,



James Michael Boaz
Town Manager/Finance Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Pilot Mountain
North Carolina**

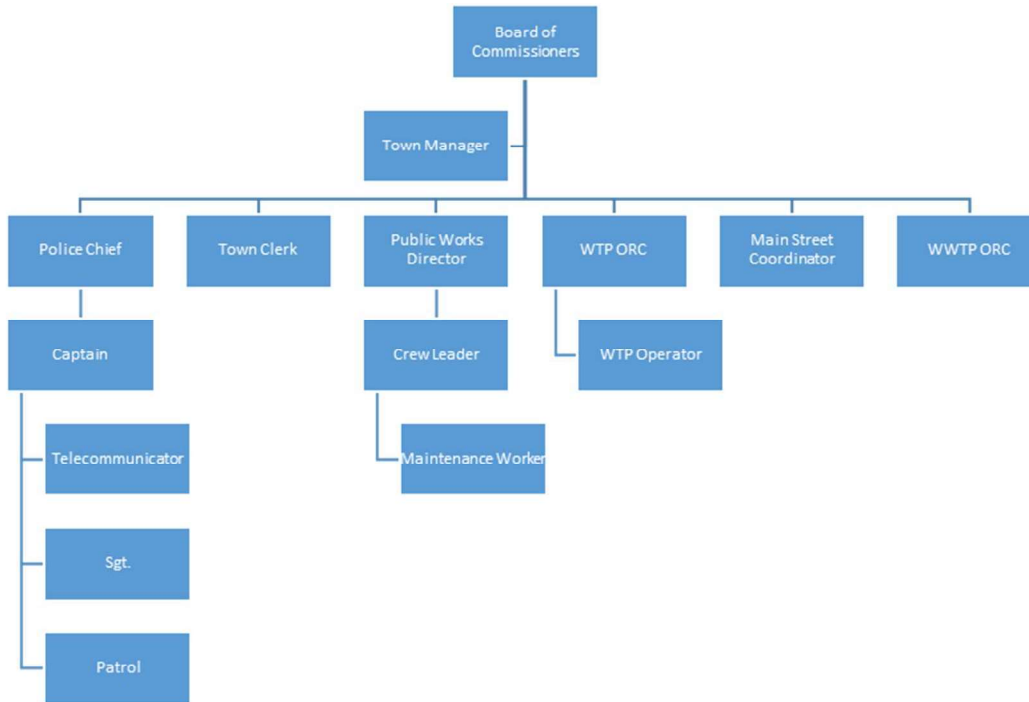
For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

Organization Chart Town of Pilot Mountain



**Town of Pilot Mountain, North Carolina
List of Principal Officials
June 30, 2021**

Board of Commissioners:

Evan Cockerham – Mayor

Scott Needham – Mayor Pro Tem

Dwight Atkins – Commissioner

Rachel Collins – Commissioner

Donna Kiger – Commissioner

Administrative and Financial Staff:

Michael Boaz, Town Manager/Finance Officer

Holly Utt, Town Clerk

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Pilot Mountain, North Carolina (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Town of Pilot Mountain ABC Board, which represents 90, 87 and 99 percent of the assets, net position and revenues, respectively, of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Pilot Mountain ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements for the Town of Pilot Mountain ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component units, each major fund and aggregate remaining fund information of the Town of Pilot Mountain, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Local Government Employees' Retirement System – Proportionate Share of Net Pension Liability (Asset) (*including Contributions*) on page 58, and the Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Liability on page 59, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2022 on our consideration of the Town of Pilot Mountain, North Carolina'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 the 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 on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
February 28, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2021

As management of the Town of Pilot Mountain, we offer readers of the Town of Pilot Mountain's financial statements this narrative overview and analysis of the financial activities of the Town of Pilot Mountain for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

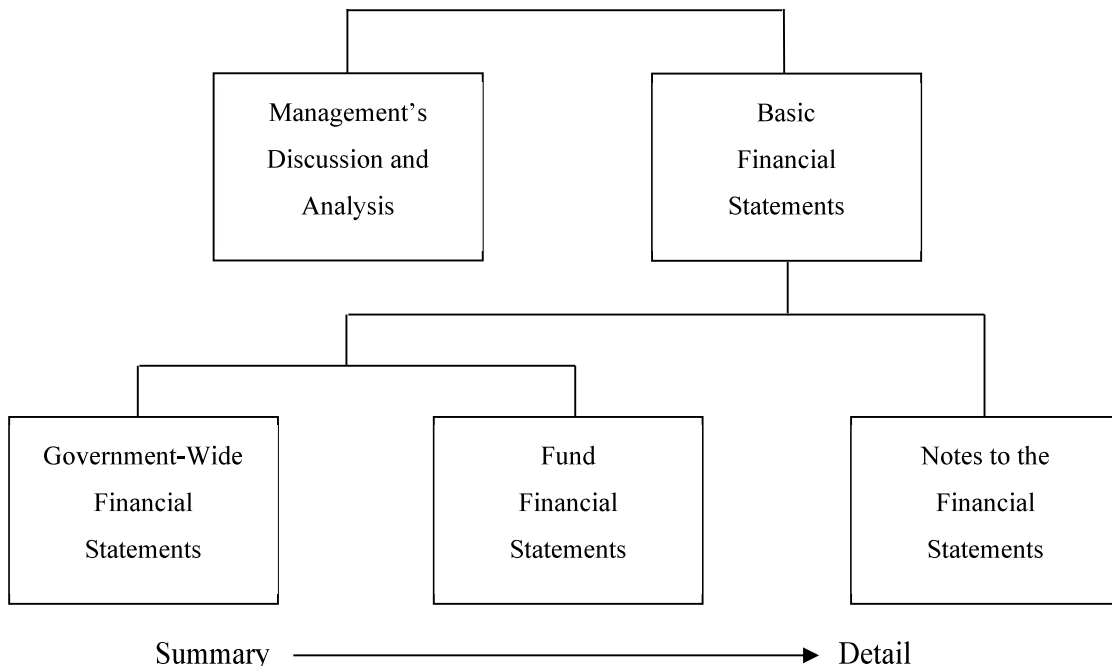
- The assets and deferred outflows of resources of the Town of Pilot Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,365,289.
- The government’s total net position increased by \$936,138.
- As of the close of the current fiscal year, the Town of Pilot Mountain’s governmental funds reported combined ending fund balances of \$700,975 with a net change of \$151,914 in fund balance. Approximately 94.80 percent of this total amount, or \$664,508, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$32,524, or 1.64 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Pilot Mountain, North Carolina'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 Pilot Mountain, North Carolina.

Required Components of Annual Financial Report

Figure 1



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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 11) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are 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, public works and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town's charges customers to provide. These include the water and sewer services offered by the Town of Pilot Mountain. The final category is the component units. The Town has two component units, the Pilot Mountain ABC Board and The Pilot Mountain Tourism Development Authority. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the ABC Board by appointing its members and the Board is required to distribute its profits to the Town. The Tourism Development Authority is also legally separate from the Town. However, the Town exercises control over the Tourism Development Authority by appointing its members.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Pilot Mountain, North Carolina, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

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

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

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

Fiduciary Fund – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Town of Pilot Mountain, North Carolina has two fiduciary funds, which are agency funds. These agency funds were closed during the year ended June 30, 2021.

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 25 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's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 58 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Government-Wide Financial Analysis
Town of Pilot Mountain, North Carolina's Net Position

Figure 2

	Business-Type					
	Governmental Activities		Activities		Totals	
	2021	2020	2021	2020	2021	2020
Assets:						
Current assets	\$ 791,004	\$ 627,058	\$ 353,416	\$ 299,958	\$ 1,144,420	\$ 927,016
Capital assets	2,297,471	2,311,062	7,906,972	6,409,799	10,204,443	8,720,861
Non-current assets	-	-	-	-	-	-
Total assets	<u>3,088,475</u>	<u>2,938,120</u>	<u>8,260,388</u>	<u>6,709,757</u>	<u>11,348,863</u>	<u>9,647,877</u>
Deferred outflows of resources	<u>220,203</u>	<u>180,960</u>	<u>40,961</u>	<u>47,632</u>	<u>261,164</u>	<u>228,592</u>
Liabilities:						
Current liabilities	167,888	177,726	326,385	249,594	494,273	427,320
Long-term liabilities	624,360	515,986	1,066,003	421,521	1,690,363	937,507
Other non current liabilities	-	-	-	-	-	-
Total liabilities	<u>792,248</u>	<u>693,712</u>	<u>1,392,388</u>	<u>671,115</u>	<u>2,184,636</u>	<u>1,364,827</u>
Deferred inflows of resources	<u>57,771</u>	<u>81,861</u>	<u>2,331</u>	<u>630</u>	<u>60,102</u>	<u>82,491</u>
Net Position:						
Net investment in capital assets	2,084,954	2,171,281	7,557,307	5,943,033	9,642,261	8,114,314
Restricted	664,508	162,860	-	-	664,508	162,860
Unrestricted	<u>(290,803)</u>	<u>9,366</u>	<u>(650,677)</u>	<u>142,611</u>	<u>(941,480)</u>	<u>151,977</u>
Total net position	<u>\$ 2,458,659</u>	<u>\$ 2,343,507</u>	<u>\$ 6,906,630</u>	<u>\$ 6,085,644</u>	<u>\$ 9,365,289</u>	<u>\$ 8,429,151</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the 2021 Audit of the Town of Pilot Mountain, North Carolina exceeded liabilities and deferred inflows of resources by \$9,365,289 as of June 30, 2021. The Town's net position increased by \$936,138 for the fiscal year ended June 30, 2021. However, the largest portion (95%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Pilot Mountain, North Carolina uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pilot Mountain's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Pilot Mountain, North Carolina's net position, \$664,508 represents resources that are subject to external restrictions on how they may be used. The remaining deficit of \$(941,480) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.81%. The statewide average in fiscal year 2021 was 98.96%.
- Continued growth in sales tax collections.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

- Continued efforts by the staff to control expenses.
- Efforts to take care of deferred maintenance and delayed capital expenditures from previous fiscal years caused the expenses to increase this fiscal year.

Town of Pilot Mountain, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 444,250	\$ 303,824	\$ 1,000,173	\$ 921,559	\$ 1,444,423	\$ 1,225,383
Operating grants and contributions	41,301	43,583	-	-	41,301	43,583
Capital grants and contributions	2,148	18,608	988,075	693,228	990,223	711,836
General revenues:						
Property taxes	905,018	813,607	-	-	905,018	813,607
Other taxes	648,889	615,263	-	-	648,889	615,263
Gain on disposal of capital assets	26,999	6,752	-	-	26,999	6,752
Total revenues	2,068,605	1,801,637	1,988,248	1,614,787	4,056,853	3,416,424
Expenses:						
General government	302,564	449,724	-	-	302,564	449,724
Public safety	949,928	802,780	-	-	949,928	802,780
Transportation	157,565	139,549	-	-	157,565	139,549
Economic development	162,146	282,186	-	-	162,146	282,186
Environmental protection	274,902	247,280	-	-	274,902	247,280
Cultural and recreation	99,390	93,425	-	-	99,390	93,425
Interest on long-term debt	6,958	3,219	-	-	6,958	3,219
Water and sewer	-	-	1,167,262	1,127,019	1,167,262	1,127,019
Total expenses	1,953,453	2,018,163	1,167,262	1,127,019	3,120,715	3,145,182
Increase (decrease) in net position before transfers	115,152	(216,526)	820,986	487,768	936,138	271,242
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	115,152	(216,526)	820,986	487,768	936,138	271,242
Net position, previously reported	2,343,507	2,560,033	6,085,644	5,597,876	8,429,151	8,157,909
Restatement	-	-	-	-	-	-
Net position, beginning as restated	2,343,507	2,560,033	6,085,644	5,597,876	8,429,151	8,157,909
Net position, ending	\$ 2,458,659	\$ 2,343,507	\$ 6,906,630	\$ 6,085,644	\$ 9,365,289	\$ 8,429,151

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Governmental Activities – Governmental activities increased the Town's net position by \$115,152, accounting for 12.3% of the total growth in the net position of the Town. The key elements of this increase are as follows:

- Increased collection of ad valorem taxes. In FY 2020, the Town collected \$813,000 in ad valorem taxes while in FY 2021, this total rose to \$905,000, an increase of approximately \$92,000.
- An increase in local options sales taxes of \$46,899 from FY 2020 to FY 2021.
- The profit distribution from the Pilot Mountain ABC Board was \$218,059 versus \$50,000 in FY 2020.

Business-Type Activities – Business-type activities increased the Town of Pilot Mountain's net position by \$820,986, accounting for 87.7% of the total growth in the government's net position. The key elements of this increase are as follows:

- The Town is working on a number of capital improvement projects in the Water/Sewer fund that added to its net position.

Financial Analysis of the Town's Funds

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

Governmental Funds – The focus of the Town'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 Pilot Mountain. At the end of the current fiscal year, the Town of Pilot Mountain's fund balance available in the General Fund was \$32,524, while the total fund balance reached \$697,032. The Town currently has an available balance of 1.64% of general fund expenditures, and total fund balance represents 35.24% of the same amount.

At June 30, 2021, the governmental funds of the Town of Pilot Mountain reported a combined fund balance of \$700,975 with a net increase in fund balance of \$151,914. Included in this change in fund balance is an increase in the fund balance for the General Fund and a net decrease in the fund balances for the Capital Project Funds.

General Fund Budgetary Highlights – During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Proprietary Fund – The Town of Pilot Mountain'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 \$(650,677). The total increase in net position for the fund was \$820,986. The change in net position in the Water and Sewer Fund is primarily the result of the construction of improvements to the Water/Sewer system.

Capital Asset and Debt Administration

Capital Assets – The Town of Pilot Mountain's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$10,204,443 (net of accumulated depreciation). These assets include land, buildings, sewer lines, equipment, and vehicles.

Major capital asset transactions during the year include the following:

- The Town spent \$9,328 for construction in progress for capital projects during the fiscal year.
- The Town spent \$1,833,653 on water and sewer fund capital projects during the fiscal year.

Town of Pilot Mountain, North Carolina's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 336,174	\$ 336,174	\$ 168,864	\$ 168,864	\$ 505,038	\$ 505,038
Building and systems	1,328,411	1,374,955	4,816,262	5,110,723	6,144,673	6,485,678
Machinery and equipment	23,183	33,130	12,798	39,968	35,981	73,098
Infrastructure	84,128	88,735	-	-	84,128	88,735
Vehicles and motorized equipment	155,973	117,794	24,395	39,244	180,368	157,038
Construction in progress	369,602	360,274	2,884,653	1,051,000	3,254,255	1,411,274
Total	\$ 2,297,471	\$ 2,311,062	\$ 7,906,972	\$ 6,409,799	\$ 10,204,443	\$ 8,720,861

Additional information on the Town's capital assets can be found in Note 3 of the basic financial statements.

Long-Term Debt – As of June 30, 2021, the Town had total debt outstanding of \$1,889,909. Of this amount, \$1,074,353 is debt backed by the full faith and credit of the Town, \$84,197 is secured by a building, and \$151,892 is secured by equipment. The remainder of the Town's debt is secured solely by specified revenue sources.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Outstanding Debt

Figure 5

Town of Pilot Mountain's Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Loan agreement	\$ -	\$ -	\$ 81,644	\$ 108,858	\$ 81,644	\$ 108,858
General obligation bonds	-	-	84,000	98,000	84,000	98,000
Water line project note payable	-	-	649,914	-	649,914	-
Water line project note payable	-	-	98,346	-	98,346	-
Promissory note	84,197	113,263	-	-	84,197	113,263
Equipment loan payable	-	18,038	-	18,038	-	36,076
Water meter project	-	-	160,449	210,441	160,449	210,441
Vehicle loan payable	-	8,480	23,572	31,429	23,572	39,909
Police vehicle loan payable	59,397	73,425	-	-	59,397	73,425
Police vehicle loans payable	68,923	-	-	-	68,923	-
Compensated absences	41,551	43,408	9,919	11,188	51,470	54,596
Total pension liability (LEO)	148,499	117,630	-	-	148,499	117,630
Net pension liability (LRS)	311,188	254,762	68,310	71,856	379,498	326,618
Total	\$ 713,755	\$ 629,006	\$ 1,176,154	\$ 549,810	\$ 1,889,909	\$ 1,178,816

The Town of Pilot Mountain's total debt increased by \$711,093 (60.3%) during the past fiscal year.

North Carolina's general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Pilot Mountain is \$11,272,436.

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

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

The impacts on the Town's economy due to the COVID-19 pandemic were not as severe as originally expected. The Town had originally budgeted for a significant decrease in sales taxes when in fact, sales tax collections were up year over year. The occupancy tax numbers returned to near pre-pandemic levels. The Town was able to make investments in capital equipment and bonuses to personnel during FY 2021. The Town expects the growth in the sales tax numbers to continue during FY 2022, albeit at a slower rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Budget Highlights for the Fiscal Year Ended June 30, 2022

Governmental Activities:

- The Board budgeted an increase of \$100,000 in expected profit distributions from the Pilot Mountain ABC Store.
- The Board budgeted an increase of 3% in the local options sales tax revenue for FY 2022.
- The Town anticipates an increase of approximately \$50,000 in ad valorem tax revenues due to a general reevaluation of property in Surry County.
- The Board was able to budget for pay increases and the replacement of rolling stock for FY 2022.

Business-type Activities:

- The Board enacted a rate increase of 17% to water and sewer rates. This rate increase was recommended as a part of the Town's recently completed CIP for the Water/Sewer system.
- The Town will continue to make investments in large capital projects during FY 2022.

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 Michael Boaz, Town Manager/Finance Officer or Holly Utt, Town Clerk, Town of Pilot Mountain, 124 West Main Street, Box 1, Pilot Mountain, NC 27041. One can also call (336) 368-2248, visit our website at www.pilotmountainnc.org or send an email to mboaz@pilotmountainnc.org or hutt@pilotmountainnc.org.

BASIC FINANCIAL STATEMENTS

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Net Position
June 30, 2021

Exhibit 1

	Primary Government			Pilot Mountain ABC Board	Pilot Mountain Tourism Development Authority
	Governmental Activities	Business-Type Activities	Total		
Assets					
Current assets:					
Cash and cash equivalents	\$ 116,435	\$ 48,416	\$ 164,851	\$ 422,158	\$ 3,742
Taxes receivables, net	32,461	-	32,461	-	-
Accounts receivable, net	214,092	177,702	391,794	-	45,790
Due from other governments	122,166	304,878	427,044	-	-
Internal balances	218,402	(218,402)	-	-	-
Inventory	-	-	-	299,833	-
Prepaid items	-	-	-	2,460	-
Restricted cash and cash equivalents	87,448	40,822	128,270	-	-
Total current assets	791,004	353,416	1,144,420	724,451	49,532
Non-current assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	705,776	3,053,517	3,759,293	-	-
Other capital assets, net of depreciation	1,591,695	4,853,455	6,445,150	21,740	-
Total capital assets	2,297,471	7,906,972	10,204,443	21,740	-
Security deposit	-	-	-	5,000	-
Total non-current assets	2,297,471	7,906,972	10,204,443	26,740	-
Total assets	3,088,475	8,260,388	11,348,863	751,191	49,532
Deferred Outflows of Resources					
Pension deferrals	220,203	40,961	261,164	13,062	-
Total deferred outflow of resources	220,203	40,961	261,164	13,062	-
Liabilities					
Current liabilities:					
Accounts payable	34,224	175,412	209,636	317,381	1,357
Due to component unit	44,269	-	44,269	-	-
Current portion of long-term liabilities	89,395	110,151	199,546	-	-
Payable from restricted assets	-	40,822	40,822	-	-
Total current liabilities	167,888	326,385	494,273	317,381	1,357
Long-term liabilities:					
Due in more than one year	624,360	1,066,003	1,690,363	18,582	-
Total long-term liabilities	624,360	1,066,003	1,690,363	18,582	-
Total liabilities	792,248	1,392,388	2,184,636	335,963	1,357
Deferred Inflows of Resources					
Pension deferrals	57,771	2,331	60,102	571	-
Total deferred inflow of resources	57,771	2,331	60,102	571	-
Net Position					
Net investment in capital assets	2,084,954	7,557,307	9,642,261	21,740	-
Restricted for:					
Working capital	-	-	-	62,248	-
Stabilization by State Statute	577,060	-	577,060	-	-
Streets-Powell Bill	87,448	-	87,448	-	-
Unrestricted	(290,803)	(650,677)	(941,480)	343,731	48,175
Total net position	\$ 2,458,659	\$ 6,906,630	\$ 9,365,289	\$ 427,719	\$ 48,175

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2021

Exhibit 2

	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total	Pilot Mountain ABC Board	Pilot Mountain Tourism Development Authority
Functions/Programs									
Primary government:									
Governmental activities:									
General government	\$ 302,564	\$ 140,059	\$ -	\$ -	\$ (162,505)	\$ -	\$ (162,505)	\$ -	\$ -
Public safety	949,928	6,182	-	-	(943,746)	-	(943,746)	-	-
Transportation	157,565	-	41,301	-	(116,264)	-	(116,264)	-	-
Economic development	162,146	218,059	-	-	55,913	-	55,913	-	-
Environmental protection	274,902	79,950	-	2,148	(192,804)	-	(192,804)	-	-
Cultural and recreation	99,390	-	-	-	(99,390)	-	(99,390)	-	-
Interest on long-term debt	6,958	-	-	-	(6,958)	-	(6,958)	-	-
Total governmental activities	<u>1,953,453</u>	<u>444,250</u>	<u>41,301</u>	<u>2,148</u>	<u>(1,465,754)</u>	<u>-</u>	<u>(1,465,754)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and sewer	1,167,262	1,000,173	-	988,075	-	820,986	820,986	-	-
Total business-type activities	<u>1,167,262</u>	<u>1,000,173</u>	<u>-</u>	<u>988,075</u>	<u>-</u>	<u>820,986</u>	<u>820,986</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,120,715</u>	<u>\$ 1,444,423</u>	<u>\$ 41,301</u>	<u>\$ 990,223</u>	<u>(1,465,754)</u>	<u>820,986</u>	<u>(644,768)</u>	<u>-</u>	<u>-</u>
Component units:									
ABC Board	\$ -	\$ -	\$ -	\$ -	-	-	-	17,703	-
Tourism Development Authority	25,446	26,740	-	-	-	-	-	-	1,294
Total component units	<u>\$ 25,446</u>	<u>\$ 26,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,703</u>	<u>1,294</u>
General Revenues:									
Taxes:									
Property taxes, levied for general purpose					905,018	-	905,018	-	-
Unrestricted intergovernmental revenues					648,883	-	648,883	-	-
Unrestricted investment earnings					6	-	6	-	-
Gain on disposal of capital assets					26,999	-	26,999	-	-
Total general revenues and transfers					<u>1,580,906</u>	<u>-</u>	<u>1,580,906</u>	<u>-</u>	<u>-</u>
Change in net position					115,152	820,986	936,138	17,703	1,294
Net position, beginning					2,343,507	6,085,644	8,429,151	410,016	46,881
Net position - ending					<u>\$ 2,458,659</u>	<u>\$ 6,906,630</u>	<u>\$ 9,365,289</u>	<u>\$ 427,719</u>	<u>\$ 48,175</u>

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

Balance Sheet

Governmental Funds

June 30, 2021

	Major Fund <u>General Fund</u>	Total Non-Major Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 109,884	\$ 6,551	\$ 116,435
Restricted cash	87,448	-	87,448
Receivables, net:			
Taxes	32,461	-	32,461
Other	214,092	-	214,092
Due from other governments	122,166	-	122,166
Due from other funds	219,876	-	219,876
Total assets	<u>\$ 785,927</u>	<u>\$ 6,551</u>	<u>\$ 792,478</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 33,090	\$ 1,134	\$ 34,224
Due to other funds	-	1,474	1,474
Due to component unit	44,269	-	44,269
Total liabilities	<u>77,359</u>	<u>2,608</u>	<u>79,967</u>
Deferred Inflow of Resources			
Property taxes receivable	11,536	-	11,536
	<u>11,536</u>	<u>-</u>	<u>11,536</u>
Fund Balances			
Restricted for:			
Stabilization by State Statue	577,060	-	577,060
Streets	87,448	-	87,448
Assigned:			
Capital project funds	-	3,943	3,943
Subsequent year's expenditures	-	-	-
Unassigned	32,524	-	32,524
Total fund balances	<u>697,032</u>	<u>3,943</u>	<u>700,975</u>
Total liabilities, deferred of resources and fund	<u>\$ 785,927</u>	<u>\$ 6,551</u>	<u>\$ 792,478</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Exhibit 4

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Governmental Funds

June 30, 2021

Amounts reported for governmental activities in the statement of net position

(Exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 700,975
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Gross capital assets at historical cost	\$ 4,053,266	
Less accumulated depreciation	<u>1,755,795</u>	2,297,471

Earned revenues considered deferred inflows of resources in fund statements		11,536
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Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:

Compensated absences	(41,551)	
Long-term debt	(212,517)	
Total pensions liability	(148,499)	
Net pension liability	<u>(311,188)</u>	(713,755)

Deferred resources related to pensions are not reported in the funds:

Outflows of resources	220,203	
Inflows of resources	<u>(57,771)</u>	<u>162,432</u>

Net position of governmental activities		<u>\$ 2,458,659</u>
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TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

Exhibit 5

	Major Fund <u>General Fund</u>	Total Non-Major <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
Ad valorem taxes	\$ 905,018	\$ -	\$ 905,018
Unrestricted intergovernmental	648,883	2,148	651,031
Restricted intergovernmental	266,664	-	266,664
Permits and fees	4,150	-	4,150
Investment earnings	6	-	6
Miscellaneous	216,490	-	216,490
Total revenues	<u>2,041,211</u>	<u>2,148</u>	<u>2,043,359</u>
Expenditures			
Current:			
General government	366,909	-	366,909
Public safety	915,063	-	915,063
Transportation	139,412	9,328	148,740
Economic development	160,833	-	160,833
Environmental protection	252,197	-	252,197
Culture and recreation	67,056	-	67,056
Debt service:			
Principal	69,611	-	69,611
Interest and other charges	6,958	-	6,958
Total expenditures	<u>1,978,039</u>	<u>9,328</u>	<u>1,987,367</u>
Excess of revenues over (under) expenditures	<u>63,172</u>	<u>(7,180)</u>	<u>55,992</u>
Other Financing Sources (Uses)			
Installment purchase obligations issued	68,923	-	68,923
Sale of capital assets	26,999	-	26,999
Total other financing sources	<u>95,922</u>	<u>-</u>	<u>95,922</u>
Net change in fund balances	<u>159,094</u>	<u>(7,180)</u>	<u>151,914</u>
Fund balances, beginning	<u>537,938</u>	<u>11,123</u>	<u>549,061</u>
Fund balances, ending	<u>\$ 697,032</u>	<u>\$ 3,943</u>	<u>\$ 700,975</u>

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes in
Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2021

Exhibit 6

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

Net changes in fund balances - total governmental funds		\$ 151,914
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 104,720	
Depreciation expense for governmental activities	<u>(118,311)</u>	(13,591)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		66,694
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		17,769
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(1,753)
<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 governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(68,923)	
Principal payments on long-term debt	<u>69,612</u>	689
<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	1,857	
Pension expenses	<u>(108,427)</u>	<u>(106,570)</u>
Total changes in net position of governmental activities		<u>\$ 115,152</u>

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Exhibit 7

Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
General Fund
Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final Budget	Actual Amounts	
Revenues				
Ad valorem taxes	\$ 867,500	\$ 886,500	\$ 905,018	\$ 18,518
Unrestricted intergovernmental	523,870	630,114	648,883	18,769
Restricted intergovernmental	134,420	136,420	266,664	130,244
Permits and fees	1,500	1,500	4,150	2,650
Investment earnings	520	520	6	(514)
Miscellaneous	171,750	269,824	216,490	(53,334)
Total revenues	<u>1,699,560</u>	<u>1,924,878</u>	<u>2,041,211</u>	<u>116,333</u>
Expenditures				
Current:				
General government	342,050	394,900	366,909	27,991
Public safety	774,380	920,258	915,063	5,195
Transportation	138,660	144,350	139,412	4,938
Economic development	148,880	160,840	160,833	7
Environmental protection	224,580	252,280	252,197	83
Cultural and recreation	60,680	68,680	67,056	1,624
Debt service:				
Principal retirement	58,372	69,672	69,611	61
Interest and other charges	6,958	6,958	6,958	-
Total expenditures	<u>1,754,560</u>	<u>2,017,938</u>	<u>1,978,039</u>	<u>39,899</u>
Revenues under expenditures	<u>(55,000)</u>	<u>(93,060)</u>	<u>63,172</u>	<u>156,232</u>
Other Financing Sources (Uses)				
Installment purchase obligations issued	-	38,060	68,923	30,863
Sale of capital assets	55,000	55,000	26,999	(28,001)
Total other financing sources	<u>55,000</u>	<u>93,060</u>	<u>95,922</u>	<u>2,862</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>159,094</u>	<u>\$ 159,094</u>
Fund balances, beginning			<u>537,938</u>	
Fund balances, ending			<u>\$ 697,032</u>	

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Net Position
Proprietary Fund
June 30, 2021

Exhibit 8

	Major Enterprise Fund Water and Sewer Fund
Assets	
Current assets:	
Cash and equivalents	\$ 48,416
Account receivables, net	177,702
Due from other governments	11,413
Grant receivable	293,465
Restricted cash and cash equivalents	40,822
Total current assets	<u>571,818</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	3,053,517
Other capital asset, net of depreciation	4,853,455
Total noncurrent assets	<u>7,906,972</u>
Total assets	<u>8,478,790</u>
Deferred Outflows of Resources	
Pension deferrals	<u>40,961</u>
Total deferred outflows of resources	<u>40,961</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	170,477
Accrued interest payable	4,935
Current portion of long-term liabilities	110,151
Due to other funds	218,402
Liabilities payable from restricted assets - customer deposits	40,822
Total current liabilities	<u>544,787</u>
Long-term liabilities:	
Due in more than one year	<u>1,066,003</u>
Total liabilities	<u>1,610,790</u>
Deferred Inflows of Resources	
Pension deferrals	<u>2,331</u>
Total deferred inflows of resources	<u>2,331</u>
Net Position	
Net investment in capital assets	7,557,307
Unrestricted	<u>(650,677)</u>
Total net position	<u>\$ 6,906,630</u>

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2021

Exhibit 9

	Major Enterprise Fund <u>Water and Sewer Fund</u>
Operating revenues:	
Water and sewer charges	\$ 878,284
Other operating revenues	<u>121,889</u>
Total operating revenues	<u>1,000,173</u>
Operating expenses:	
Sewer department	223,840
Water administration	145,315
Sewer treatment	215,031
Line maintenance	198,481
Depreciation	<u>371,091</u>
Total operating expenses	<u>1,153,758</u>
Operating loss	<u>(153,585)</u>
Non-operating revenues (expenses):	
Interest and other charges	<u>(13,504)</u>
Total non-operating expenses	<u>(13,504)</u>
Net loss before contributions and transfers	<u>(167,089)</u>
Capital contributions	<u>988,075</u>
Change in net position	<u>820,986</u>
Total net position, beginning	<u>6,085,644</u>
Total net position, ending	<u><u>\$ 6,906,630</u></u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2021

Exhibit 10

	Major Enterprise Fund
	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 980,190
Cash paid for goods and services	(379,948)
Cash paid on behalf of employees for services	<u>(202,582)</u>
Net cash provided by operating activities	<u>397,660</u>
Cash flows from noncapital financing activities:	
Increase in due to other funds	<u>(201,969)</u>
Net cash used in noncapital financing activities	<u>(201,969)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,868,264)
Proceeds on long-term liabilities	748,260
Principal paid on long-term liabilities	(117,101)
Interest paid on long-term liabilities	(13,504)
Capital contributions	<u>988,075</u>
Net cash provided by capital and related financing activities	<u>(262,534)</u>
Net increase in cash and cash equivalents	(66,843)
Balances, beginning	<u>156,081</u>
Balances, ending	<u>\$ 89,238</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Cash Flows (Continued)
Proprietary Fund
Year Ended June 30, 2021

Exhibit 10

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (153,585)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	371,091
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(17,208)
Due from other governments	(2,775)
Grant receivable	101,651
Deferred outflows of resources - pensions	6,671
Increase (decrease) in:	
Accounts payable and accrued liabilities	93,914
Customers deposits	1,015
Compensated absences	(1,269)
Net pension liability	(3,546)
Deferred inflows of resources - pensions	1,701
Total adjustments	<u>551,245</u>
Net cash provided by operating activities	<u>\$ 397,660</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2021

Exhibit 11

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ -</u>
Total assets	<u><u>\$ -</u></u>
Liabilities	
Liabilities:	
Intergovernmental payable	<u>\$ -</u>
Total liabilities	<u><u>\$ -</u></u>

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Pilot Mountain, North Carolina (the "Town") and its discretely presented component units conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Town of Pilot Mountain, North Carolina is a municipal corporation that is governed by an elected mayor and a four-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 units presented below are reported in separate columns in the Town's financial statements in order to emphasize that they are legally separate from the Town.

Pilot Mountain ABC Board

The members of the ABC Board's governing board are appointed by the Town. 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 Pilot Mountain ABC Board, P.O. Box 1478, Pilot Mountain, NC 27041.

Pilot Mountain Tourism Development Authority

The members of the Tourism Development Authority's governing board are appointed by the Town. In addition, the Town of Pilot Mountain transfers all of the occupancy tax collected to the Tourism Development Authority to be used to promote tourism. The Tourism Development Authority, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). A separate report was not issued for the Tourism Development Authority.

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.

Separate financial statements are provided for fiduciary funds even though they are excluded from the government-wide financial statements.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each 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 result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund – This 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 administration, public works, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental fund:

Landfill Rehabilitation Project Capital Project Fund – This fund is used to account for the rehabilitation expenses of the Town's landfill.

Streetscape Capital Project Fund – This fund is used to account for planned upgrade to the streetscape on Main and Depot Street.

Street Resurfacing Capital Project Fund – This fund is used to account for resurfacing the Town's maintained streets.

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. Water and sewer capital project funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the water and sewer capital project funds have been included in the supplemental information.

The Town reports the following fiduciary funds:

Mount Pilot Now Fiduciary Fund

The Town maintained fiduciary responsibility over the bank account for Mount Pilot Now. As of June 30, 2021, the Town no longer maintains this account.

Pilot Mountain Area Business Association Committee Fiduciary Fund

The Town maintained fiduciary responsibility over the bank account for the Pilot Mountain Area Business Association Committee. As of June 30, 2021, the Town no longer maintains this account.

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.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Proprietary Fund Financial Statements - The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations 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's 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Pilot Mountain because the tax is levied by Surry County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General and Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Landfill Rehabilitation Project, Streetscape, Street Resurfacing, Water/Sewer Interconnection/Regionalization Study, Sunset Sewer Project, Water/Sewer AIA Project, Wastewater Treatment Plan/Pump Station Rehab Project, Water and Sewer Infrastructure funds, and Simmons Water Line Project. The Enterprise Fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

All deposits of the Town and its component units are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and its component units may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and its component units 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 its component units to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's and component units' 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, they are presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board and the Tourism Development Authority consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Pilot Mountain Restricted Cash

Governmental Activities:

General Fund - Streets	\$ 87,448
Total Governmental Activities	<u>87,448</u>

Business-Type Activities:

Water and Sewer Fund - Customer deposits	<u>40,822</u>
Total Business-Type Activities	<u>40,822</u>
Total Restricted Cash	<u><u>\$ 128,270</u></u>

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowance 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.

Inventory and Prepaid Items

The inventories of the ABC Board are valued at the lower of cost (first-in, first-out) or net realizable value. The inventories of the ABC Board consist of goods held for sale. The cost of these inventories is expensed when consumed rather than when purchased.

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are set at \$5,000. 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. 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.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and systems	20 to 50 years
Infrastructure	30 years
Plant and distribution systems	40 years
Equipment	3 to 10 years
Furniture and maintenance equipment	3 to 20 years
Vehicles	3 to 20 years

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Equipment	5 to 10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has an item that meets this criterion which is the pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and pension deferrals.

Long-Term Obligations

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

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

Upon initial eligibility, ABC Board employees earn 96 vacation hours per year and after 10 years of eligible service, 144 vacation hours per year. Unused vacation at the end of each calendar year may not be carried over to the next year.

ABC Board employees can accumulate an unlimited amount of sick leave. Sick leave may be used in the determination of length of service for retirement benefit purposes. Since the ABC Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of three 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:

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

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Assigned fund balance – portion of fund balance that the Town intends to use for specific purposes:

Assigned for capital projects – portion of fund balance that has been budgeted by the Board for construction of various capital projects.

Assigned for subsequent year's expenditures – portion of fund balance that is appropriated by the Board in the next year's budget that is not already classified in restricted.

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

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

The Town has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures.

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 Pilot Mountain's employer contributions are recognized when due and the Town of Pilot Mountain has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

All the deposits of the Town and its component units are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or its component units' agents in the units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and its component units, these deposits are considered to be held by the Town's and component units' 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, its component units, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and its component units 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 Tourism Development Authority have no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$289,729 and a bank balance of \$655,681. Of the bank balance, \$275,031 was covered by federal depository insurance and the remainder would be covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$420,258 and the bank balance was \$460,822, Mount Pilot Now Agency Fund was \$0, Pilot Mountain Area Business Association Committee Agency Fund was \$0 and Tourism Development Authority was \$3,692 for both the carrying amount and bank balance. All of the bank balances were covered by federal depository insurance. At June 30, 2021, petty cash for the Town was \$662, ABC Board was \$1,900 and Tourism Development Authority was \$50.

Investments

At June 30, 2021, the Town had \$2,730 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk: The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits the Town's investment portfolio to maturities of less than 12 months.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Credit Risk: The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investment to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAAM-mf by Moody's Investor's Service as of June 30, 2021.

Custodial Credit Risk: For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town has no formal policy but management procedures are that the Town shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the Town's name to limit custodial credit risk.

Concentration of Credit Risk: The Town's Board places no limit on the amount that the Town may invest in any one issuer. All of the Town's investments are in the NC Capital Management Trust Government Portfolio.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 336,174	\$ -	\$ -	\$ 336,174
Construction in progress	<u>360,274</u>	<u>9,328</u>	<u>-</u>	<u>369,602</u>
Total capital assets not being depreciated	<u>696,448</u>	<u>9,328</u>	<u>-</u>	<u>705,776</u>
Capital assets being depreciated:				
Buildings and systems	2,547,542	6,500	-	2,554,042
Machinery and equipment	284,780	11,047	-	295,827
Vehicles and motorized equipment	311,734	77,845	30,158	359,421
Infrastructure	<u>138,200</u>	<u>-</u>	<u>-</u>	<u>138,200</u>
Total capital assets being depreciated	<u>3,282,256</u>	<u>95,392</u>	<u>30,158</u>	<u>3,347,490</u>
Less accumulated depreciation for:				
Buildings and systems	1,172,587	53,044	-	1,225,631
Machinery and equipment	251,650	20,994	-	272,644
Vehicles and motorized equipment	193,940	39,666	30,158	203,448
Infrastructure	<u>49,465</u>	<u>4,607</u>	<u>-</u>	<u>54,072</u>
Total accumulated depreciation	<u>1,667,642</u>	<u>118,311</u>	<u>30,158</u>	<u>1,755,795</u>
Total capital assets being depreciated, net	<u>1,614,614</u>			<u>1,591,695</u>
Government activity capital assets, net	<u>\$ 2,311,062</u>			<u>\$ 2,297,471</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

General Government	\$ 26,261
Public Safety	11,342
Transportation	27,323
Pilot Center	41,017
Environmental Protection	<u>12,368</u>
Total depreciation expense	<u><u>\$ 118,311</u></u>

Capital asset activity for the Business-Type Activities was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 168,864	\$ -	\$ -	\$ 168,864
Construction in process	<u>1,051,000</u>	<u>1,833,653</u>	<u>-</u>	<u>2,884,653</u>
Total capital assets not being depreciated	<u>1,219,864</u>	<u>1,833,653</u>	<u>-</u>	<u>3,053,517</u>
Capital assets being depreciated:				
Buildings and systems	14,582,310	34,611	-	14,616,921
Machinery and equipment	247,685	-	-	247,685
Vehicles and motorized equipment	<u>79,979</u>	<u>-</u>	<u>-</u>	<u>79,979</u>
Total capital assets being depreciated	<u>14,909,974</u>	<u>34,611</u>	<u>-</u>	<u>14,944,585</u>
Less accumulated depreciation for:				
Buildings and systems	9,471,587	329,072	-	9,800,659
Machinery and equipment	207,717	27,170	-	234,887
Vehicles and motorized equipment	<u>40,735</u>	<u>14,849</u>	<u>-</u>	<u>55,584</u>
Total accumulated depreciation	<u>9,720,039</u>	<u>371,091</u>	<u>-</u>	<u>10,091,130</u>
Total capital assets being depreciated, net	<u>5,189,935</u>			<u>4,853,455</u>
Business-type activity capital assets, net	<u><u>\$ 6,409,799</u></u>			<u><u>\$ 7,906,972</u></u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Discretely Presented Component Unit

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 116,935	\$ 2,669	\$ -	\$ 119,604
Total capital assets being depreciated	<u>116,935</u>	<u>2,669</u>	<u>-</u>	<u>119,604</u>
Less accumulated depreciation for:				
Furniture and equipment	92,019	5,845	-	97,864
Total accumulated depreciation	<u>92,019</u>	<u>5,845</u>	<u>-</u>	<u>97,864</u>
Government activity capital assets, net	<u>\$ 24,916</u>			<u>\$ 21,740</u>

B. Liabilities

Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description: Town of Pilot Mountain, North Carolina 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 the 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 (age 55 for firefighters).

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Pilot Mountain 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 Pilot Mountain's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.23% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Pilot Mountain were \$80,757 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$379,498 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.01062%, which was a decrease of 0.00134% from its proportion measured as of June 30, 2019.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

For the year ended June 30, 2021, the Town recognized pension expense of \$132,190. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 47,924	\$ -
Changes of assumptions	28,242	-
Net difference between projected and actual earnings on pension plan investments	53,405	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,232	12,950
Town contributions subsequent to the measurement date	80,757	-
	<u>\$ 227,560</u>	<u>\$ 12,950</u>

\$80,757 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2022	\$ 41,100
2023	51,148
2024	25,798
2025	15,807
	<u>\$ 133,853</u>

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

Inflation	3.0%
Salary increase	3.50 to 8.10%, including inflation and productivity factor
Investment rate of return	7.0%, 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.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
	100.0%	

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

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Towns' proportionate share of the net pension liability (asset)	\$ 769,960	\$ 379,498	\$ 54,997

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

Plan Description

The Town of Pilot Mountain administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	8
	<u>9</u>

Summary of Significant Accounting Policies

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

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Mortality rates are based on the RP-2000 Mortality tables with adjustments for morality improvements based on 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 benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$17,769 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$148,499. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of (\$5,360).

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 13,573	\$ 46,369
Changes of assumptions	20,031	783
Town benefit payments and plan administrative expense made subsequent to measurement date	-	-
	<u>\$ 33,604</u>	<u>\$ 47,152</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2022	\$ (24,834)
2023	(2,543)
2024	1,756
2025	6,781
2026	5,292
	<u>\$ (13,548)</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	<u>1% Decrease (0.93%)</u>	<u>Discount Rate (1.93%)</u>	<u>1% Increase (2.93%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 157,199	\$ 148,499	\$ 140,535

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

Beginning balance	\$ 117,630
Service cost	5,896
Interest on the total pension liability	3,545
Differences between expected and actual experience measurement of the total pension liability	16,412
Changes of assumptions or other inputs	22,785
Benefit payments	<u>(17,769)</u>
Ending balance of the total pension liability	<u>\$ 148,499</u>

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

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

Following is information related to the proportionate share and pensions expenses for all pensions plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 132,190	\$ (5,360)	\$ 126,830
Pension Liability	379,498	148,499	527,997
Proportionate share of the net pension liability	0.01062%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	47,924	13,573	61,497
Changes of assumptions	28,242	20,031	48,273
Net difference between projected and actual earnings on plan investments	53,405	-	53,405
Changes in proportion and differences between contributions and proportionate share of contributions	17,232	-	17,232
Benefit payments and administrative costs paid subsequent to the measurement date	80,757	-	80,757
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	46,369	46,369
Changes of assumptions	-	783	783
Changes in proportion and differences between contributions and proportionate share of contributions	12,950	-	12,950

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: The Town contributes to the Supplemental Retirement Income Plan (“Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and employees not engaged in law enforcement employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5.00% of each officer's and employee's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and employees may make voluntary contributions to the plan.

The Town made contributions of \$21,398 for the reporting year. No amounts were forfeited.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

d. Other Postemployment Benefits (OPEB)

Healthcare Benefits

Plan Description: Under the terms of a Town resolution, the Town administers a single employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System ("System") and have at least fifteen years of creditable service with the Town. The Town pays a percentage of the cost of coverage based upon the number of years of service for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan. The plan only has one member. The plan is deemed to be immaterial and thus no valuation was performed.

Other Employment Benefit

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

a. Pilot Mountain ABC Board Retirement Plan

Plan Description. The ABC Board 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.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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. The ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The ABC Board's contractually required contribution rate for the year ended June 30, 2021, was 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the ABC Board were \$5,421 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Board reported a liability of \$18,582 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension asset was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Board's proportion was 0.00052%, which was a decrease of 0.00002% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Board recognized pension expense of \$6,667.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,347	\$ -
Changes of assumptions	1,383	-
Net difference between projected and actual earnings on pension plan investments	2,615	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,296	571
Employer contributions subsequent to the measurement date	5,421	-
	<u>\$ 13,062</u>	<u>\$ 571</u>

\$5,421 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset 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:

<u>Year Ended June 30:</u>	
2022	\$ 2,154
2023	2,735
2024	1,405
2025	776
2026	-
	<u>\$ 7,070</u>

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

Inflation	3.0%
Salary increase	3.50 to 8.10%, including inflation and productivity factor
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
	100.0%	

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

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
	<u> </u>	<u> </u>	<u> </u>
ABC Board's proportionate share of the net pension liability (asset)	\$ 37,700	\$ 18,582	\$ 2,693

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.

Deferred Outflows and Inflows of Resources

The Town had one deferred outflow of resources. Deferred outflows of resources are comprised of the following:

	<u>Statement of Net Position</u>
Contributions to pension plan in current fiscal year	\$ 80,757
Differences between expected and actual experience	61,497
Changes in assumptions	48,273
Net differences between projected and actual experience	53,405
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,232
	<u>\$ 261,164</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

	Statement of Net Position	General Fund Balance Sheet
Tax Receivables	\$ -	\$ 11,536
Differences between expected and actual experience	46,369	-
Changes in assumptions	783	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,950	-
Total	<u>\$ 60,102</u>	<u>\$ 11,536</u>

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 from 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 as none of the Town's property is within flood zones.

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

The ABC Board 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 ABC Board has commercial property, general liability, auto liability, workmen's compensation and employee health coverage. The board also has liquor legal liability.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

There have been no significant reductions in insurance coverage for the ABC Board from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 1 8B-700(i), each ABC Board member and employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

The finance officer of the Tourism Development Authority is bonded in the amount of \$50,000, secured by a corporate surety.

Claims, Judgments and Contingent Liabilities

As of June 30, 2021, the Town was aware of several unasserted possible claims or assessments. In the opinion of the Town's management, the ultimate effect of these matters will not have a material adverse effect on the Town's financial position.

Commitments

The Town has entered into a contract for solid waste collection expiring June 2022 for approximately \$60,000 per year.

The ABC Board has an operating lease for its facility at 630 S. Key Street, Suite C, Pilot Mountain, North Carolina. The lease expires December 31, 2024. Rental expense was \$29,517 for the year ended June 30, 2021.

The future minimum lease payments under this operating lease as at June 30, 2021, are as follows:

<u>Year Ending June 30</u>	
2022	\$ 29,960
2023	30,858
2024	31,784
2025	16,127
	<u>\$ 108,729</u>

The ABC Board is responsible for utilities and insurance. The payment of the rentals is guaranteed by the Town of Pilot Mountain.

Long-Term Obligations

a. Loan Agreement

The Town has pledged future water and sewer revenues, net of specified operating expenses, to repay \$544,284 in direct placement water and sewer system revenue bonds issued in June 2004. Proceeds from the bonds provided financing for the construction of water line extensions and water plant renovations. The bonds are secured solely by water and sewer revenues, net of specified operating expenses and are payable, including interest at 2.57%, through 2024. Annual principal and interest payments on the bonds are expected to require substantially all water and sewer net revenues. In the event of a default, the Town agrees to pay to the purchaser, on demand, all outstanding principal and interest owed under the related agreement.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3- DETAIL NOTES ON ALL FUNDS (Continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 27,214	\$ 2,098
2023	27,214	1,398
2024	27,216	700
	<u>\$ 81,644</u>	<u>\$ 4,196</u>

b. General Obligation Bonds

The Town's direct placement general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. The bonds bear interest at 5.00% per annum. In the event of a default, the Town agrees to pay to the purchaser, on demand, all outstanding principal and interest owed under the related agreement.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 14,000	\$ 4,200
2023	14,000	3,500
2024	14,000	2,800
2025	14,000	2,100
2026	14,000	2,100
2027	14,000	
	<u>\$ 84,000</u>	<u>\$ 14,700</u>

c. Promissory Note

On March 23, 2009, the Town entered into an interlocal agreement with Surry County, North Carolina for the creation of a workforce development center. Surry County purchased the building to house the project for \$540,040, and named the Town as the owner on the deed. Surry County has gifted one half of the building to the Town and the Town has signed a promissory note for the remaining half at \$270,020. The promissory note calls for interest at 3%. Payments of \$11,243, which includes interest, are due each October 1 and April 1 through April 1, 2025. The promissory note is secured by a Deed of Trust on the building. The Town has agreed to assume certain costs related to the project such as site assessment, renovations, and improvements. Upon sale of the property or any portion thereof, the sales proceeds will accrue to the County and Town equally.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 20,113	\$ 2,376
2023	20,720	1,768
2024	21,345	1,141
2025	22,019	496
	<u>\$ 84,197</u>	<u>\$ 5,781</u>

On January 18, 2013, the Town of Pilot Mountain recorded a declaration of Pilot Center Condominium, which encumbered the property. In conjunction with the creation of the Condominium, there also was incorporated under the laws of the State of North Carolina an association known as the Pilot Center Condominium Association. Subsequent to that date on January 30, 2013, the Town of Pilot Mountain sold a portion of the property.

d. Note Payable

On November 2, 2016, the Town borrowed \$55,000 from a bank to purchase a vehicle. The direct placement note payable requires annual payments of \$7,857 plus interest of 2.28% through November 2023. The note is secured by the vehicle.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 7,857	\$ 545
2023	7,857	363
2024	7,858	182
	<u>\$ 23,572</u>	<u>\$ 1,090</u>

e. Water Meter Note Payable

On December 15, 2016, the Town borrowed \$350,000 from a financing organization to improve water meters. The direct placement note payable requires annual payments of \$54,792 which includes interest at 2.8% through January 2024. The note is secured by property.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 51,161	\$ 3,631
2023	52,344	2,448
2024	56,944	1,238
	<u>\$ 160,449</u>	<u>\$ 7,317</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

f. Note Payable

On December 3, 2019, the Town borrowed \$73,425 from a bank to purchase two police vehicles and related vehicles. The direct placement note payables requires annual payments of \$15,709 which includes interest at 5.5% through 2025. The note is secured by the vehicles.

Annual debt service requirements to maturity for note payable obligations are as follows:

	<u>Principal</u>	<u>Interest</u>
<u>Year Ending June 30</u>		
2022	\$ 14,349	\$ 1,360
2023	14,677	132
2024	15,014	696
2025	15,357	352
	<u>\$ 59,397</u>	<u>\$ 2,540</u>

g. Note Payable

On June 1, 2021, the Town borrowed \$68,923 from a bank to purchase two police vehicles. The direct placement note payables requires annual payments of \$14,403 which includes interest at 1.57% through 2026. The note is secured by the vehicles.

Annual debt service requirements to maturity for note payable obligations are as follows:

	<u>Principal</u>	<u>Interest</u>
<u>Year Ending June 30</u>		
2022	\$ 13,382	\$ 1,020
2023	13,581	822
2024	13,782	621
2025	13,986	417
2026	14,192	210
	<u>\$ 68,923</u>	<u>\$ 3,090</u>

h. Water Project Notes Payable

On May 22, 2020, the Town signed a temporary promissory note with the North Carolina Department of Environmental Quality for \$1,006,042 for a water and sanitary sewer project. The direct placement note payable will require semi-annual payments on or before May 1 and November 1 of each year. The first payment is due not earlier than six months nor later than twelve months after the scheduled date of completion of the project. The project is still ongoing as of the report date. The balance at June 30, 2021 was \$98,346.

On December 16, 2021 the Town signed a temporary promissory note with the North Carolina Department of Environmental Quality for \$2,145,000 for a water and sanitary sewer project. The direct placement note payable will require semi-annual payments on or before May 1 and November 1 of each year. The first payment is due not earlier than six months nor later than twelve months after the scheduled date of completion of the project. The project is still ongoing as of the report date. The note will be split between the Town, the City of Mount Airy, and Surry County. The balance for the Town at June 30, 2021 was \$649,914.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

i. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Direct placement					
Promissory note	\$ 113,263	\$ -	\$ 29,066	\$ 84,197	\$ 20,113
Vehicle loan payable	8,480	-	8,480	-	-
Police vehicle loan payable	73,425	-	14,028	59,397	14,349
Equipment loan payable	18,038	-	18,038	-	-
Police vehicle loans payable	-	68,923	-	68,923	13,382
Compensated absences	43,408	41,551	43,408	41,551	41,551
Total pension liability (LEO)	117,630	30,869	-	148,499	-
Net pension liability (LERS)	<u>254,762</u>	<u>56,426</u>	<u>-</u>	<u>311,188</u>	<u>-</u>
Total governmental activity long-term liabilities	<u>\$ 629,006</u>	<u>\$ 197,769</u>	<u>\$ 113,020</u>	<u>\$ 713,755</u>	<u>\$ 89,395</u>
Business-Type Activities:					
General obligation bonds	\$ 98,000	\$ -	\$ 14,000	\$ 84,000	\$ 14,000
Water project loan payable	-	649,914	-	649,914	-
Water project loan payable	-	98,346	-	98,346	-
Loan agreement	108,858	-	27,214	81,644	27,214
Vehicle loan payable	31,429	-	7,857	23,572	7,857
Equipment loan payable	18,038	-	18,038	-	-
Water meter project	210,441	-	49,992	160,449	51,161
Compensated absences	11,188	9,919	11,188	9,919	9,919
Net pension liability (LERS)	<u>71,856</u>	<u>-</u>	<u>3,546</u>	<u>68,310</u>	<u>-</u>
Total business-type activity long-term liabilities	<u>\$ 549,810</u>	<u>\$ 758,179</u>	<u>\$ 131,835</u>	<u>\$ 1,176,154</u>	<u>\$ 110,151</u>

Interfund Balances and Activity

Balances due to/from other funds at June 20, 2021, consist of the following:

Due from Water and Sewer Fund to General Fund for cash advances	<u>\$ 218,402</u>
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The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund services provided and used are not eliminated in the process of consolidation.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 6 – CHANGE IN ACCOUNTING PRINCIPLE

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As part of implementing the statement, the Town performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. No restatements of fund balance and net position were necessary. As of June 30, 2021, the Town no longer has any fiduciary relationships.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Required Supplementary Information
Last Eight Fiscal Years

Exhibit 12

	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.01062%	0.01196%	0.01143%	0.00869%	0.00867%	0.01213%	0.01217%	0.01180%
Proportion of the net pension liability (asset) (\$)	\$ 379,498	\$ 326,618	\$ 271,159	\$ 132,759	\$ 184,006	\$ 54,439	\$ (71,772)	\$ 142,235
Covered payroll	786,408	796,146	729,844	666,276	631,972	722,998	732,684	716,954
Proportionate share of net pension liability (asset) as a percentage of its covered payroll	48.26%	41.02%	37.15%	19.93%	29.12%	7.53%	-9.80%	19.84%
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%

* 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.

Contributions

Contractually required contribution	\$ 80,757	\$ 73,291	\$ 47,769	\$ 31,742	\$ 50,736	\$ 43,857	\$ 52,139	\$ 52,433
Contributions in relation to the contractually required contribution	80,757	73,291	47,769	31,742	50,736	43,857	52,139	52,433
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 768,592	\$ 786,408	\$ 796,146	\$ 729,844	\$ 666,276	\$ 631,972	\$ 722,998	\$ 732,684
Contributions as a percentage of covered payroll	10.51%	9.32%	6.00%	4.35%	7.61%	6.94%	7.21%	7.16%

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Schedule of Changes in Total Pension Liability
Required Supplementary Information
Last Five Fiscal Years*

Exhibit 13

	2021	2020	2019	2018	2017
Beginning balance	\$ 117,630	\$ 149,332	\$ 250,078	\$ 202,902	\$ 206,573
Service cost	5,896	6,861	6,600	6,645	8,294
Interest on the total pension liability	3,545	5,267	7,647	7,520	7,086
Differences between expected and actual experience in the measurement of the total pension liability	16,412	(36,651)	(95,883)	39,139	-
Changes of assumptions or other inputs	22,785	2,074	(2,961)	10,021	(2,902)
Benefit payments	(17,769)	(9,253)	(16,149)	(16,149)	(16,149)
Ending balance of the total pension liability	<u>\$ 148,499</u>	<u>\$ 117,630</u>	<u>\$ 149,332</u>	<u>\$ 250,078</u>	<u>\$ 202,902</u>

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Total pension liability	\$ 148,499	\$ 117,630	\$ 149,332	\$ 250,078	\$ 202,902
Covered - employee payroll	289,398	337,983	327,564	279,200	313,814
Total pension liability as a percentage of covered payroll	51.31%	34.80%	45.59%	89.57%	64.66%

Notes to the Schedules:

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 898,531	
Interest		6,487	
Total	\$ 886,500	905,018	\$ 18,518
Unrestricted intergovernmental:			
Local option sales taxes		534,223	
Utilities sales tax		107,832	
Beer and wine tax		6,541	
Court fees and charges		287	
Total	630,114	648,883	18,769
Restricted intergovernmental:			
Powell Bill allocation		41,301	
ABC revenue for law enforcement		6,182	
ABC store profit sharing		218,059	
Solid waste disposal tax		1,122	
Total	136,420	266,664	130,244
Permits and fees:			
Inspection and zoning		4,150	
Total	1,500	4,150	2,650
Miscellaneous:			
Cemetery income		6,750	
Rental income		4,550	
Sanitation fees		78,828	
Miscellaneous		126,362	
Total	269,824	216,490	(53,334)
Investment earnings	520	6	(514)
Total Revenues	1,924,878	2,041,211	116,333
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		17,411	
Other operating expenditures		53,739	
Total		71,150	

(Continued)

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund (Continued)
Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
General government (Continued):			
Administration:			
Salaries and employee benefits		\$ 190,362	
Professional services		31,649	
Supplies		20,633	
Travel and training		7,632	
Postage		800	
Utilities		6,645	
Maintenance and repairs		6,559	
Contracted services		16,829	
Insurance and bonds		8,070	
Dues and subscriptions		2,965	
Miscellaneous		3,615	
Total		<u>295,759</u>	
Total general government	<u>\$ 394,900</u>	<u>366,909</u>	<u>\$ 27,991</u>
Public Safety:			
Police department:			
Salaries and employee benefits		628,370	
Supplies		81,270	
Uniforms		2,551	
Automotive supplies		15,822	
Travel and training		3,027	
Telephone, postage and printing		9,824	
Utilities		5,613	
Maintenance and repairs		19,103	
Contracted services		23,727	
Insurance and bonds		16,756	
Dues and subscription		952	
Contribution to rescue		12,000	
Miscellaneous		4,608	
Capital outlay		91,440	
Total		<u>915,063</u>	
Total public safety	<u>920,258</u>	<u>915,063</u>	<u>5,195</u>

(Continued)

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund (Continued)
Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Transportation:			
Public works:			
Salaries and employee benefits		\$ 42,673	
Supplies		9,620	
Utilities		39,211	
Maintenance and repairs		4,721	
Contracted services		32,629	
Insurance		7,000	
Rents		905	
Miscellaneous		1,307	
Capital outlay		1,346	
Total		<u>139,412</u>	
Total transportation	<u>\$ 144,350</u>	<u>139,412</u>	<u>\$ 4,938</u>
Economic development:			
Salaries and employee benefits		50,287	
Supplies		11,562	
Insurance		4,469	
Contracted services		21,002	
Professional services		26,909	
Special events		16,247	
Miscellaneous		30,357	
Total economic development	<u>160,840</u>	<u>160,833</u>	<u>7</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		125,927	
Supplies		2,968	
Utilities		2,661	
Maintenance and repairs		3,758	
Insurance		4,940	
Contracted services		103,830	
Miscellaneous		8,113	
Total		<u>252,197</u>	
Total environmental protection	<u>252,280</u>	<u>252,197</u>	<u>83</u>

(Continued)

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund (Continued)
Year Ended June 30, 2021

Statement 1
Page 4 of 4

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Cultural and recreation:			
Library:			
Contributions		\$ 35,000	
Maintenance and repairs		378	
Insurance		3,340	
Pilot Center:			
Utilities		12,852	
Maintenance and repairs		11,361	
Insurance		3,340	
Contracted services		785	
Total cultural and recreation	<u>\$ 68,680</u>	<u>67,056</u>	<u>\$ 1,624</u>
Debt service:			
Principal		69,611	
Interest and other charges		6,958	
Total debt service	<u>76,630</u>	<u>76,569</u>	<u>61</u>
Total expenditures	<u>2,017,938</u>	<u>1,978,039</u>	<u>39,899</u>
Revenue over (under) expenditures	<u>(93,060)</u>	<u>63,172</u>	<u>156,232</u>
Other financing sources (uses):			
Installment purchase obligations issued	38,060	68,923	30,863
Sale of capital assets	55,000	26,999	(28,001)
Total other financing sources	<u>93,060</u>	<u>95,922</u>	<u>2,862</u>
Fund balance appropriated	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>159,094</u>	<u>\$ 159,094</u>
Fund balances, beginning		<u>537,938</u>	
Fund balances, ending		<u>\$ 697,032</u>	

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Combining Statement of Net Position
Nonmajor Governmental Funds
June 30, 2021

Statement 2

	Capital Project Funds			Total Nonmajor Governmental Funds
	Landfill Rehabilitation	Streetscape	Street Resurfacing	
Assets				
Cash and cash equivalents	\$ 532	\$ -	\$ 6,019	\$ 6,551
Total assets	<u>\$ 532</u>	<u>\$ -</u>	<u>\$ 6,019</u>	<u>\$ 6,551</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,134	\$ -	\$ -	\$ 1,134
Due to general fund	-	1,474	-	1,474
Total liabilities	<u>1,134</u>	<u>1,474</u>	<u>-</u>	<u>2,608</u>
Fund Balances				
Assigned:				
Capital project funds	(602)	(1,474)	6,019	3,943
Total fund balances	<u>(602)</u>	<u>(1,474)</u>	<u>6,019</u>	<u>3,943</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 532</u>	<u>\$ -</u>	<u>\$ 6,019</u>	<u>\$ 6,551</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2021

Statement 3

	Capital Project Funds			Total Nonmajor Governmental Funds
	Landfill Rehabilitation	Streetscape	Street Resurfacing	
Revenues				
Unrestricted intergovernmental	\$ 2,148	\$ -	\$ -	\$ 2,148
Total revenues	<u>2,148</u>	<u>-</u>	<u>-</u>	<u>2,148</u>
Expenditures				
Current:				
Capital outlay	2,750	-	-	2,750
Transportation	-	6,578	-	6,578
Total expenditures	<u>2,750</u>	<u>6,578</u>	<u>-</u>	<u>9,328</u>
Excess of revenues over (under) expenditures	<u>(602)</u>	<u>(6,578)</u>	<u>-</u>	<u>(7,180)</u>
Net change in fund balances	<u>(602)</u>	<u>(6,578)</u>	<u>-</u>	<u>(7,180)</u>
Fund balances, beginning	<u>-</u>	<u>5,104</u>	<u>6,019</u>	<u>11,123</u>
Fund balances, ending	<u>\$ (602)</u>	<u>\$ (1,474)</u>	<u>\$ 6,019</u>	<u>\$ 3,943</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Capital Projects Fund - Landfill Rehabilitation Project
From Inception and for the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Division of Waste Management					
grant	\$ 143,554	\$ 160,816	\$ 2,148	\$ 162,964	\$ 19,410
Total revenues	<u>143,554</u>	<u>160,816</u>	<u>2,148</u>	<u>162,964</u>	<u>19,410</u>
Expenditures:					
Capital outlay	<u>143,554</u>	<u>160,621</u>	<u>2,750</u>	<u>163,371</u>	<u>19,817</u>
Total expenditures	<u>143,554</u>	<u>160,621</u>	<u>2,750</u>	<u>163,371</u>	<u>19,817</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 195</u>	<u>(602)</u>	<u>\$ (407)</u>	<u>\$ (407)</u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u>\$ (602)</u>		

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Capital Projects Fund - Streetscape Project
From Inception and for the Fiscal Year Ended June 30, 2021

Statement 5

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Unrestricted intergovernmental:					
Department of Commerce grant	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Expenditures:					
Professional services	79,350	59,950	-	59,950	(19,400)
Planning	<u>-</u>	<u>14,296</u>	<u>6,578</u>	<u>20,874</u>	<u>20,874</u>
Total expenditures	<u>79,350</u>	<u>74,246</u>	<u>6,578</u>	<u>80,824</u>	<u>1,474</u>
Excess of revenues over (under) expenditures	<u>(29,350)</u>	<u>(24,246)</u>	<u>(6,578)</u>	<u>(30,824)</u>	<u>(1,474)</u>
Other financing sources:					
Transfers from other funds:					
General fund	29,350	29,350	-	29,350	-
Total other financing sources	<u>29,350</u>	<u>29,350</u>	<u>-</u>	<u>29,350</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,104</u>	<u>(6,578)</u>	<u>\$ (1,474)</u>	<u>\$ (1,474)</u>
Fund balances, beginning			<u>5,104</u>		
Fund balances, ending			<u>\$ (1,474)</u>		

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Capital Projects Fund - Street Resurfacing Project
From Inception and for the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Architectural and engineering	\$ 10,000	\$ 28,734	\$ -	\$ 28,734	\$ 18,734
Construction	128,000	104,247	-	104,247	(23,753)
Total expenditures	<u>138,000</u>	<u>132,981</u>	<u>-</u>	<u>132,981</u>	<u>(5,019)</u>
Other financing sources:					
Transfers from other funds:					
General fund	138,000	139,000	-	139,000	1,000
Total other financing sources	<u>138,000</u>	<u>139,000</u>	<u>-</u>	<u>139,000</u>	<u>1,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,019</u>	<u>-</u>	<u>\$ 6,019</u>	<u>\$ 6,019</u>
Fund balances, beginning			<u>6,019</u>		
Fund balances, ending			<u>\$ 6,019</u>		

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Water and Sewer Fund
Year Ended June 30, 2020

Statement 7
Page 1 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Water sales	\$ 507,000	\$ 502,431	\$ (4,569)
Sewer charges	364,000	352,945	(11,055)
Water and sewer taps	-	5,700	5,700
Other operating revenues	120,125	121,889	1,764
Total operating revenues	<u>991,125</u>	<u>982,965</u>	<u>(8,160)</u>
Expenditures:			
Sewer department:			
Professional services		10,453	
Utilities		69,796	
Maintenance and repairs		14,268	
Chemicals		10,581	
Supplies		4,232	
Contracted services		101,779	
Insurance and bonds		3,340	
Miscellaneous		9,391	
Total sewer department	<u>254,790</u>	<u>223,840</u>	<u>30,950</u>
Water administration:			
Salaries and benefits		95,276	
Professional services		23,328	
Utilities		398	
Supplies		2,977	
Insurance and bonds		4,340	
Miscellaneous		11,551	
Total water administration	<u>134,790</u>	<u>137,870</u>	<u>(3,080)</u>

(Continued)

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Water and Sewer Fund (Continued)
Year Ended June 30, 2020

Statement 7
Page 2 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sewer treatment:			
Salaries and employee benefits		\$ 71,699	
Professional services		5,708	
Utilities		38,555	
Maintenance and repairs		29,147	
Chemicals		17,125	
Supplies		789	
Contracted services		41,850	
Insurance and bonds		5,790	
Miscellaneous		1,504	
Total sewer treatment	<u>\$ 165,530</u>	<u>212,167</u>	<u>\$ (46,637)</u>
Line maintenance:			
Salaries and employee benefits		47,383	
Professional services		17,155	
Utilities		1,173	
Maintenance and repairs		57,285	
Supplies		14,424	
Contracted services		6,351	
Insurance and bonds		5,140	
Miscellaneous		56,322	
Total line maintenance	<u>230,960</u>	<u>205,233</u>	<u>25,727</u>
Debt service:			
Interest and other charges		13,504	
Principal retirement		117,101	
Total debt service	<u>167,190</u>	<u>130,605</u>	<u>36,585</u>
Capital outlay:			
Capital outlay		34,611	
Total capital outlay	<u>32,875</u>	<u>34,611</u>	<u>(1,736)</u>
Total expenditures	<u>986,135</u>	<u>944,326</u>	<u>41,809</u>
Revenues over (under) expenditures	<u>4,990</u>	<u>38,639</u>	<u>33,649</u>

(Continued)

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Water and Sewer Fund (Continued)
Year Ended June 30, 2020

Statement 7
Page 3 of 3

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing sources (uses):			
Sale of fixed asset	\$ 50,000	\$ -	\$ (50,000)
Transfers to other funds	(107,000)	44,264	151,264
Total other financing sources (uses)	<u>(57,000)</u>	<u>44,264</u>	<u>101,264</u>
Fund balance appropriated	<u>52,010</u>	<u>-</u>	<u>(52,010)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	82,903	<u>\$ 82,903</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		117,101	
Capital outlay		34,611	
Transfers from capital project funds		(44,264)	
State grants		988,075	
Depreciation		(371,091)	
Increases in receivables		17,208	
Decrease in accrued vacation pay		1,269	
Decrease in deferred outflows of resources - pensions		(6,671)	
Decrease in deferred inflows of resources - pensions		(1,701)	
Increase in net pension liability		3,546	
Total reconciling items		<u>738,083</u>	
Change in net position		<u>\$ 820,986</u>	

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual (Non-GAAP) - Capital Projects Fund - Water/Sewer Interconnection/
 Regionalization Study
 From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 2,000,000	\$ 412,530	\$ 98,346	\$ 510,876	\$ (1,489,124)
Total revenues	<u>2,000,000</u>	<u>412,530</u>	<u>98,346</u>	<u>510,876</u>	<u>(1,489,124)</u>
Expenditures:					
Capital outlay	<u>4,078,000</u>	<u>395,105</u>	<u>211,512</u>	<u>606,617</u>	<u>3,471,383</u>
Total expenditures	<u>4,078,000</u>	<u>395,105</u>	<u>211,512</u>	<u>606,617</u>	<u>3,471,383</u>
Other financing sources (uses):					
Transfers from other funds:					
Capital reserve fund	78,000	-	-	-	(78,000)
Loan proceeds received	<u>2,000,000</u>	<u>-</u>	<u>98,346</u>	<u>98,346</u>	<u>(1,901,654)</u>
Total other financing sources (uses)	<u>2,078,000</u>	<u>-</u>	<u>98,346</u>	<u>98,346</u>	<u>(1,979,654)</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 17,425</u>	<u>\$ (14,820)</u>	<u>\$ 2,605</u>	<u>\$ 2,605</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Capital Projects Fund - Sunset Sewer
From Inception and for the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 1,264,392	\$ 361,297	\$ 649,914	\$ 1,011,211	\$ (253,181)
Total revenues	<u>1,264,392</u>	<u>361,297</u>	<u>649,914</u>	<u>1,011,211</u>	<u>(253,181)</u>
Expenditures:					
Capital outlay	<u>2,573,038</u>	<u>399,014</u>	<u>1,266,058</u>	<u>1,665,072</u>	<u>907,966</u>
Total expenditures	<u>2,573,038</u>	<u>399,014</u>	<u>1,266,058</u>	<u>1,665,072</u>	<u>907,966</u>
Other financing sources:					
Transfers (to) from other funds:					
Water and sewer fund	44,254	44,254	(44,264)	(10)	(44,264)
Loan proceeds received	<u>1,264,392</u>	<u>-</u>	<u>649,914</u>	<u>649,914</u>	<u>(614,478)</u>
Total other financing sources	<u>1,308,646</u>	<u>44,254</u>	<u>605,650</u>	<u>649,904</u>	<u>(658,742)</u>
Other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 6,537</u>	<u>\$ (10,495)</u>	<u>\$ (3,958)</u>	<u>\$ (3,958)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances -

Budget and Actual (Non-GAAP) - Capital Projects Fund - Water/Sewer AIA Project

From Inception and for the Fiscal Year Ended June 30, 2021

	Project	Actual		Total to	Variance
	Authorization	Prior	Current	Date	Positive
		Years	Year		(Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 300,000	\$ 157,245	\$ 133,717	\$ 290,962	\$ (9,038)
Total revenues	<u>300,000</u>	<u>157,245</u>	<u>133,717</u>	<u>290,962</u>	<u>(9,038)</u>
Expenditures:					
Capital outlay	<u>305,000</u>	<u>162,245</u>	<u>129,783</u>	<u>292,028</u>	<u>12,972</u>
Total expenditures	<u>305,000</u>	<u>162,245</u>	<u>129,783</u>	<u>292,028</u>	<u>12,972</u>
Other financing sources:					
Transfers from other funds:					
Water and sewer fund	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Total other financing sources	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,934</u>	<u>\$ 3,934</u>	<u>\$ 3,934</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances -

Budget and Actual (Non-GAAP) - Capital Projects Fund - Wastewater Trmt. Plant/Pump Station Rehab Project
 From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 1,350,000	\$ 52,606	\$ 69,839	\$ 122,445	\$ (1,227,555)
Total revenues	<u>1,350,000</u>	<u>52,606</u>	<u>69,839</u>	<u>122,445</u>	<u>(1,227,555)</u>
Expenditures:					
Capital outlay	1,374,500	52,606	70,719	123,325	1,251,175
Total expenditures	<u>1,374,500</u>	<u>52,606</u>	<u>70,719</u>	<u>123,325</u>	<u>1,251,175</u>
Other financing sources (uses):					
Transfers from other funds:					
Water and sewer fund	24,500	-	-	-	(24,500)
Total other financing sources (uses)	<u>24,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,500)</u>
Other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (880)</u>	<u>\$ (880)</u>	<u>\$ (880)</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Capital Projects Fund - Simmons Water Line Project
From Inception and for the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 379,795	\$ -	\$ 36,259	\$ 36,259	\$ (343,536)
Total revenues	<u>379,795</u>	<u>-</u>	<u>36,259</u>	<u>36,259</u>	<u>(343,536)</u>
Expenditures:					
Capital outlay	379,795	-	155,582	155,582	224,213
Total expenditures	<u>379,795</u>	<u>-</u>	<u>155,582</u>	<u>155,582</u>	<u>224,213</u>
Other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (119,323)</u>	<u>\$ (119,323)</u>	<u>\$ (119,323)</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

Statement 13

	Mount Pilot Now Fiduciary Fund	Pilot Mountain Area Business Association Committee Fiduciary Fund	Total
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities			
Liabilities:			
Intergovernmental payable	\$ -	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Changes in Assets and Liabilities
Mount Pilot Now Agency Fund
June 30, 2021

Statement 14

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets				
Cash and cash equivalents	\$ 22,702	\$ -	\$ 22,702	\$ -
Total assets	<u>\$ 22,702</u>	<u>\$ -</u>	<u>\$ 22,702</u>	<u>\$ -</u>
Liabilities				
Liabilities:				
Intergovernmental payable	\$ 22,702	\$ -	\$ 22,702	\$ -
Total liabilities	<u>\$ 22,702</u>	<u>\$ -</u>	<u>\$ 22,702</u>	<u>\$ -</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Changes in Assets and Liabilities
Pilot Mountain Area Business Association Committee Agency Fund
June 30, 2021

Statement 15

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets				
Cash and cash equivalents	\$ 802	\$ -	\$ 802	\$ -
Total assets	<u>\$ 802</u>	<u>\$ -</u>	<u>\$ 802</u>	<u>\$ -</u>
Liabilities				
Liabilities:				
Intergovernmental payable	\$ 802	\$ -	\$ 802	\$ -
Total liabilities	<u>\$ 802</u>	<u>\$ -</u>	<u>\$ 802</u>	<u>\$ -</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Statement 16

Schedule of Revenues, Expenditures

Budget and Actual (Non-GAAP) - Pilot Mountain Tourism Development Authority

June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues	\$ 27,730	\$ 26,739	\$ (991)
Expenditures:			
Economic development	<u>27,730</u>	<u>25,445</u>	<u>2,285</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 1,294</u>	<u>\$ 1,294</u>

OTHER SCHEDULES

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Schedule 1

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections, and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 902,767	\$ 892,065	\$ 10,702
2019-2020	16,557	-	9,687	6,870
2018-2019	5,847	-	-	5,847
2017-2018	5,120	-	2,707	2,413
2016-2017	1,802	-	393	1,409
2015-2016	1,471	-	536	935
2014-2015	1,482	-	679	803
2013-2014	1,269	-	240	1,029
2012-2013	1,021	-	-	1,021
2011-2012	1,432	-	-	1,432
2010-2011	3,486	-	3,486	-
Total	<u>\$ 39,487</u>	<u>\$ 902,767</u>	<u>\$ 909,793</u>	<u>32,461</u>
Less: allowance for uncollectible accounts:				
General Fund				-
Ad valorem taxes receivable - net				<u>\$ 32,461</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - general fund				\$ 905,018
Reconciling items:				
Interest collected				(5,473)
Miscellaneous adjustments				10,248
Total collections and credits				<u>\$ 909,793</u>

Analysis of Current Year Tax Levy

Town - Wide Levy

June 30, 2021

	Town-wide			Total Levy	
	Property Valuation (in Thousand)	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year rate	\$ 138,301,547	0.5700	\$ 788,319	\$ 788,319	\$ -
Motor vehicles	14,905,465	0.5700	84,961	-	84,961
Penalties	-	0.5700	1,014	1,014	-
Discoveries	4,729,061	0.5700	32,287	32,287	-
Releases	(650,100)	0.5700	(3,814)	(3,814)	-
Total property value	<u>\$ 157,285,973</u>				
Net levy			<u>902,767</u>	<u>817,806</u>	<u>84,961</u>
Unpaid (by taxpayer) taxes at June 30, 2021			<u>10,702</u>	<u>10,702</u>	<u>-</u>
Current year's taxes collected			<u>\$ 892,065</u>	<u>\$ 807,104</u>	<u>\$ 84,961</u>
Current levy collection percentage			<u>98.81%</u>	<u>98.69%</u>	<u>100.00%</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

STATISTICAL SECTION

Statistical Section Table of Contents

This part of the Town of Pilot Mountain, North Carolina's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the Town's overall health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Town's ability to generate its income taxes and electric revenues.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 1,812,725	\$ 2,021,994	\$ 1,929,611	\$ 1,914,776	\$ 1,879,692	\$ 1,900,642	\$ 1,859,935	\$ 2,086,531	\$ 2,171,281	\$ 2,084,954
Restricted	239,065	186,164	270,402	280,387	286,989	271,660	534,922	912,156	577,732	664,508
Unrestricted	108,838	167,774	214,467	332,176	547,764	380,967	8,524	(438,654)	(405,506)	(290,803)
Total governmental activities net assets	\$ 2,160,628	\$ 2,375,932	\$ 2,414,480	\$ 2,527,339	\$ 2,714,445	\$ 2,553,269	\$ 2,403,381	\$ 2,560,033	\$ 2,343,507	\$ 2,458,659
Business-type activities										
Net investment in capital assets	\$ 6,303,893	\$ 6,111,527	\$ 5,967,434	\$ 5,827,035	\$ 5,684,435	\$ 5,509,980	\$ 5,443,232	\$ 5,763,923	\$ 5,943,033	\$ 7,557,307
Unrestricted	167,185	117,284	22,477	(9,995)	160,684	273,963	213,650	(166,047)	142,611	(650,677)
Total business-type activities net position	\$ 6,471,078	\$ 6,228,811	\$ 5,989,911	\$ 5,817,040	\$ 5,845,119	\$ 5,783,943	\$ 5,656,882	\$ 5,597,876	\$ 6,085,644	\$ 6,906,630
Primary Government										
Net investment in capital assets	\$ 8,116,618	\$ 8,133,521	\$ 7,897,045	\$ 7,741,811	\$ 7,564,127	\$ 7,410,622	\$ 7,303,167	\$ 7,850,454	\$ 8,114,314	\$ 9,642,261
Restricted	239,065	186,164	270,402	280,387	286,989	271,660	534,922	912,156	577,732	664,508
Unrestricted	276,023	285,058	236,944	322,181	708,448	654,930	222,174	(604,701)	(262,895)	(941,480)
Total Primary Government	\$ 8,631,706	\$ 8,604,743	\$ 8,404,391	\$ 8,344,379	\$ 8,559,564	\$ 8,337,212	\$ 8,060,263	\$ 8,157,909	\$ 8,429,151	\$ 9,365,289

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities										
General Government	\$ 361,620	\$ 832,685	\$ 381,424	\$ 321,533	\$ 422,306	\$ 372,078	\$ 338,736	\$ 104,580	\$ 449,724	\$ 302,564
Public Safety	629,858	653,828	668,266	626,299	582,852	591,812	746,399	739,034	802,780	949,928
Transportation	282,684	385,097	220,711	68,340	164,143	177,483	195,029	353,503	139,549	157,565
Economic Development	27,685	31,697	32,188	39,580	14,632	42,861	126,601	126,601	282,186	162,146
Environmental Protection	77,323	70,602	80,813	188,569	186,786	208,938	241,654	349,685	247,280	274,902
Culture and Recreation	113,150	108,822	98,063	122,724	89,033	131,808	106,307	108,279	93,425	99,390
Interest on Long Term Debt	7,443	6,988	7,258	6,643	302	1,765	14,958	6,130	3,219	6,958
Total governmental activities expenses	<u>1,499,763</u>	<u>2,089,719</u>	<u>1,488,723</u>	<u>1,373,688</u>	<u>1,460,054</u>	<u>1,526,745</u>	<u>1,769,684</u>	<u>1,787,812</u>	<u>2,018,163</u>	<u>1,953,453</u>
Business-type activities:										
Water and Sewer	765,629	836,773	940,407	924,692	991,428	994,305	910,301	1,174,325	1,127,019	1,167,262
Total business-type activities expense	<u>765,629</u>	<u>836,773</u>	<u>940,407</u>	<u>924,692</u>	<u>991,428</u>	<u>994,305</u>	<u>910,301</u>	<u>1,174,325</u>	<u>1,127,019</u>	<u>1,167,262</u>
Total Primary Government	<u>\$ 2,265,392</u>	<u>\$ 2,926,492</u>	<u>\$ 2,429,130</u>	<u>\$ 2,298,380</u>	<u>\$ 2,451,482</u>	<u>\$ 2,521,050</u>	<u>\$ 2,679,985</u>	<u>\$ 2,962,137</u>	<u>\$ 3,145,182</u>	<u>\$ 3,120,715</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,421	\$ 163,926	\$ 174,252	\$ 140,059
Public Safety	-	-	1,666	-	14,297	4,500	2,091	2,091	3,514	6,182
Economic Development	-	-	-	-	-	-	-	-	-	218,059
Environmental Protection	-	-	-	-	-	-	70,694	70,694	76,058	79,950
Operating grants and contributions	43,812	476,846	46,304	49,624	45,507	44,764	43,900	43,900	43,583	41,301
Capital grants and contributions	104,925	373,777	16,299	-	-	-	142,208	157,304	18,608	2,148
Total governmental activities program revenues	<u>148,737</u>	<u>850,623</u>	<u>64,269</u>	<u>49,624</u>	<u>59,804</u>	<u>49,264</u>	<u>370,314</u>	<u>437,915</u>	<u>316,015</u>	<u>487,699</u>
Business-type activities:										
Charges for services										
Water and Sewer	629,652	654,054	706,157	717,668	811,284	854,528	851,123	907,038	921,559	1,000,173
Operating grants and contributions	-	-	-	26,481	138,180	37,000	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	93,000	197,450	693,228	988,075
Total business-type activities program revenues	<u>629,652</u>	<u>654,054</u>	<u>706,157</u>	<u>744,149</u>	<u>949,464</u>	<u>891,528</u>	<u>944,123</u>	<u>1,104,488</u>	<u>1,614,787</u>	<u>1,988,248</u>
Total Governmental activities program revenues	<u>\$ 778,389</u>	<u>\$ 1,504,677</u>	<u>\$ 770,426</u>	<u>\$ 793,773</u>	<u>\$ 1,009,268</u>	<u>\$ 940,792</u>	<u>\$ 1,314,437</u>	<u>\$ 1,542,403</u>	<u>\$ 1,930,802</u>	<u>\$ 2,475,947</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Changes in Net Position (Continued)

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (Expense)/Revenue										
Governmental activities	\$ (1,351,026)	\$ (1,239,096)	\$ (1,424,454)	\$ (1,324,064)	\$ (1,400,250)	\$ (1,477,481)	\$ (1,399,370)	\$ (1,349,897)	\$ (1,702,148)	\$ (1,465,754)
Business-type activities	(135,977)	(182,719)	(234,250)	(180,543)	(41,964)	(102,777)	33,822	(69,837)	487,768	820,986
Total Primary Government Expense	<u>\$ (1,487,003)</u>	<u>\$ (1,421,815)</u>	<u>\$ (1,658,704)</u>	<u>\$ (1,504,607)</u>	<u>\$ (1,442,214)</u>	<u>\$ (1,580,258)</u>	<u>\$ (1,365,548)</u>	<u>\$ (1,419,734)</u>	<u>\$ (1,214,380)</u>	<u>\$ (644,768)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes	\$ 810,753	\$ 871,046	\$ 868,266	\$ 850,426	\$ 811,741	\$ 819,384	\$ 845,608	\$ 851,937	\$ 813,607	\$ 905,018
Grants and unrestricted contributions	454,147	461,624	456,610	510,625	545,111	545,974	608,133	608,930	614,686	648,883
Gain (loss) on sale of property	-	(74,105)	3,720	(1,097)	-	16,693	-	-	6,752	26,999
Investment earnings	817	1,299	919	913	672	2,333	6,988	6,988	577	6
Miscellaneous	101,983	119,841	114,087	141,264	224,617	138,494	3,694	3,694	-	-
Insurance recovery	60,000	-	-	-	-	-	-	-	-	-
Forgiveness of debt	-	-	-	-	34,121	-	-	-	-	-
Transfers in (out)	71,141	74,695	19,400	-	(29,106)	-	(150,500)	-	-	-
Total governmental activities	<u>1,498,841</u>	<u>1,454,400</u>	<u>1,463,002</u>	<u>1,502,131</u>	<u>1,587,156</u>	<u>1,522,878</u>	<u>1,313,923</u>	<u>1,471,549</u>	<u>1,435,622</u>	<u>1,580,906</u>
Business-type activities:										
Gain on sale of property	-	-	-	-	-	32,710	10,831	10,831	-	-
Investment earnings	-	-	-	-	-	-	-	-	-	-
Miscellaneous	16,740	15,147	14,750	32,466	40,937	8,891	55,915	-	-	-
Transfers in (out)	(71,141)	(74,695)	(19,400)	-	29,106	-	64,611	-	-	-
Total business-type activities	<u>(54,401)</u>	<u>(59,548)</u>	<u>(4,650)</u>	<u>32,466</u>	<u>70,043</u>	<u>41,601</u>	<u>131,357</u>	<u>10,831</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 1,444,440</u>	<u>\$ 1,394,852</u>	<u>\$ 1,458,352</u>	<u>\$ 1,534,597</u>	<u>\$ 1,657,199</u>	<u>\$ 1,564,479</u>	<u>\$ 1,445,280</u>	<u>\$ 1,482,380</u>	<u>\$ 1,435,622</u>	<u>\$ 1,580,906</u>
Change in Net Position										
Governmental activities	\$ 259,745	\$ 29,946	\$ 138,938	\$ 101,881	\$ 109,675	\$ 123,508	\$ (85,447)	\$ 121,652	\$ (266,526)	\$ 115,152
Business-type activities	(237,120)	(293,798)	(185,193)	(9,498)	(32,734)	75,423	165,179	(59,006)	487,768	820,986
Total Primary Government	<u>\$ 22,625</u>	<u>\$ (263,852)</u>	<u>\$ (46,255)</u>	<u>\$ 92,383</u>	<u>\$ 76,941</u>	<u>\$ 198,931</u>	<u>\$ 79,732</u>	<u>\$ 62,646</u>	<u>\$ 221,242</u>	<u>\$ 936,138</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund	\$ 204,087	\$ 121,695	\$ 271,682	\$ 282,223	\$ 286,989	\$ 271,660	\$ 534,922	\$ 912,156	\$ 577,732	\$ 664,508
Restricted	-	-	33,070	-	-	-	-	20,000	20,000	-
Assigned	143,785	209,364	214,913	388,963	547,764	380,967	312,193	(202,288)	(59,794)	32,524
Unassigned	\$ 347,872	\$ 331,059	\$ 519,665	\$ 671,186	\$ 834,733	\$ 652,627	\$ 847,115	\$ 729,868	\$ 537,938	\$ 697,032
Total general fund										
All Other Governmental Funds	\$ 2,571	\$ 8,137	\$ 25,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	45,177	11,123	3,943
Unassigned, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Capital projects fund	32,407	56,332	(26,652)	(1,636)	(1,636)	136,220	(195)	(2,268)	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 34,978	\$ 64,469	\$ (1,280)	\$ (1,636)	\$ (1,636)	\$ 136,220	\$ (195)	\$ 42,909	\$ 11,123	\$ 3,943

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Ad valorem taxes	\$ 787,127	\$ 839,579	\$ 835,000	\$ 831,858	\$ 822,903	\$ 837,857	\$ 826,304	\$ 848,280	\$ 813,607	\$ 905,018
Other taxes and licenses	26,186	33,815	33,064	26,956	-	-	-	-	-	-
Unrestricted intergovernmental revenues	454,147	461,624	456,610	510,625	545,111	545,974	553,524	632,342	632,319	651,031
Restricted intergovernmental revenues	112,319	509,808	80,158	71,387	62,208	52,597	84,589	215,936	99,220	266,664
Permits and Fees	4,805	3,870	4,645	5,310	2,205	3,490	4,560	2,980	2,155	4,150
Investment Earnings	817	1,299	919	913	672	2,333	8,204	6,988	577	6
Other Revenues	71,829	80,891	76,378	108,998	213,786	131,669	140,126	230,587	240,180	216,490
Total revenue	1,457,230	1,930,886	1,486,774	1,556,047	1,646,885	1,573,920	1,617,307	1,937,113	1,788,058	2,043,359
Expenditures										
Current										
General government	335,084	806,837	368,222	322,995	394,091	349,613	348,923	353,197	530,230	366,909
Public safety	623,135	661,593	664,731	642,926	601,442	670,165	662,024	728,501	776,740	915,063
Transportation	259,845	379,527	241,809	89,626	192,492	182,547	149,262	333,364	185,351	148,740
Pilot Center										
Economic Development	27,683	31,697	32,188	39,581	14,632	42,861	83,296	143,469	279,291	160,833
Environmental Protection	77,323	70,602	80,813	187,919	225,582	204,167	286,438	337,890	222,340	252,197
Cultural and Recreation	130,337	259,211	73,193	89,130	55,795	98,568	103,323	68,915	60,187	67,056
Debt service:										
Principal retirement	14,932	15,384	21,114	25,584	9,561	20,628	34,656	43,484	35,151	69,611
Interest and Fees	7,555	7,103	7,376	6,765	302	1,766	6,149	6,130	3,219	6,958
Total expenditures	1,475,894	2,231,954	1,489,446	1,404,526	1,493,897	1,570,315	1,674,071	2,014,950	2,092,509	1,987,367
Excess (Deficiency) of revenues over (under) expenditures	(18,664)	(301,068)	(2,672)	151,521	152,988	3,605	(56,764)	(77,837)	(304,451)	55,992
Other Financing sources (uses)										
Proceeds from sale of capital assets	-	209,560	143,720	-	5,253	16,693	8,600	3,694	7,310	26,999
Transfers In	71,141	74,695	19,400	200,000	-	-	-	-	-	-
Transfers Out	-	-	-	-	(30,742)	-	(34,611)	(150,500)	(17,850)	-
Proceeds from Debt	-	-	28,158	-	86,221	-	24,491	-	-	68,923
Insurance Recovery	60,000	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	131,141	284,255	191,278	200,000	60,732	16,693	(1,520)	(146,806)	(10,540)	95,922
Net change in fund balances	\$ 112,477	\$ (16,813)	\$ 188,606	\$ 351,521	\$ 213,720	\$ 20,298	\$ (58,284)	\$ (224,643)	\$ (314,991)	\$ 151,914
Debt service as a percentage of noncapital expenditures	1.52%	1.01%	1.91%	2.30%	0.66%	1.43%	2.53%	2.89%	2.00%	4.07%

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Assessed Value of Taxable Property
Last Ten Fiscal Years
(in thousands)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service</u>	<u>Total</u>	<u>Tax Rate</u>	<u>Levy</u>
2012	118,271,426	10,987,134	1,565,083	130,823,643	0.56	732,612
2013	120,276,354	13,489,563	1,627,876	135,393,793	0.58	785,284
2014	115,174,844	14,860,818	2,065,037	132,100,699	0.56	739,764
2015	117,224,040	16,494,865	2,060,000	135,778,905	0.57	773,940
2016	115,405,940	13,764,334	2,375,245	131,545,519	0.57	749,809
2017	108,769,516	14,159,852	2,595,804	125,525,172	0.57	715,493
2018	110,900,449	15,401,119	2,764,516	129,066,084	0.57	735,677
2019	116,863,340	18,139,804	3,679,970	138,683,114	0.57	790,494
2020	129,367,966	20,413,138	3,809,246	153,590,350	0.57	875,465
2021	116,796,568	36,583,298	3,906,107	157,285,973	0.57	902,767

Note: Property in the Town of Pilot Mountain is assessed by the Surry County Tax Office. The most recent revaluation occurred in 2016. Tax exempt property is not assessed by Surry County for tax purposes. Tax rates are per \$100 of assessed value and are the weighted average of all the individual direct rates applied.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Property Tax Rates-Direct and All Overlapping Governments
Last Ten Fiscal years
Per \$100 of Assessed Valuation

Name of Government	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
County of Surry	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582
Town of Pilot Mountain	0.560	0.560	0.560	0.570	0.570	0.570	0.570	0.570	0.570	0.570
Pilot Knob Fire District	-	-	-	-	0.040	0.040	0.040	0.040	0.040	0.040
Total Direct and Overlapping Rates	\$ 1.142	\$ 1.142	\$ 1.142	\$ 1.152	\$ 1.192	\$ 1.192	\$ 1.192	\$ 1.192	\$ 1.192	\$ 1.192

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Principal Property Taxpayer

Current Year and Nine Years Ago

	2021			2012		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Jimmy R Lynch & Sons	\$ 6,994,828	1	24.12%	\$ 3,884,327	1	16.71%
Glenwood Pilot Mountain Co LLC	2,775,250	2	9.57%	2,518,370	2	10.84%
Duke Energy	2,584,754	3	8.91%	-	-	0.00%
Chilton Moir Edward	2,404,810	4	8.29%	2,477,230	3	10.66%
Needham Holdings LLC	2,111,880	5	7.28%	1,709,310	7	7.36%
CVS Corporation	2,022,070	6	6.97%	-	-	0.00%
Key Street of Pilot LLC	1,960,560	7	6.76%	1,646,710	9	7.09%
Time Warner Cable Southeast	1,660,330	8	5.72%	-	-	0.00%
Barbee Harold Ted	1,510,620	9	5.21%	1,646,710	8	7.09%
Pinnacle Hill Limited Partners	1,469,380	10	5.07%	1,631,310	9	7.02%
Green Thomas W Jr	1,318,220	11	4.54%	2,313,840	4	9.96%
North Key Street LLC	1,172,220	12	4.04%	2,074,840	5	8.93%
Akshar Hotels LLC	1,020,290	13	3.52%	1,773,610	6	7.63%
Intex Coprporation				1,562,780	10	6.71%
Total	<u>\$ 29,005,212</u>		<u>100.00%</u>	<u>\$ 23,239,037</u>		<u>100.00%</u>

Source: Municipal Tax Assessor

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Property Tax Levies and Collections
Last Ten Fiscal years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal		Collections in Subsequent	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 789,346	\$ 772,772	97.90%	\$ 16,109	\$ 788,881	99.94%
2013	828,178	816,038	98.53%	12,100	828,138	100.00%
2014	830,273	816,206	98.31%	12,982	829,188	99.87%
2015	836,316	825,175	98.67%	9,913	835,088	99.85%
2016	829,075	820,043	98.91%	7,904	827,947	99.86%
2017	821,551	814,204	99.11%	4,335	818,539	99.63%
2018	815,180	805,916	98.86%	4,067	809,983	99.36%
2019	852,300	844,808	99.12%	-	844,808	99.12%
2020	875,465	858,908	98.11%	-	858,908	98.11%
2021	902,767	892,065	98.81%	-	892,065	98.81%

Source: Town Records

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Ratios of Outstanding Debt by Type

Debt Per Capita

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities	Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita	Population (Est.)	Assessed Value of Taxable Property
	Installment Purchases	General Obligation Bonds	Installment Purchases					
2012	\$ 240,594	\$ 192,000	\$ 609,979	\$1,042,573	3.37%	700.18	1,489	\$130,823,643
2013	225,210	182,000	526,083	933,293	3.01%	625.53	1,492	135,393,793
2014	209,362	172,000	442,187	823,549	2.72%	546.85	1,506	132,100,699
2015	193,034	161,000	358,290	712,324	2.30%	472.99	1,506	135,778,905
2016	279,255	150,000	370,479	799,734	2.55%	532.80	1,501	131,545,519
2017	228,552	138,000	665,168	1,031,720	3.28%	685.53	1,505	125,525,172
2018	218,417	125,000	571,095	914,512	2.73%	607.25	1,506	129,066,140
2019	174,933	112,000	470,304	757,237	2.06%	503.15	1,505	138,683,158
2020	213,206	98,000	368,766	679,972	1.60%	451.51	1,506	135,423,716
2021	212,517	84,000	1,013,925	1,310,442	3.25%	872.46	1,502	138,301,547

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Ratio of Annual Debt Service Expenditures For
General Bonded Debt to General Government Expenditures
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service Expenditures	Total General Government Expenditures	Percentage of Debt Service to Total General Government Expenditures
2012	\$ 9,000	\$ 10,050	\$ 19,050	\$ 1,499,763	1.27%
2013	10,000	9,600	19,600	2,089,719	0.94%
2014	10,000	9,100	19,100	1,488,723	1.28%
2015	11,000	8,600	19,600	1,373,688	1.43%
2016	11,000	8,050	19,050	1,460,054	1.30%
2017	12,000	7,500	19,500	1,526,745	1.28%
2018	13,000	6,250	19,250	1,674,071	1.15%
2019	14,000	5,600	19,600	2,014,950	0.97%
2020	14,000	4,900	18,900	2,092,509	0.90%
2021	14,000	4,200	18,200	1,987,367	0.92%

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Computation of Direct and Underlying Debt
General Obligation Bonds
June 30, 2021

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Direct			
Town of Pilot Mountain			
Installment Debt	\$ 143,594	100.000%	\$ 143,594
Underlying			
Surry County			
General Obligation Bonds	495,000	2.39%	<u>11,851</u>
Total direct and overlapping debt			<u>\$ 155,445</u>

Sources: Town of Pilot Mountain and County of Surry, North Carolina CAFR, Year Ended June 30, 2021

a - Percent applicable to the Town of Pilot Mountain calculated using assessed valuation of Town divided by assessed valuation of the County.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Legal Debt Margin Information

Last Ten Fiscal Years

	2012	2013	2014	2015	2016	Fiscal Year Ending June 30, 2017	2018	2019	2020	2021
Assessed Value of Property	\$ 130,823,643	\$ 135,393,793	\$ 132,100,699	\$ 135,778,905	\$ 131,545,519	\$ 125,525,172	\$ 129,066,140	\$ 138,683,158	\$ 135,423,716	\$ 138,301,547
Debt limit, 8% of assessed value	10,465,891	10,831,503	10,568,056	10,862,312	10,523,642	10,042,014	10,325,291	11,094,653	10,833,897	11,064,124
Total net debt applicable to limit	1,042,573	933,293	823,549	712,324	799,734	1,031,720	914,512	757,237	606,547	1,310,442
Legal debt margin available	\$ 9,423,318	\$ 9,898,210	\$ 9,744,507	\$ 10,149,988	\$ 9,723,908	\$ 9,010,294	\$ 9,410,779	\$ 10,337,416	\$ 10,227,350	\$ 9,753,682

Total net debt applicable to the limit
as a percentage of debt limit

	9.96%	8.62%	7.79%	6.56%	7.60%	10.27%	8.86%	6.83%	5.60%	11.84%
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Source: Town of Pilot Mountain

Note: NC General Statute 159-55 limits the Town's outstanding debt to 8% of the appraised value of property subject to taxation.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Principal Employers

Current Year and Nine Years Ago

Employer	2021			2012		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment
Surry County Schools	1,320	1	4.55%	1,239	1	3.45%
Wayne Poultry Company	1,000	2	3.44%	866	2	2.41%
Northern Hospital of Surry County	850	3	2.93%	745	4	2.07%
Hugh Chatham Memorial Hospital	700	4	2.41%	407	8	1.13%
County of Surry	500	5	1.72%	859	3	2.39%
Surry Community College	500	6	1.72%	418	6	1.16%
Wal-Mart	400	7	1.38%	410	7	1.14%
Vitro/PGW	360	8	1.24%	-	-	0.00%
Hanes Brands, Inc	250	9	0.86%	427	5	1.19%
Floyd Pike Electrical Contractors	250	10	0.86%	342	10	0.95%
Renfro Corporation	200	11	0.69%	351	9	0.98%
	<u>6,330</u>		<u>21.80%</u>	<u>6,064</u>		<u>16.87%</u>

Source: Surry County Economic Development Partnership. Numbers are for Surry County and not Pilot Mountain specifically. Data is not available below the County level

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Year</u>	<u>Population ^a</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>	<u>Median Age</u>	<u>Public School Enrollment</u>
2012	1,492	20,793	10.00%	39.7	376
2013	1,506	20,118	8.90%	39.9	377
2014	1,506	20,570	6.30%	39.8	382
2015	1,501	20,910	5.90%	39.8	385
2016	1,505	20,910	4.90%	39.8	386
2017	1,506	22,238	4.30%	38.5	390
2018	1,505	22,238	3.90%	38.5	395
2019	1,505	24,464	4.20%	39.4	411
2020	1,506	25,532	11.30%	45.5	423
2021	1,649	24,464	4.20%	45.4	435

Source:

^a Population information provided by US Census Bureau American Fact Finder

^c Per capita personal income data from the US Census Bureau American Community Survey

^d Unemployment data provided by the Federal Reserve Bank of St. Louis, as of June of each year.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Full-time Equivalent Town Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration										
Manager	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance Officer	1.0	-	-	-	-	-	-	-	-	-
Town Clerk	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Customer Service Representative	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0
Downtown Development										
Main Street Coordinator	-	-	-	-	-	-	0.5	0.5	0.5	0.5
Police										
Chief	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Captain	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Lieutenant	1.0	1.0	1.0	1.0	1.0	-	-	-	-	-
Sergeant	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Officer	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Dispatch	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Works										
Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Supervisor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	-
Maintenance Worker	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0
Water Treatment Plant										
ORC	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	-
Plant Maintenance Tech	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Wastewater Treatment Plant										
Plant Operator	0.5	0.5	0.5	0.5	0.5	-	-	-	-	-
Total	22.5	21.5	21.5	21.5	21.5	18.0	18.5	18.5	16.5	16.5

Source: District Personnel Records

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Operating Indicators by Function

Last Ten Fiscal Years

Function/Program	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration										
Zoning Permits	24	23	26	28	50	41	44	59	57	62
Tax Rate	\$ 0.56	\$ 0.58	\$ 0.56	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57
Police										
Criminal Activities	4,008	5,517	3,490	3,986	5,048	4,321	622	3,875	3,268	3,354
Total Activities	53,882	57,024	77,249	71,779	75,588	50,245	11,197	69,869	66,966	67,852
Patrol Miles Driven	78,526	78,236	77,562	75,123	69,718	77,458	71,258	91,000	75,000	82,000
Public Works										
Street Signs Installed	2	-	7	6	3	3	30	25	20	5
Meters Read	12,010	12,010	12,010	12,010	12,096	12,096	12,096	12,372	12,372	12,372
New Water/Sewer Taps	3	2	5	3	5	7	19	5	2	5
Water Treatment										
Gallons Treated	98,625	88,375	48,875	24,375	49,250	64,750	55,875	102,234	78,860	101,030
Permit Violations	-	-	-	-	-	1	1	1	1	-
Wastewater Treatment										
Gallons Treated	78.9	70.7	39.1	19.5	39.4	51.8	44.7	72.6	72.8	69.1
Permit Violations	-	2	1	-	3	-	1	1	1	-
Finance										
Vendor Checks Written	7,251	7,566	7,395	7,430	5,641	7,580	9,213	1,150	1,150	1,120
Payroll Checks Processed	585	559	559	559	559	468	481	481	429	442
Taxes Collected	97.90%	98.53%	98.31%	98.67%	98.91%	99.11%	99.12%	99.05%	97.93%	98.69%
Downtown Development										
Façade Grants Issued	-	-	-	-	-	-	2	3	6	5
Events	7	7	7	7	8	8	10	10	7	3

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	7	7	7	7	6	6	7	7	10	10
Public Works										
Streets (miles)	19	19	19	19	19	19	19	19	19	19
Traffic Signals	-	-	-	-	-	-	-	-	-	-
Water										
Transmission lines (miles)	18	18	18	18	18	18	18	18	18	18
Fire Hydrants	193	193	193	193	193	193	193	193	193	193
Storage Capacity	1,800,000	1,800,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,200,000	1,200,000
Wastewater Treatment										
Collection Lines	18	18	18	18	18	18	18	18	18	18
Pump Stations	19	19	19	19	19	19	19	19	19	19
Treatment Plants	1	1	1	1	1	1	1	1	1	1

COMPLIANCE SECTION



**Independent Auditor's 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 Pilot Mountain, 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 statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregated remaining fund information of the Town of Pilot Mountain, North Carolina (the "Town") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 28, 2022. Our report includes a reference to other auditors who audited the financial statements of the Town of Pilot Mountain ABC Board, as described in our report on the Town of Pilot Mountain's financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reports or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Pilot Mountain ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other 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 Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
February 28, 2022



**Independent Auditor's Report On Compliance For The Major State Program;
Report on Internal Control Over Compliance; In accordance with OMB
Uniform Guidance; and the State Single Audit Implementation Act**

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

Report on Compliance for The Major State Program

We have audited the Town of Pilot Mountain, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Pilot Mountain's major state programs for the year ended June 30, 2021. The Town of Pilot Mountain's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Pilot Mountain's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Pilot Mountain 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, 2021.

Report on Internal Control Over Compliance

Management of the Town of Pilot Mountain is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Pilot Mountain's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

Purpose of this Report

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

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
February 28, 2022

**CITY OF PILOT MOUNTAIN, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2021**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>State/ Pass-through Grantor's No.</u>	<u>State Expenditures</u>
State Grants:		
<u>N.C. Department of Environmental Quality</u>		
Connect NC Bond	E-SRP-W-17-0115/ H- SRP-D-17-0142	\$ 1,833,654
<u>Officer of the Governor:</u>		
NC Governor's Crime Commission		43,604
<u>N.C. Department of Transportation:</u>		
Powell Bill		41,301
Total assistance		<u>\$ 1,918,559</u>

Notes to the Schedule of Expenditures of State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of State awards includes the State grant activity of the Town of Pilot Mountain under the programs of the State of North Carolina for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Pilot Mountain, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Pilot Mountain.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Loans Outstanding

The Town of Pilot Mountain had the following loan balances outstanding at June 30, 2021 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the schedule. The balance of loans outstanding at June 30, 2021 consist of:

<u>Program Title</u>	<u>State Grantor's No.</u>	<u>Amount Outstanding</u>
Connect NC Bond	E-SRP-W-17-0115/ H- SRP-D-17-0142	\$ 748,260

**CITY OF PILOT MOUNTAIN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021**

Section 1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	Yes	X	No
Significant Deficiency(s)	Yes	X	No
Noncompliance material to financial statements noted?	Yes	X	No

State Awards

Major State Program:	Connect NC Bond		
Type of auditor's report issued on compliance for major state program:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	Yes	X	No
Significant Deficiency(s)	Yes	X	No
Any audit findings disclosed?	Yes	X	No

Section II. Financial Statement Findings

None

Section III. State Awards Findings and Questioned Costs

None