

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022



TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

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, 2022

INTRODUCTORY SECTION

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

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June 30, 2022

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Pilot Mountain, NC 27041**



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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, 2022 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 licensed 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 & 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, 2022 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, 2022 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 statements 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 1,422 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 1,440 as of July 2022.

The Town has suffered from a lack of growth over the last 8 years, mainly as a result of the Great Recession. The Town has started to recover with the first new single-family residences in several years currently under construction, 14 town homes completed within the last year, and several developers expressing interest in potential apartment complex developments. The commercial sector has also slowly recovered with several new stores opening in our downtown and several others in some phase of development. The Town Board and the residents of the Town have placed a particular emphasis on downtown re-development over the past year and the staff believes that this trend will continue.

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

Police:

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

Public Works:

Garbage & Recycling Collection	White Goods Collections
Leaf & Limb Collection	Street & Sidewalk Maintenance
Right of Way Mowing	Street Lighting
Storm Drainage	Snow/Ice Removal
Water & Sewer Line Maintenance	Water Meter Reading
Water & Sewer Taps	Water Treatment
Sewer 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 2021-2022 budget was adopted to include the General Fund and Water/Sewer Fund. Multi-year project ordinances are adopted for all Capital Project funds. For internal accounting purposes, budgetary control is maintained by line item.

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 2019 was 4.3%, which was roughly the same as August 2018. 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 and 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 ensure 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 owners 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 2018, 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. This will be the first year that the Town has submitted for this award.

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 our 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**

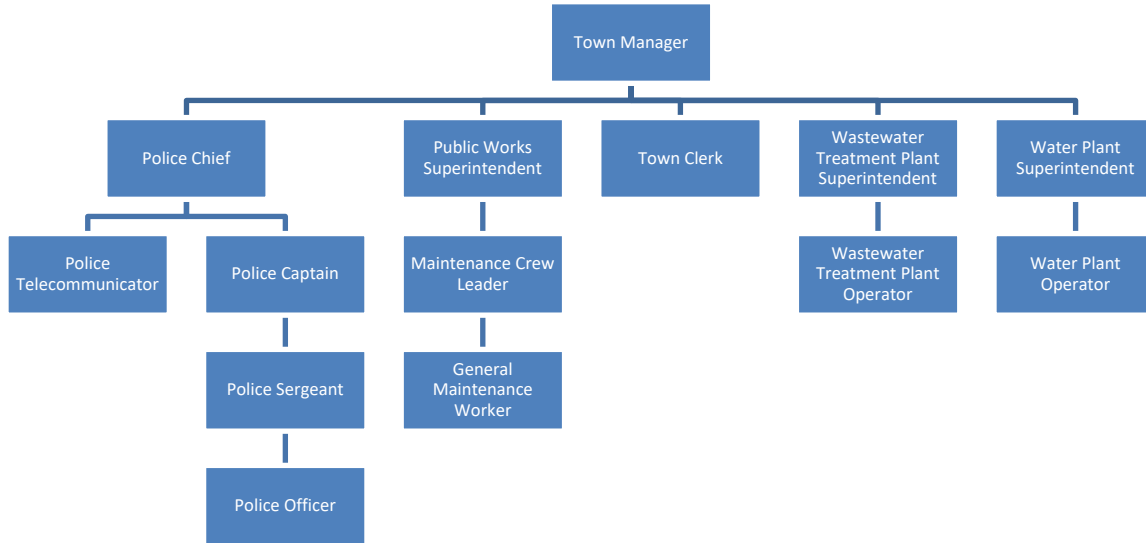
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Organization Chart Town of Pilot Mountain



**Town of Pilot Mountain, North Carolina
List of Principal Officials
June 30, 2022**

Board of Commissioners:

Evan Cockerham – Mayor

Kimberly Quinn – Mayor Pro Tem

Donna Kiger – Commissioner

Scott Needham – Commissioner

Hilda Willis – 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, 2022

FINANCIAL SECTION



Independent Auditor's Report

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, 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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Pilot Mountain, North Carolina, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinions.

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12; the Local Government Employees' Retirement System - Proportionate Share of Net Pension Liability (Asset) (*including Contributions*) on page 57 and the Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability on page 58 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 opinions on the financial statements that collectively comprise the basic financial statements of Town of Pilot Mountain, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, as listed on the table of contents, 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 and assurance on them

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2023 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
April 28, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

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

Financial Highlights

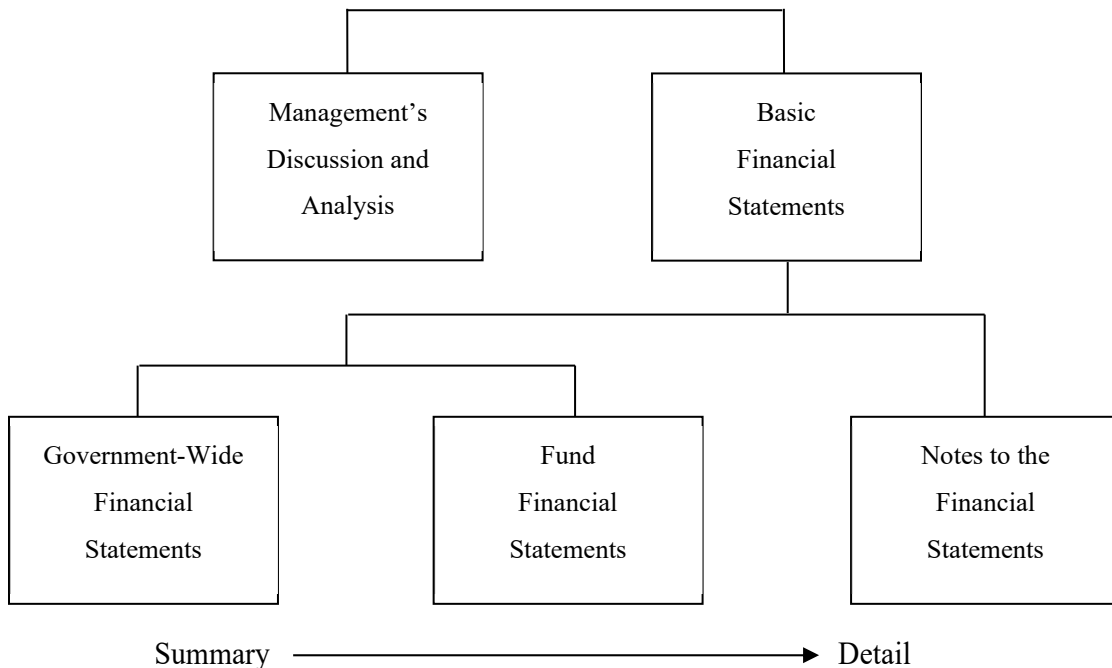
- The assets and deferred outflows of resources of the Town of Pilot Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,230,567 (*net position*).
- The government's total net position increased by \$2,865,278.
- As of the close of the current fiscal year, the Town of Pilot Mountain's governmental funds reported combined ending fund balances of \$1,325,680 with a net change of \$624,705 in fund balance. Approximately 36 percent of this total amount, or \$482,240, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$236,532, or 10 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, 2022

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, 2022

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.

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, 2022

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

Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Assets:						
Current assets	\$ 1,391,080	\$ 791,004	\$ 668,763	\$ 353,416	\$ 2,059,843	\$ 1,144,420
Capital assets	2,408,184	2,297,471	12,099,157	7,906,972	14,507,341	10,204,443
Non-current assets	-	-	-	-	-	-
Total assets	<u>3,799,264</u>	<u>3,088,475</u>	<u>12,767,920</u>	<u>8,260,388</u>	<u>16,567,184</u>	<u>11,348,863</u>
Deferred outflows of resources	<u>274,083</u>	<u>220,203</u>	<u>35,848</u>	<u>40,961</u>	<u>309,931</u>	<u>261,164</u>
Liabilities:						
Current liabilities	135,946	167,888	296,019	326,385	431,965	494,273
Long-term liabilities	517,880	624,360	3,429,681	1,066,003	3,947,561	1,690,363
Other non current liabilities	-	-	-	-	-	-
Total liabilities	<u>653,826</u>	<u>792,248</u>	<u>3,725,700</u>	<u>1,392,388</u>	<u>4,379,526</u>	<u>2,184,636</u>
Deferred inflows of resources	<u>234,151</u>	<u>57,771</u>	<u>32,871</u>	<u>2,331</u>	<u>267,022</u>	<u>60,102</u>
Net Position:						
Net investment in capital assets	2,124,128	2,084,954	8,590,273	7,557,307	10,714,401	9,642,261
Restricted	482,240	664,508	-	-	482,240	664,508
Unrestricted	579,002	(290,803)	454,924	(650,677)	1,033,926	(941,480)
Total net position	<u>\$ 3,185,370</u>	<u>\$ 2,458,659</u>	<u>\$ 9,045,197</u>	<u>\$ 6,906,630</u>	<u>\$ 12,230,567</u>	<u>\$ 9,365,289</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 2022 Audit of the Town of Pilot Mountain, North Carolina exceeded liabilities and deferred inflows of resources by \$12,230,567 as of June 30, 2022. The Town's net position increased by \$2,865,278 for the fiscal year ended June 30, 2022. However, the largest portion (88%) 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, \$482,240 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,033,926 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 99.2%. The statewide average in fiscal year 22 was 99.4%.
- Continued growth in sales tax collections.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

- 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	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 418,582	\$ 444,250	\$ 1,105,632	\$ 1,000,173	\$ 1,524,214	\$ 1,444,423
Operating grants and contributions	1,048,218	41,301	-	-	1,048,218	41,301
Capital grants and contributions	225,762	2,148	2,651,839	988,075	2,877,601	990,223
General revenues:						
Property taxes	987,723	905,018	-	-	987,723	905,018
Other taxes	716,335	648,889	-	-	716,335	648,889
Gain on disposal of capital assets	29,500	26,999	29,500	-	59,000	26,999
Total revenues	3,426,120	2,068,605	3,786,971	1,988,248	7,213,091	4,056,853
Expenses:						
General government	339,369	302,564	-	-	339,369	302,564
Public safety	941,206	949,928	-	-	941,206	949,928
Transportation	524,249	157,565	-	-	524,249	157,565
Economic development	203,809	162,146	-	-	203,809	162,146
Environmental protection	561,000	274,902	-	-	561,000	274,902
Cultural and recreation	127,062	99,390	-	-	127,062	99,390
Interest on long-term debt	2,714	6,958	-	-	2,714	6,958
Water and sewer	-	-	1,648,404	1,167,262	1,648,404	1,167,262
Total expenses	2,699,409	1,953,453	1,648,404	1,167,262	4,347,813	3,120,715
Increase in net position before transfers	726,711	115,152	2,138,567	820,986	2,865,278	936,138
Transfers	-	-	-	-	-	-
Increase in net position	726,711	115,152	2,138,567	820,986	2,865,278	936,138
Net position, beginning	2,458,659	2,343,507	6,906,630	6,085,644	9,365,289	8,429,151
Net position, ending	\$ 3,185,370	\$ 2,458,659	\$ 9,045,197	\$ 6,906,630	\$ 12,230,567	\$ 9,365,289

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Governmental Activities – Governmental activities increased the Town's net position by \$726,711, accounting for 632% 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 2021, the Town collected \$905,018 in ad valorem taxes while in FY 2022, this total rose to \$987,723, an increase of \$82,705.
- An increase in local options sales taxes of \$67,446 from FY 2021 to FY 2022.
- Intergovernmental funds for capital projects..

Business-Type Activities – Business-type activities increased the Town of Pilot Mountain's net position by \$2,138,567, accounting for 260% 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 \$236,532, while the total fund balance reached \$718,772. The Town currently has an available balance of 10% of general fund expenditures, and total fund balance represents 31% of the same amount.

At June 30, 2022, the governmental funds of the Town of Pilot Mountain reported a combined fund balance of \$1,325,680 with a net increase in fund balance of \$627,705. 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 balance for the Capital Projects Fund.

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, 2022

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 \$454,924. The total increase in net position for the fund was \$2,138,567. 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, 2022, totals \$14,507,341 (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 \$398,455 for construction in progress for capital projects during the fiscal year.
- The Town spent \$4,512,261 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	
	2022	2021	2022	2021	2022	2021
Land	\$ 336,174	\$ 336,174	\$ 168,864	\$ 168,864	\$ 505,038	\$ 505,038
Building and systems	1,275,578	1,328,411	5,269,438	4,816,262	6,545,016	6,144,673
Machinery and equipment	172,821	23,183	4,214	12,798	177,035	35,981
Infrastructure	79,521	84,128	-	-	79,521	84,128
Vehicles and motorized equipment	185,423	155,973	25,415	24,395	210,838	180,368
Construction in progress	358,667	369,602	6,631,226	2,884,653	6,989,893	3,254,255
Total	\$ 2,408,184	\$ 2,297,471	\$ 12,099,157	\$ 7,906,972	\$ 14,507,341	\$ 10,204,443

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, 2022, the Town had total debt outstanding of \$4,131,137. Of this amount, \$124,430 is debt backed by the full faith and credit of the Town, \$64,085 is secured by a building, and \$235,686 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, 2022

Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Loan agreement	\$ -	\$ -	\$ 54,430	\$ 81,644	\$ 54,430	\$ 81,644
General obligation bonds	-	-	70,000	84,000	70,000	84,000
Water line project note payable	-	-	1,028,168	649,914	1,028,168	649,914
Water line project note payable	-	-	2,231,283	98,346	2,231,283	98,346
Promissory note	64,085	84,197	-	-	64,085	84,197
Equipment loan payable	106,000	-	-	-	106,000	-
Water meter project	-	-	109,288	160,449	109,288	160,449
Vehicle loan payable	-	-	15,715	23,572	15,715	23,572
Police vehicle loan payable	45,048	59,397	-	-	45,048	59,397
Police vehicle loans payable	68,923	68,923	-	-	68,923	68,923
Compensated absences	12,703	41,551	81	9,919	12,784	51,470
Total pension liability (LEO)	157,085	148,499	-	-	157,085	148,499
Net pension liability (LGERs)	146,116	311,188	22,212	68,310	168,328	379,498
Total	\$ 599,960	\$ 713,755	\$ 3,531,177	\$ 1,176,154	\$ 4,131,137	\$ 1,889,909

Town of Pilot Mountain's Outstanding Debt

The Town of Pilot Mountain's total debt increased by \$2,617,191 (138%) 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% 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 \$7,019,556.

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 2022. The Town expects the growth in the sales tax numbers to continue during FY 2023, albeit at a slower rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Budget Highlights for the Fiscal Year Ended June 30, 2023

Governmental Activities:

- The Board budgeted an increase of \$83,995 in expected profit distributions from the Pilot Mountain ABC Store.
- The Board budgeted an increase of 12.77% in the local options sales tax revenue for FY 2023.
- The Town anticipates an increase of approximately \$9,688 in ad valorem tax revenues due to a general reevaluation of property in Surry County.

Business-type Activities:

- The Board enacted a rate increase of 12% 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 2023

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, 2022

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	\$ 925,758	\$ 416,697	\$ 1,342,455	\$ 370,080	\$ 59,757
Taxes receivables, net	30,650	-	30,650	-	-
Accounts receivable, net	2,529	175,588	178,117	-	-
Due from other governments	267,107	125,194	392,301	-	-
Due from Component Units	(2,213)	-	(2,213)	-	2,213
Internal balances	58,804	(58,804)	-	-	-
Inventory	-	-	-	494,619	-
Prepaid items	-	-	-	2,534	-
Restricted cash and cash equivalents	108,445	10,088	118,533	-	-
Total current assets	1,391,080	668,763	2,059,843	867,233	61,970
Non-current assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	694,841	6,800,090	7,494,931	-	-
Other capital assets, net of depreciation	1,713,343	5,299,067	7,012,410	30,648	-
Total capital assets	2,408,184	12,099,157	14,507,341	30,648	-
Rights of use assets, net of amortization	-	-	-	71,008	-
Security deposit	-	-	-	5,000	-
Total non-current assets	2,408,184	12,099,157	14,507,341	35,648	-
Total assets	3,799,264	12,767,920	16,567,184	973,889	61,970
Deferred Outflows of Resources					
Pension deferrals	274,083	35,848	309,931	19,907	-
Total deferred outflow of resources	274,083	35,848	309,931	19,907	-
Liabilities					
Current liabilities:					
Accounts payable	53,866	155,161	209,027	345,797	4,447
Current portion of long-term liabilities	82,080	101,496	183,576	27,134	-
Payable from restricted assets	-	39,362	39,362	-	-
Total current liabilities	135,946	296,019	431,965	372,931	4,447
Long-term liabilities:					
Due in more than one year	517,880	3,429,681	3,947,561	55,569	-
Total long-term liabilities	517,880	3,429,681	3,947,561	55,569	-
Total liabilities	653,826	3,725,700	4,379,526	428,500	4,447
Deferred Inflows of Resources					
Pension deferrals	234,151	32,871	267,022	12,212	-
Total deferred inflow of resources	234,151	32,871	267,022	12,212	-
Net Position					
Net investment in capital assets	2,124,128	8,590,273	10,714,401	30,648	-
Restricted for:					
Working capital	-	-	-	79,831	-
Stabilization by State Statute	374,613	-	374,613	-	-
Streets-Powell Bill	107,627	-	107,627	-	-
Unrestricted	579,002	454,924	1,033,926	442,605	57,523
Total net position	\$ 3,185,370	\$ 9,045,197	\$ 12,230,567	\$ 553,084	\$ 57,523

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, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Pilot Mountain ABC Board	Pilot Mountain Tourism Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
General government	\$ 339,369	\$ 113,275	\$ -	\$ -	\$ (226,094)	\$ -	\$ (226,094)	\$ -	\$ -
Public safety	941,206	10,006	-	-	(931,200)	-	(931,200)	-	-
Transportation	524,249	-	1,048,218	602	524,571	-	524,571	-	-
Economic development	203,809	208,268	-	-	4,459	-	4,459	-	-
Environmental protection	561,000	87,033	-	225,160	(248,807)	-	(248,807)	-	-
Cultural and recreation	127,062	-	-	-	(127,062)	-	(127,062)	-	-
Interest on long-term debt	2,714	-	-	-	(2,714)	-	(2,714)	-	-
Total governmental activities	<u>2,699,409</u>	<u>418,582</u>	<u>1,048,218</u>	<u>225,762</u>	<u>(1,006,847)</u>	<u>-</u>	<u>(1,006,847)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and sewer	1,648,404	1,105,632	-	2,651,839	-	2,109,067	2,109,067	-	-
Total business-type activities	<u>1,648,404</u>	<u>1,105,632</u>	<u>-</u>	<u>2,651,839</u>	<u>-</u>	<u>2,109,067</u>	<u>2,109,067</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 4,347,813</u>	<u>\$ 1,524,214</u>	<u>\$ 1,048,218</u>	<u>\$ 2,877,601</u>	<u>(1,006,847)</u>	<u>2,109,067</u>	<u>1,102,220</u>	<u>-</u>	<u>-</u>
Component units:									
ABC Board	\$ -	\$ -	\$ -	\$ -	-	-	-	125,365	-
Tourism Development Authority	28,476	37,824	-	-	-	-	-	-	9,348
Total component units	<u>\$ 28,476</u>	<u>\$ 37,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,365</u>	<u>9,348</u>
General Revenues:									
Taxes:									
Property taxes, levied for general purpose					987,723	-	987,723	-	-
Unrestricted intergovernmental revenues					715,467	-	715,467	-	-
Unrestricted investment earnings					868	-	868	-	-
Gain on disposal of capital assets					29,500	29,500	59,000	-	-
Total general revenues and transfers					<u>1,733,558</u>	<u>29,500</u>	<u>1,763,058</u>	<u>-</u>	<u>-</u>
Change in net position					<u>726,711</u>	<u>2,138,567</u>	<u>2,865,278</u>	<u>125,365</u>	<u>9,348</u>
Net position, beginning					<u>2,458,659</u>	<u>6,906,630</u>	<u>9,365,289</u>	<u>427,719</u>	<u>48,175</u>
Net position - ending					<u>\$ 3,185,370</u>	<u>\$ 9,045,197</u>	<u>\$ 12,230,567</u>	<u>\$ 553,084</u>	<u>\$ 57,523</u>

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

Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Capital Project Fund Street Resurfacing		
Assets				
Cash and cash equivalents	\$ 318,291	\$ 607,467	\$ -	\$ 925,758
Restricted cash	107,627	-	818	108,445
Receivables, net:				
Taxes	30,650	-	-	30,650
Other	2,529	-	-	2,529
Due from other governments	267,010	97	-	267,107
Due from Component Unit	-	-	-	-
Due from other funds	58,804	-	-	58,804
Total assets	<u>\$ 784,911</u>	<u>\$ 607,564</u>	<u>\$ 818</u>	<u>\$ 1,393,293</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 52,392	\$ -	\$ 1,474	\$ 53,866
Due to component unit	2,213	-	-	2,213
Total liabilities	<u>54,605</u>	<u>-</u>	<u>1,474</u>	<u>56,079</u>
Deferred Inflow of Resources				
Property taxes receivable	11,534	-	-	11,534
	<u>11,534</u>	<u>-</u>	<u>-</u>	<u>11,534</u>
Fund Balances				
Restricted for:				
Stabilization by State Statue	374,613	-	-	374,613
Streets	107,627	-	-	107,627
Assigned:				
Capital project funds	-	607,564	(656)	606,908
Unassigned	236,532	-	-	236,532
Total fund balances	<u>718,772</u>	<u>607,564</u>	<u>(656)</u>	<u>1,325,680</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 784,911</u>	<u>\$ 607,564</u>	<u>\$ 818</u>	<u>\$ 1,393,293</u>

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

Governmental Funds

June 30, 2022

Amounts reported for governmental activities in the statement of net position

(Exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 1,325,680
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets at historical cost	\$ 4,257,291	
Less accumulated depreciation	<u>1,849,107</u>	2,408,184
Earned revenues considered deferred inflows of resources in fund statements		11,534
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Compensated absences	(12,703)	
Long-term debt	(178,056)	
Total pensions liability (LEO)	(157,085)	
Net pension liability (LGRS)	<u>(146,116)</u>	(493,960)
Deferred resources related to pensions are not reported in the funds:		
Outflows of recourses	274,083	
Inflows of recourses	<u>(234,151)</u>	<u>39,932</u>
Net position of governmental activities		<u>\$ 3,291,370</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

Exhibit 5

	Major Funds			Total Governmental Funds
	General Fund	Capital Project Fund	Total Non-Major Funds	
		Street Resurfacing		
Revenues				
Ad valorem taxes	\$ 987,726	\$ -	\$ -	\$ 987,726
Unrestricted intergovernmental	715,467	1,000,000	602	1,716,069
Restricted intergovernmental	267,606	-	225,160	492,766
Permits and fees	2,765	-	-	2,765
Investment earnings	868	-	-	868
Miscellaneous	196,429	-	-	196,429
Total revenues	<u>2,170,861</u>	<u>1,000,000</u>	<u>225,762</u>	<u>3,396,623</u>
Expenditures				
Current:				
General government	443,770	-	-	443,770
Public safety	1,027,787	-	-	1,027,787
Transportation	136,715	398,455	-	535,170
Economic development	203,809	-	-	203,809
Environmental protection	375,584	-	189,342	564,926
Culture and recreation	59,781	-	35,000	94,781
Debt service:				
Principal	34,461	-	-	34,461
Interest and other charges	2,714	-	-	2,714
Total expenditures	<u>2,284,621</u>	<u>398,455</u>	<u>224,342</u>	<u>2,907,418</u>
Excess of revenues over (under) expenditures	<u>(113,760)</u>	<u>601,545</u>	<u>1,420</u>	<u>489,205</u>
Other Financing Sources (Uses)				
Installment purchase obligations issued	106,000	-	-	106,000
Sale of capital assets	29,500	-	-	29,500
Total other financing sources (uses)	<u>135,500</u>	<u>-</u>	<u>-</u>	<u>135,500</u>
Net change in fund balances	<u>21,740</u>	<u>601,545</u>	<u>1,420</u>	<u>624,705</u>
Fund balances, beginning	<u>697,032</u>	<u>6,019</u>	<u>(2,076)</u>	<u>700,975</u>
Fund balances (deficit), ending	<u>\$ 718,772</u>	<u>\$ 607,564</u>	<u>\$ (656)</u>	<u>\$ 1,325,680</u>

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

Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

Governmental Funds

Year Ended June 30, 2022

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

Net changes in fund balances - total governmental funds		\$ 624,705
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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.

Capital outlay expenditures which were capitalized	245,670	
Depreciation expense for governmental activities	<u>(134,957)</u>	110,713

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		98,832
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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		(3)
--	--	-----

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.

New long-term debt issued	(106,000)	
Principal payments on long-term debt	<u>34,461</u>	(71,539)

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.

Compensated absences	28,850	
Pension expenses	<u>(64,847)</u>	<u>(35,997)</u>

Total changes in net position of governmental activities		<u>\$ 726,711</u>
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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, 2022

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final Budget	Actual Amounts	
Revenues				
Ad valorem taxes	\$ 924,201	\$ 968,760	\$ 987,726	\$ 18,966
Unrestricted intergovernmental	717,289	717,289	715,467	(1,822)
Restricted intergovernmental	203,050	203,050	267,606	64,556
Permits and fees	2,600	2,600	2,765	165
Investment earnings	100	100	868	768
Miscellaneous	109,668	219,200	196,429	(22,771)
Total revenues	<u>1,956,908</u>	<u>2,110,999</u>	<u>2,170,861</u>	<u>59,862</u>
Expenditures				
Current:				
General government	304,999	456,558	443,770	12,788
Public safety	962,141	1,005,641	1,027,787	(22,146)
Transportation	118,428	136,960	136,715	245
Economic development	199,640	199,640	203,809	(4,169)
Environmental protection	368,060	368,060	375,584	(7,524)
Cultural and recreation	59,781	59,781	59,781	-
Debt service:				
Principal retirement	38,391	38,391	34,461	3,930
Interest and other charges	-	-	2,714	(2,714)
Total expenditures	<u>2,051,440</u>	<u>2,265,031</u>	<u>2,284,621</u>	<u>(19,590)</u>
Revenues over (under) expenditures	<u>(94,532)</u>	<u>(154,032)</u>	<u>(113,760)</u>	<u>40,272</u>
Other Financing Sources (Uses)				
Installment purchase obligations issued	76,000	106,000	106,000	-
Transfers from other fund	18,532	18,532	-	(18,532)
Sale of capital assets	-	29,500	29,500	-
Total other financing sources (uses)	<u>94,532</u>	<u>154,032</u>	<u>135,500</u>	<u>(18,532)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	21,740	<u>\$ 21,740</u>
Fund balances, beginning			697,032	
Fund balances, ending			<u>\$ 718,772</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, 2022

Exhibit 8

	Major Enterprise Fund Water and Sewer Fund
Assets	
Current assets:	
Cash and equivalents	\$ 416,697
Account receivables, net	175,588
Due from other governments	125,194
Restricted cash and cash equivalents	10,088
Total current assets	<u>727,567</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	6,800,090
Other capital asset, net of depreciation	5,299,067
Total noncurrent assets	<u>12,099,157</u>
Total assets	<u>12,826,724</u>
Deferred Outflows of Resources	
Pension deferrals	35,848
Total deferred outflows of resources	<u>35,848</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	150,226
Accrued interest payable	4,935
Current portion of long-term liabilities	101,496
Due to other funds	58,804
Liabilities payable from restricted assets - customer deposits	39,362
Total current liabilities	<u>354,823</u>
Long-term liabilities:	
Due in more than one year	3,429,681
Total liabilities	<u>3,784,504</u>
Deferred Inflows of Resources	
Pension deferrals	32,871
Total deferred inflows of resources	<u>32,871</u>
Net Position	
Net investment in capital assets	8,590,273
Unrestricted	454,924
Total net position	<u>\$ 9,045,197</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, 2022

Exhibit 9

	Major Enterprise Fund <u>Water and Sewer Fund</u>
Operating revenues:	
Water and sewer charges	\$ 1,019,258
Other operating revenues	<u>86,374</u>
Total operating revenues	<u>1,105,632</u>
Operating expenses:	
Sewer department	246,640
Water administration	131,865
Sewer treatment	401,345
Line maintenance	446,058
Depreciation	<u>361,722</u>
Total operating expenses	<u>1,587,630</u>
Operating loss	<u>(481,998)</u>
Non-operating revenues (expenses):	
Interest and other charges	(60,774)
Loss on Sale of Capital Assets	<u>29,500</u>
Total non-operating expenses	<u>(31,274)</u>
Net loss before contributions and transfers	<u>(513,272)</u>
Capital contributions	<u>2,651,839</u>
Change in net position	<u>2,138,567</u>
Total net position, beginning	<u>6,906,630</u>
Total net position, ending	<u><u>\$ 9,045,197</u></u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2022

Exhibit 10

	Major Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 1,287,430
Cash paid for goods and services	(1,321,887)
Cash paid on behalf of employees for services	12,339
Net cash used in operating activities	<u>(22,118)</u>
Cash flows from noncapital financing activities:	
Interfund activity	<u>(159,598)</u>
Net cash used in noncapital financing activities	<u>(159,598)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(4,512,261)
Gain on disposal of capital assets	29,500
Proceeds from state loans	2,511,191
Principal paid on long-term liabilities	(100,232)
Interest paid on long-term liabilities	(60,774)
Capital contributions	2,651,839
Net cash provided by capital and related financing activities	<u>519,263</u>
Net increase in cash and cash equivalents	337,547
Balances, beginning	89,238
Balances, ending	<u>\$ 426,785</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Statement of Cash Flows (Continued)
Proprietary Fund
Year Ended June 30, 2022

Exhibit 10

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (481,998)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	320,076
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	2,114
Due from other governments	179,684
Deferred outflows of resources - pensions	5,113
Increase (decrease) in:	
Accounts payable and accrued liabilities	(20,251)
Customers deposits	(1,460)
Compensated absences	(9,838)
Net pension liability	(46,098)
Deferred inflows of resources - pensions	30,540
Total adjustments	<u>459,880</u>
Net cash used in operating activities	<u>\$ (22,118)</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.

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

The Town reports the following non-major governmental funds:

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.

ARPA Fund – This fund is used to account for the use of ARPA funds received from the County.

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.

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 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, 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	\$ 108,445
Total Governmental Activities	<u>108,445</u>

Business-Type Activities:

Water and Sewer Fund - Customer deposits	<u>10,088</u>
Total Business-Type Activities	<u>10,088</u>
Total Restricted Cash	<u><u>\$ 118,533</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, 2021. 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 2022 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 not 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 2 – 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, 2022, the Town's deposits had a carrying amount of \$957,008 and a bank balance of \$987,884. 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 and Tourism Development Authority were \$356,746 and \$59,707, while the bank balances were \$367,965 and \$60,908. The ABC Board's bank balance, \$250,000 was covered by federal depository insurance and the remainder would be covered by collateral held under the pooling method. All of the bank balance for the Tourism Development Authority was covered by federal depository insurance. At June 30, 2022, petty cash for the Town was \$662, ABC Board was \$13,334 and Tourism Development Authority was \$50.

Investments

At June 30, 2022, the Town had \$503,318 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 2 – 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 carries a credit rating of AAAM by Standard & Poor's and AAAM-mf by Moody's Investor's Service as of June 30, 2022.

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 2 – DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2022 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	369,602	151,692	162,627	358,667
Total capital assets not being depreciated	<u>705,776</u>	<u>151,692</u>	<u>162,627</u>	<u>694,841</u>
Capital assets being depreciated:				
Buildings and systems	2,554,042	-	-	2,554,042
Machinery and equipment	295,827	162,627	41,645	416,809
Vehicles and motorized equipment	359,421	93,978	-	453,399
Infrastructure	138,200	-	-	138,200
Total capital assets being depreciated	<u>3,347,490</u>	<u>256,605</u>	<u>41,645</u>	<u>3,562,450</u>
Less accumulated depreciation for:				
Buildings and systems	1,225,631	52,833	-	1,278,464
Machinery and equipment	272,644	12,989	41,645	243,988
Vehicles and motorized equipment	203,448	64,528	-	267,976
Infrastructure	54,072	4,607	-	58,679
Total accumulated depreciation	<u>1,755,795</u>	<u>134,957</u>	<u>41,645</u>	<u>1,849,107</u>
Total capital assets being depreciated, net	<u>1,591,695</u>			<u>1,713,343</u>
Government activity capital assets, net	<u>\$ 2,297,471</u>			<u>\$ 2,408,184</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

General Government	\$ 38,543
Public Safety	49,727
Transportation	9,536
Pilot Center	32,281
Environmental Protection	4,870
Total depreciation expense	<u>\$ 134,957</u>

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities:				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 168,864	\$ -	\$ -	\$ 168,864
Construction in process	2,884,653	4,535,596	789,023	6,631,226
Total capital assets not being depreciated	<u>3,053,517</u>	<u>4,535,596</u>	<u>789,023</u>	<u>6,800,090</u>
Capital assets being depreciated:				
Buildings and systems	14,616,921	789,023	-	15,405,944
Machinery and equipment	247,685	-	41,645	206,040
Vehicles and motorized equipment	79,979	18,310	-	98,289
Total capital assets being depreciated	<u>14,944,585</u>	<u>807,333</u>	<u>41,645</u>	<u>15,710,273</u>
Less accumulated depreciation for:				
Buildings and systems	9,800,659	335,847	-	10,136,506
Machinery and equipment	234,887	8,585	41,646	201,826
Vehicles and motorized equipment	55,584	17,290	-	72,874
Total accumulated depreciation	<u>10,091,130</u>	<u>361,722</u>	<u>41,646</u>	<u>10,411,206</u>
Total capital assets being depreciated, net	<u>4,853,455</u>			<u>5,299,067</u>
Business-type activity capital assets, net	<u>\$ 7,906,972</u>			<u>\$ 12,099,157</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Discretely Presented Component Unit

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 119,604	\$ 15,649	\$ -	\$ 135,253
Total capital assets being depreciated	<u>119,604</u>	<u>15,649</u>	<u>-</u>	<u>135,253</u>
Less accumulated depreciation for:				
Furniture and equipment	97,864	6,741	-	104,605
Total accumulated depreciation	<u>97,864</u>	<u>6,741</u>	<u>-</u>	<u>104,605</u>
Government activity capital assets, net	<u>\$ 21,740</u>			<u>\$ 30,648</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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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 2 - 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, 2022, was 12.04% of compensation for law enforcement officers and 11.35% 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 \$98,832 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Town reported a liability of \$168,696 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Town's proportion was 0.011%, which was an increase of 0.00038% from its proportion measured as of June 30, 2020.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

For the year ended June 30, 2022, the Town recognized pension expense of \$80,030. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,668	\$ -
Changes of assumptions	105,984	-
Net difference between projected and actual earnings on pension plan investments	-	241,015
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,774	8,633
Town contributions subsequent to the measurement date	98,832	-
	<u>\$ 272,258</u>	<u>\$ 249,648</u>

\$98,832 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>	
2023	\$ 20,040
2024	(6,029)
2025	(16,481)
2026	(73,752)
2027	-
	<u>\$ (76,222)</u>

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

Inflation	3.0%
Salary increase	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	6.50%, 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 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 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 2021 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - 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 6.50%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Towns' proportionate share of the net pension liability (asset)	\$ 654,862	\$ 168,696	\$ (231,391)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2020, the 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 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Actuarial Assumptions

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

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

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

Mortality rates are based on the RP-2000 Mortality tables with adjustments for 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 \$17,264 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$157,085. The total pension liability was measured as of June 30, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of (\$7,997).

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 22,027	\$ 15,037
Changes of assumptions	15,646	2,337
	<u>\$ 37,673</u>	<u>\$ 17,374</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - 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>	
2023	\$ (924)
2024	3,375
2025	8,400
2026	6,911
2027	1,619
Thereafter	918
	<u>\$ 20,299</u>

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

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 165,710	\$ 157,085	\$ 149,092

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

Beginning balance	\$ 148,499
Service cost	12,519
Interest on the total pension liability	2,699
Differences between expected and actual experience measurement of the total pension liability	13,321
Changes of assumptions or other inputs	(2,689)
Benefit payments	(17,264)
Ending balance of the total pension liability	<u>\$ 157,085</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, 2020 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 2 - 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	\$ 80,030	\$ (7,997)	\$ 72,033
Pension Liability	168,696	157,085	325,781
Proportionate share of the net pension liability	0.01100%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	53,668	22,027	75,695
Changes of assumptions	105,984	15,646	121,630
Changes in proportion and differences between contributions and proportionate share of contributions	13,774	-	13,774
Benefit payments and administrative costs paid subsequent to the measurement date	98,832	-	98,832
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	15,037	15,037
Changes of assumptions	-	2,337	2,337
Net difference between projected and actual earnings on plan investments	241,015	-	241,015
Changes in proportion and differences between contributions and proportionate share of contributions	8,633	-	8,633

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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 \$22,233 for the reporting year. No amount were forfeited.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation.

Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2022, was 11.35% 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 \$9,918 for the year ended June 30, 2022.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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, 2022, the Board reported a liability of \$8,281 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The 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, 2021, the Board's proportion was 0.00054%, which was an increase of 0.00002% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Board recognized pension expense of \$7,389. At June 30, 2022, 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	\$ 2,635	\$ -
Changes of assumptions	5,203	-
Net difference between projected and actual earnings on pension plan investments	-	11,832
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,151	380
Employer contributions subsequent to the measurement date	9,918	-
	<u>\$ 19,907</u>	<u>\$ 12,212</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

\$9,918 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, 2023. 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>	
2023	\$ 1,596
2024	230
2025	(428)
2026	(3,621)
2027	-
	<u>\$ (2,223)</u>

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

Inflation	3.0%
Salary increase	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

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

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

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

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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the 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 6.50%, 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 (5.50%) or one percentage point higher (7.5%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
ABC Board's proportionate share of the net pension liability (asset)	\$ 32,148	\$ 8,281	\$ 11,359

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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	\$ 98,832
Differences between expected and actual experience	75,695
Changes in assumptions	121,630
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,774
Total	<u>\$ 309,931</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Tax Receivables	\$ -	\$ 11,534
Differences between expected and actual experience	15,037	-
Changes in assumptions	2,337	-
Net difference between projected and actual earnings on plan investments	241,015	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,633	-
Total	<u>\$ 267,022</u>	<u>\$ 11,534</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

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed 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.

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, 2022, 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.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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 entered into an agreement to lease a building for its facility at 630 S. Key Street, Suite C, Pilot Mounting, North Carolina. The lease agreement qualifies as other than short term leases under GASB 87 and, therefore, have been recorded at the present value of the future lease payments as of July 1, 2021 for \$99,411. As a result of the lease, the Board has recorded accumulated amortization of \$28,403 on the right to use asset and a net book value of \$71,008 as June 30, 2022.

The agreement to lease the building requires 30 monthly payments ranging from \$2,533 to \$2,688. The lease liability is measured at a discount rate of 5%, which is the Board's incremental borrowing rate.

The future minimum lease obligations and the net present value of these minimum lease payments as at June 30, 2022, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 27,134	\$ 3,721
2024	29,420	2,364
2025	17,868	893
	<u>\$ 74,422</u>	<u>\$ 6,978</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.

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>
2023	\$ 27,214	\$ 1,398
2024	27,216	700
	<u>\$ 54,430</u>	<u>\$ 2,098</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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>
2023	\$ 14,000	\$ 3,500
2024	14,000	2,800
2025	14,000	2,100
2026	14,000	1,400
2027	14,000	700
	<u>\$ 70,000</u>	<u>\$ 10,500</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.

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>
2023	\$ 20,720	\$ 1,768
2024	21,345	1,141
2025	22,020	496
	<u>\$ 64,085</u>	<u>\$ 3,405</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.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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 note payable obligations are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 7,857	\$ 363
2024	7,858	182
	<u>\$ 15,715</u>	<u>\$ 545</u>

e. 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 payable requires annual payments of \$15,709 which includes interest at 5.5% through 2025. The note is secured by vehicles.

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>
2023	\$ 14,677	\$ 1,032
2024	15,014	696
2025	15,357	352
	<u>\$ 45,048</u>	<u>\$ 2,080</u>

f. Note Payable

On June 1, 2021, the Town borrowed \$68,923 from a bank to purchase two police vehicles. The direct placement note payables required 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>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 13,382	\$ 1,020
2024	13,581	822
2025	13,782	621
2026	13,986	417
2027	14,192	210
	<u>\$ 68,923</u>	<u>\$ 3,090</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

g. Note Payable

On January 24, 2022, the Town borrowed \$106,00 from a bank to purchase three police vehicles. The direct placement note payables required annual payments of \$22,125 which includes interest at 1.44% through 2027. The note is secured by the vehicles.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 20,598	\$ 1,526
2024	20,895	1,230
2025	21,196	929
2026	21,501	624
2027	21,810	314
	<u>\$ 106,000</u>	<u>\$ 4,623</u>

h. 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>
2023	\$ 52,344	\$ 2,448
2024	56,944	1,238
	<u>\$ 109,288</u>	<u>\$ 3,686</u>

i. Water Projects Notes Payable

On May 22, 2020, the Town signed a temporary promissory note with the North Carolina Department of Environmental Quality for \$3,395,000 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 balance at June 30, 2022 was \$2,231,283.

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 at June 30, 2022 was \$1,028,168.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

j. 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	\$ 84,197	\$ -	\$ 20,112	\$ 64,085	\$ 20,720
Police vehicle loan payable	59,397	-	14,349	45,048	14,677
Police vehicle loan payable	-	106,000	-	106,000	20,598
Police vehicle loan payable	68,923	-	-	68,923	13,382
Compensated absences	41,551	-	28,848	12,703	12,703
Total pension liability (LEO)	148,499	28,539	19,953	157,085	-
Net pension liability (LRS)	311,188	-	165,072	146,116	-
Total governmental activity long-term liabilities	<u>\$ 713,755</u>	<u>\$ 134,539</u>	<u>\$ 248,334</u>	<u>\$ 599,960</u>	<u>\$ 82,080</u>
Business-Type Activities:					
General obligation bonds	\$ 84,000	\$ -	\$ 14,000	\$ 70,000	\$ 14,000
Loan agreement	81,644	-	27,214	54,430	27,214
Vehicle loan payable	23,572	-	7,857	15,715	7,857
Water meter project	160,449	-	51,161	109,288	52,344
Water project loan payable	649,914	378,254	-	1,028,168	-
Water project loan payable	98,346	2,132,937	-	2,231,283	-
Compensated absences	9,919	-	9,838	81	81
Net pension liability (LRS)	68,310	-	46,098	22,212	-
Total business-type activity long-term liabilities	<u>\$ 1,176,154</u>	<u>\$ 2,511,191</u>	<u>\$ 156,168</u>	<u>\$ 3,531,177</u>	<u>\$ 101,496</u>

Interfund Balances and Activity

Balances due to/from other funds at June 20, 2022, consist of the following:

Due from Water and Sewer Fund to General Fund for cash advances	<u>\$ 58,804</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 2 - DETAIL NOTES ON ALL FUNDS (Continued)

The interfund balances consist of advances made from the General Fund to several capital project funds of the Water and Sewer Fund to cover the upfront engineering costs associated with these projects. These engineering costs and the construction cost to be incurred under these capital project funds will be funded by grants and loans that have been approved by the North Carolina Department of Environmental Quality (NCDEQ). These grants and loans cannot be drawn down by the Town until the related construction contracts for these projects have been signed. As soon as these contracts are signed, the Town will request reimbursement from NCDEQ, and the advances will be repaid to the General Fund.

Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$ 2,408,184	\$ 12,099,157
Less: long-term debt	284,056	3,508,884
Net investment in capital assets	<u>\$ 2,124,128</u>	<u>\$ 8,590,273</u>

Fund Balances

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

Total fund balance - General Fund	\$ 718,772
Less:	
Stabilization by State Statute	374,613
Streets - Powell Bill	107,627
Remaining Fund Balance	<u>\$ 236,532</u>

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.

NOTE 3 - JOINTLY GOVERNED ORGANIZATIONS

The Town, in conjunction with twelve counties and sixty other municipalities established the Piedmont Triad Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$550 to the Council during the fiscal year ended June 30, 2022.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to Financial Statements

NOTE 4 - 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.

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 Nine Fiscal Years

Exhibit 11

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.01100%	0.01062%	0.01196%	0.01143%	0.00869%	0.00867%	0.01213%	0.01217%	0.01180%
Proportion of the net pension liability (asset) (\$)	\$ 168,696	\$ 379,498	\$ 326,618	\$ 271,159	\$ 132,759	\$ 184,006	\$ 54,439	\$ (71,772)	\$ 142,235
Covered payroll	768,592	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	21.95%	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%	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	\$ 98,832	\$ 80,757	\$ 73,291	\$ 47,769	\$ 31,742	\$ 50,736	\$ 43,857	\$ 52,139	\$ 52,433
Contributions in relation to the contractually required contribution	98,832	80,757	73,291	47,769	31,742	50,736	43,857	52,139	52,433
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 842,937	\$ 768,592	\$ 786,408	\$ 796,146	\$ 729,844	\$ 666,276	\$ 631,972	\$ 722,998	\$ 732,684
Contributions as a percentage of covered payroll	0.00%	10.51%	9.32%	6.00%	4.35%	7.61%	6.94%	7.21%	7.16%

Note: This information was not available prior to fiscal year 2014. This will become a 10-year schedule.

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

Exhibit 12

	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 148,499	\$ 117,630	\$ 149,332	\$ 250,078	\$ 202,902	\$ 206,573
Service cost	12,519	5,896	6,861	6,600	6,645	8,294
Interest on the total pension liability	2,699	3,545	5,267	7,647	7,520	7,086
Differences between expected and actual experience in the measurement of the total pension liability	13,321	16,412	(36,651)	(95,883)	39,139	-
Changes of assumptions or other inputs	(2,689)	22,785	2,074	(2,961)	10,021	(2,902)
Benefit payments	(17,264)	(17,769)	(9,253)	(16,149)	(16,149)	(16,149)
Ending balance of the total pension liability	<u>\$ 157,085</u>	<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	\$ 157,085	\$ 148,499	\$ 117,630	\$ 149,332	\$ 250,078	\$ 202,902
Covered payroll	397,357	289,398	337,983	327,564	279,200	313,814
Total pension liability as a percentage of covered payroll	39.53%	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.

This information was not available prior to fiscal year 2017. This will become a 10-year schedule.

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, 2022

Statement 1
Page 1 of 4

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes		\$ 982,267	
Interest		5,459	
Total	<u>\$ 968,760</u>	<u>987,726</u>	<u>\$ 18,966</u>
Unrestricted intergovernmental:			
Local option sales taxes		601,016	
Utilities sales tax		107,433	
Beer and wine tax		5,972	
Court fees and charges		376	
Controlled Substance Tax		670	
Total	<u>717,289</u>	<u>715,467</u>	<u>(1,822)</u>
Restricted intergovernmental:			
Powell Bill allocation		48,218	
ABC revenue for law enforcement		10,006	
ABC store profit sharing		208,268	
Solid waste disposal tax		1,114	
Total	<u>203,050</u>	<u>267,606</u>	<u>64,556</u>
Permits and fees:			
Inspection and zoning		2,765	
Total	<u>2,600</u>	<u>2,765</u>	<u>165</u>
Miscellaneous:			
Cemetery income		28,450	
Rental income		15,175	
Sanitation fees		85,919	
Miscellaneous		66,885	
Total	<u>219,200</u>	<u>196,429</u>	<u>(22,771)</u>
Investment earnings	<u>100</u>	<u>868</u>	<u>768</u>
Total Revenues	<u>2,110,999</u>	<u>2,170,861</u>	<u>59,862</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		18,206	
Other operating expenditures		55,011	
Total		<u>73,217</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, 2022

Statement 1
Page 2 of 4

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
General government (Continued):			
Administration:			
Salaries and employee benefits		\$ 225,742	
Professional services		25,601	
Supplies		45,020	
Travel and training		6,938	
Postage		1,272	
Utilities		5,360	
Maintenance and repairs		17,604	
Contracted services		2,942	
Insurance and bonds		8,070	
Dues and subscriptions		4,179	
Miscellaneous		9,515	
Capital Outlay		18,310	
Total		<u>370,553</u>	
Total general government	<u>456,558</u>	<u>443,770</u>	<u>12,788</u>
Public Safety:			
Police department:			
Salaries and employee benefits		725,349	
Supplies		50,881	
Uniforms		2,864	
Automotive supplies		40,551	
Travel and training		4,020	
Telephone, postage and printing		11,449	
Utilities		5,008	
Maintenance and repairs		23,958	
Contracted services		27,385	
Insurance and bonds		22,177	
Dues and subscription		1,085	
Contribution to rescue		12,000	
Miscellaneous		5,594	
Capital outlay		95,466	
Total		<u>1,027,787</u>	
Total public safety	<u>1,005,641</u>	<u>1,027,787</u>	<u>(22,146)</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, 2022

Statement 1
Page 3 of 4

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Transportation:			
Public works:			
Salaries and employee benefits		\$ 5,732	
Supplies		9,959	
Training and travel		118	
Utilities		37,327	
Maintenance and repairs		29,751	
Contracted services		13,263	
Insurance		7,000	
Rents		10,707	
Miscellaneous		2,401	
Capital outlay		20,457	
Total transportation	<u>136,960</u>	<u>136,715</u>	<u>245</u>
Economic development:			
Salaries and employee benefits		80,641	
Insurance		2,570	
Contracted services		22,100	
Professional services		22,928	
Special events		26,329	
Miscellaneous		49,241	
Total economic development	<u>199,640</u>	<u>203,809</u>	<u>(4,169)</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		167,392	
Supplies		2,381	
Utilities		3,240	
Maintenance and repairs		15,696	
Insurance		4,940	
Contracted services		173,616	
Miscellaneous		8,319	
Total sanitation		<u>375,584</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, 2022

Statement 1
Page 4 of 4

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Total environmental protection	\$ 368,060	\$ 375,584	\$ (7,524)
Cultural and recreation:			
Library:			
Contributions		35,000	
Maintenance and repairs		162	
Pilot Center:			
Utilities		15,573	
Maintenance and repairs		1,581	
Insurance		3,340	
Contracted services		4,125	
Total cultural and recreation	<u>59,781</u>	<u>59,781</u>	<u>-</u>
Debt service:			
Principal		34,461	
Interest and other charges		2,714	
Total debt service	<u>38,391</u>	<u>37,175</u>	<u>1,216</u>
Total expenditures	<u>2,265,031</u>	<u>2,284,621</u>	<u>(19,590)</u>
Revenue over (under) expenditures	<u>(154,032)</u>	<u>(113,760)</u>	<u>40,272</u>
Other financing sources (uses):			
Installment purchase obligations issued	106,000	106,000	-
Transfers from other fund	18,532	-	(18,532)
Sale of capital assets	29,500	29,500	-
Total other financing sources (uses)	<u>154,032</u>	<u>135,500</u>	<u>(18,532)</u>
Net change in fund balance	<u>\$ -</u>	21,740	<u>\$ 21,740</u>
Fund balances, beginning		<u>697,032</u>	
Fund balances, ending		<u>\$ 718,772</u>	

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Combining Statement of Net Position
Nonmajor Governmental Funds
June 30, 2022

Statement 2

	Capital Project Funds			Total Nonmajor Governmental Funds
	Landfill Rehabilitation	Streetscape	ARPA	
Assets				
Restricted cash	\$ -	\$ -	\$ 818	\$ 818
Due from Other Governments	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 818</u>	<u>\$ 818</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 1,474	\$ -	\$ 1,474
Total liabilities	<u>-</u>	<u>1,474</u>	<u>-</u>	<u>1,474</u>
Fund Balances				
Assigned:				
Capital project funds	-	(1,474)	818	(656)
Total fund balances	<u>-</u>	<u>(1,474)</u>	<u>818</u>	<u>(656)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 818</u>	<u>\$ 818</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2022

Statement 3

	Capital Project Funds			Total Nonmajor Governmental Funds
	Landfill Rehabilitation	Streetscape	ARPA	
Revenues				
Unrestricted intergovernmental	\$ 602	\$ -	\$ -	\$ 602
Restricted intergovernmental	-	-	225,160	225,160
Total revenues	<u>602</u>	<u>-</u>	<u>225,160</u>	<u>225,762</u>
Expenditures				
Current:				
Capital outlay				
Environmental protection	-	-	189,342	189,342
Culture and recreation	-	-	35,000	35,000
Total expenditures	<u>-</u>	<u>-</u>	<u>224,342</u>	<u>224,342</u>
Excess of revenues over expenditures	<u>602</u>	<u>-</u>	<u>818</u>	<u>1,420</u>
Net change in fund balances	<u>602</u>	<u>-</u>	<u>818</u>	<u>1,420</u>
Fund balances, beginning	<u>(602)</u>	<u>(1,474)</u>	<u>-</u>	<u>(2,076)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ (1,474)</u>	<u>\$ 818</u>	<u>\$ (656)</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Statement 4

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, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Division of Waste Management					
grant	\$ 143,554	\$ 162,964	\$ 602	\$ 163,566	\$ 20,012
Total revenues	<u>143,554</u>	<u>162,964</u>	<u>602</u>	<u>163,566</u>	<u>20,012</u>
Expenditures:					
Capital outlay	<u>143,554</u>	<u>163,371</u>	<u>-</u>	<u>163,371</u>	<u>19,817</u>
Total expenditures	<u>143,554</u>	<u>163,371</u>	<u>-</u>	<u>163,371</u>	<u>19,817</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (407)</u>	<u>602</u>	<u>\$ 195</u>	<u>\$ 195</u>
Fund balances, beginning			<u>(602)</u>		
Fund balances, ending			<u>\$ -</u>		

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, 2022

	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	50,000	50,000	-	50,000	-
Expenditures:					
Professional services	79,350	59,950	-	59,950	(19,400)
Planning	-	20,874	-	20,874	20,874
Total expenditures	79,350	80,824	-	80,824	1,474
Excess of revenues under expenditures	(29,350)	(30,824)	-	(30,824)	(1,474)
Other financing sources:					
Transfers from other funds:					
General fund	29,350	29,350	-	29,350	-
Total other financing sources	29,350	29,350	-	29,350	-
Net change in fund balance	\$ -	\$ (1,474)	-	\$ (1,474)	\$ (1,474)
Fund balances, beginning			(1,474)		
Fund balances, ending			\$ (1,474)		

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Statement 6

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, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Unrestricted intergovernmental:					
Department of Commerce grant	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Total revenues	-	-	1,000,000	1,000,000	1,000,000
Expenditures:					
Architectural and engineering	10,000	28,734	-	28,734	18,734
Construction	128,000	104,247	398,455	502,702	374,702
Total expenditures	138,000	132,981	398,455	531,436	393,436
Other financing sources:					
Transfers from other funds:					
General fund	138,000	139,000	-	139,000	1,000
Total other financing sources	138,000	139,000	-	139,000	1,000
Net change in fund balance	\$ -	\$ 6,019	601,545	\$ 607,564	\$ 607,564
Fund balances, beginning			6,019		
Fund balances, ending			\$ 607,564		

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Capital Projects Fund - ARPA
From Inception and for the Fiscal Year Ended June 30, 2022

Statement 7

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental					
ARPA	\$ 410,000	\$ -	\$ 225,160	\$ 225,160	\$ (184,840)
Total revenues	<u>410,000</u>	<u>-</u>	<u>225,160</u>	<u>225,160</u>	<u>(184,840)</u>
Expenditures:					
Environmental protection	340,000	-	189,342	189,342	(150,658)
Culture and recreation	<u>70,000</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>	<u>(35,000)</u>
Total expenditures	<u>410,000</u>	<u>-</u>	<u>224,342</u>	<u>224,342</u>	<u>(185,658)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	818	<u>\$ 818</u>	<u>\$ 818</u>
Fund balances, beginning			<u>-</u>		
Fund balances, ending			<u>\$ 818</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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Water sales	\$ 571,490	\$ 586,357	\$ 14,867
Sewer charges	405,440	411,855	6,415
Water and sewer taps	-	23,160	23,160
Other operating revenues	52,820	86,374	33,554
Total operating revenues	<u>1,029,750</u>	<u>1,107,746</u>	<u>77,996</u>
Total revenues	<u>1,029,750</u>	<u>1,107,746</u>	<u>77,996</u>
Expenditures:			
Sewer department:			
Professional services		12,772	
Utilities		68,414	
Maintenance and repairs		32,883	
Chemicals		11,366	
Supplies		9,959	
Contracted services		101,458	
Insurance and bonds		3,340	
Miscellaneous		6,448	
Total sewer department		<u>246,640</u>	
Water administration:			
Salaries and benefits		63,234	
Professional services		52,002	
Utilities		133	
Supplies		4,579	
Insurance and bonds		4,340	
Miscellaneous		15,523	
Total water administration		<u>139,811</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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sewer treatment:			
Salaries and employee benefits		\$ 30,818	
Professional services		6,091	
Utilities		39,457	
Maintenance and repairs		9,582	
Chemicals		12,844	
Supplies		1,786	
Contracted services		64,770	
Insurance and bonds		5,790	
Miscellaneous		77,449	
Total sewer treatment		<u>248,587</u>	
Line maintenance:			
Salaries and employee benefits		73,421	
Professional services		16,492	
Utilities		1,092	
Maintenance and repairs		151,933	
Supplies		39,050	
Contracted services		16,876	
Insurance and bonds		5,140	
Miscellaneous		151,372	
Total line maintenance		<u>455,376</u>	
Debt service:			
Interest and other charges		60,774	
Principal retirement		100,232	
Total debt service		<u>161,006</u>	
Capital outlay:			
Capital outlay		18,310	
Total capital outlay		<u>18,310</u>	
Total expenditures	<u>1,191,750</u>	<u>1,269,730</u>	<u>(77,980)</u>
Revenues over expenditures	<u>(162,000)</u>	<u>(161,984)</u>	<u>16</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, 2022

Statement 8
Page 3 of 3

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing sources:			
Sale of capital assets	\$ 29,500	\$ 29,500	\$ -
Transfers from other funds	132,500	18,000	(114,500)
Total other financing sources	<u>162,000</u>	<u>47,500</u>	<u>(114,500)</u>
Revenues and other sources under expenditures and other uses	<u>\$ -</u>	(114,484)	<u>\$ (114,484)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		100,232	
Depreciation		(361,722)	
Capital outlay		4,553,906	
Capital project funds expenditures		(4,691,373)	
Transfers from capital project funds		(18,000)	
Capital project funds state grants		2,651,839	
Capital project funds loan proceeds		2,511,191	
Issuance of debt		(2,511,191)	
Decreases in receivables		(2,114)	
Decrease in accrued vacation pay		9,838	
Decrease in deferred outflows of resources - pensions		(5,113)	
Increase in deferred inflows of resources - pensions		(30,540)	
Decrease in net pension liability		46,098	
Total reconciling items		<u>2,253,051</u>	
Change in net position		<u>\$ 2,138,567</u>	

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Statement 9

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, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 2,000,000	\$ 510,876	\$ 1,439,124	\$ 1,950,000	\$ (50,000)
Total revenues	<u>2,000,000</u>	<u>510,876</u>	<u>1,439,124</u>	<u>1,950,000</u>	<u>(50,000)</u>
Expenditures:					
Capital outlay	<u>4,078,000</u>	<u>606,617</u>	<u>3,699,987</u>	<u>4,306,604</u>	<u>(228,604)</u>
Total expenditures	<u>4,078,000</u>	<u>606,617</u>	<u>3,699,987</u>	<u>4,306,604</u>	<u>(228,604)</u>
Other financing sources:					
Transfers from other funds:					
Capital reserve fund	78,000	13,000	-	13,000	(65,000)
Loan Proceeds Received	<u>2,000,000</u>	<u>98,346</u>	<u>2,132,937</u>	<u>2,231,283</u>	<u>231,283</u>
Total other financing sources	<u>2,078,000</u>	<u>111,346</u>	<u>2,132,937</u>	<u>2,244,283</u>	<u>166,283</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 15,605</u>	<u>\$ (127,926)</u>	<u>\$ (112,321)</u>	<u>\$ (112,321)</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
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, 2022

Statement 10

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 1,264,392	\$ 1,011,211	\$ 16,958	\$ 1,028,169	\$ (236,223)
Total revenues	<u>1,264,392</u>	<u>1,011,211</u>	<u>16,958</u>	<u>1,028,169</u>	<u>(236,223)</u>
Expenditures:					
Capital outlay	<u>2,573,038</u>	<u>1,665,072</u>	<u>502,951</u>	<u>2,168,023</u>	<u>405,015</u>
Total expenditures	<u>2,573,038</u>	<u>1,665,072</u>	<u>502,951</u>	<u>2,168,023</u>	<u>405,015</u>
Other financing sources:					
Transfers (to) from other funds:					
Water and sewer fund	44,254	(10)	-	(10)	(44,264)
Loan Proceeds Received	<u>1,264,392</u>	<u>649,914</u>	<u>378,254</u>	<u>1,028,168</u>	<u>(236,224)</u>
Total other financing sources	<u>1,308,646</u>	<u>649,904</u>	<u>378,254</u>	<u>1,028,158</u>	<u>(280,488)</u>
Other financing sources under expenditures	<u>\$ -</u>	<u>\$ (3,957)</u>	<u>\$ (107,739)</u>	<u>\$ (111,696)</u>	<u>\$ (111,696)</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, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 300,000	\$ 290,962	\$ 36,317	\$ 327,279	\$ 27,279
Total revenues	<u>300,000</u>	<u>290,962</u>	<u>36,317</u>	<u>327,279</u>	<u>27,279</u>
Expenditures:					
Capital outlay	305,000	292,028	22,251	314,279	(9,279)
Total expenditures	<u>305,000</u>	<u>292,028</u>	<u>22,251</u>	<u>314,279</u>	<u>(9,279)</u>
Other financing sources:					
Transfers (to) from other funds:					
Water and sewer fund	5,000	5,000	(18,000)	(13,000)	(18,000)
Total other financing sources	<u>5,000</u>	<u>5,000</u>	<u>(18,000)</u>	<u>(13,000)</u>	<u>(18,000)</u>
Other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3,934</u>	<u>\$ (3,934)</u>	<u>\$ -</u>	<u>\$ -</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, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 1,350,000	\$ 122,445	\$ 33,361	\$ 155,806	\$ (1,194,194)
Total revenues	<u>1,350,000</u>	<u>122,445</u>	<u>33,361</u>	<u>155,806</u>	<u>(1,194,194)</u>
Expenditures:					
Capital outlay	<u>1,374,500</u>	<u>123,325</u>	<u>33,274</u>	<u>156,599</u>	<u>1,217,901</u>
Total expenditures	<u>1,374,500</u>	<u>123,325</u>	<u>33,274</u>	<u>156,599</u>	<u>1,217,901</u>
Other financing sources:					
Transfers from other funds:					
Water and sewer fund	<u>24,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,500)</u>
Total other financing sources	<u>24,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,500)</u>
Other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (880)</u>	<u>\$ 87</u>	<u>\$ (793)</u>	<u>\$ (793)</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, 2022

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
State grants	\$ 379,795	\$ 36,259	\$ 330,204	\$ 366,463	\$ (13,332)
Total revenues	<u>379,795</u>	<u>36,259</u>	<u>330,204</u>	<u>366,463</u>	<u>(13,332)</u>
Expenditures:					
Capital outlay	<u>379,795</u>	<u>155,582</u>	<u>319,163</u>	<u>474,745</u>	<u>(94,950)</u>
Total expenditures	<u>379,795</u>	<u>155,582</u>	<u>319,163</u>	<u>474,745</u>	<u>(94,950)</u>
Other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (119,323)</u>	<u>\$ 11,041</u>	<u>\$ (108,282)</u>	<u>\$ (108,282)</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Capital Projects Fund - Streambank Project
From Inception and for the Fiscal Year Ended June 30, 2022

Statement 14

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 1,100,000	\$ -	\$ 795,875	\$ 795,875	\$ (304,125)
Total revenues	<u>1,100,000</u>	<u>-</u>	<u>795,875</u>	<u>795,875</u>	<u>(304,125)</u>
Expenditures:					
Capital outlay	1,100,000	-	145,875	145,875	954,125
Total expenditures	<u>1,100,000</u>	<u>-</u>	<u>145,875</u>	<u>145,875</u>	<u>954,125</u>
Other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 650,000</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Statement 15

Schedule of Revenues, Expenditures

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

Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues	\$ 40,100	\$ 37,824	\$ (2,276)
Expenditures:			
Economic development	<u>40,100</u>	<u>28,476</u>	<u>11,624</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 9,348</u>	<u>\$ 9,348</u>

OTHER SCHEDULES

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Schedule 1

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2022

Fiscal Year	Uncollected Balance June 30, 2021	Additions	Collections, and Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 968,814	\$ 961,063	\$ 7,751
2020-2021	11,130	-	4,912	6,218
2019-2020	6,870	-	977	5,893
2018-2019	6,215	-	1,156	5,059
2017-2018	2,413	-	1,683	730
2016-2017	1,409	-	(58)	1,467
2015-2016	935	-	(22)	957
2014-2015	803	-	303	500
2013-2014	1,029	-	(16)	1,045
2012-2013	1,044	-	14	1,030
2011-2012	1,460	-	1,460	-
Total	<u>\$ 33,308</u>	<u>\$ 968,814</u>	<u>\$ 971,472</u>	<u>30,650</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>-</u>
Ad valorem taxes receivable - net				<u>\$ 30,650</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - general fund				\$ 987,726
Reconciling items:				
Interest collected				(1,199)
Miscellaneous adjustments				<u>(15,055)</u>
Total collections and credits				<u>\$ 971,472</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Schedule 2

Analysis of Current Year Tax Levy

Town - Wide Levy

June 30, 2022

	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	\$ 149,084,912	0.5700	\$ 849,784	\$ 849,784	\$ -
Motor vehicles	15,994,733	0.5700	91,170	-	91,170
Penalties	-	0.5700	1,199	1,199	-
Discoveries:					
Current year taxes	2,356,600	0.5700	27,376	27,376	-
Releases	(4,923,000)	0.5700	(715)	(715)	-
Total property value	<u>\$ 162,513,245</u>				
Net levy			<u>968,814</u>	<u>877,644</u>	<u>91,170</u>
Unpaid (by taxpayer) taxes at June 30, 2022			<u>7,751</u>	<u>7,751</u>	<u>-</u>
Current year's taxes collected			<u>\$ 961,063</u>	<u>\$ 869,893</u>	<u>\$ 91,170</u>
Current levy collection percentage			<u>99.20%</u>	<u>99.12%</u>	<u>100.00%</u>

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 28, 2023. 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
April 28, 2023



**Independent Auditor's Report on Compliance for
the Major State Program; on Internal Control
Over Compliance; With OMB Uniform Guidance
and 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

Opinion on The Major State Program

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

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

Basis for Opinion on The Major State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina

April 28, 2023

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Schedule of Revenues and Expenditures of Federal and State Awards
Year Ended June 30, 2022

Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	State Pass-through Grantor's No.	Federal Expenditures	State Expenditures
Federal Awards:				
U.S. Department of Treasury				
Passed Through Surry County:				
Coronavirus State and Local Recovery Fund	21.027		\$ 224,342	\$ -
Total Federal Awards			<u>224,342</u>	<u>-</u>
State Awards:				
N.C. Department of Environmental Quality Division of Water Infrastructure:				
Connect NC Bond "Tax Exempt" Program		H-SRP-D-17-0142	<u>-</u>	<u>3,816,683</u>
N.C. Office of State Budget and Management:				
Operations Appropriations Act		11372	<u>-</u>	<u>325,000</u>
N.C. Department of Transportation:				
Powell Bill		11212	<u>-</u>	<u>38,958</u>
Total State Awards			<u>-</u>	<u>4,180,641</u>
Total Expenditures of Federal and State Awards			<u>\$ 224,342</u>	<u>\$ 4,180,641</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Notes to the Schedule of Revenues and Expenditures of Federal and State Awards
Year Ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of revenues and expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of Town of Pilot Mountain, North Carolina under programs of the federal and state government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Pilot Mountain, North Carolina, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Town of Pilot Mountain, North Carolina.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures reported on the Schedule are reported on the accrual basis of accounting. Such revenues and expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Town of Pilot Mountain, North Carolina has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|---|--------------------------------------|
| (i) Type of auditor's report issued: | Unmodified |
| (ii) Internal control over financial reporting: | |
| (a) Material weakness(es) identified? | _____ yes <u> X </u> no |
| (b) Significant deficiency(ies)? | _____ yes <u> X </u> none reported |
| (iii) Noncompliance material to financial statements noted? | _____ yes <u> X </u> no |

State Awards

- | | |
|--|--------------------------------------|
| (i) Internal control over major programs: | |
| (a) Material weakness(es) identified? | _____ yes <u> X </u> no |
| (b) Significant deficiency(ies) identified? | _____ yes <u> X </u> none reported |
| (ii) Type of auditor's report issued on compliance
for major state programs: | Unmodified |
| (iii) Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit
Implementation Act | _____ yes <u> X </u> no |
| (iv) Identification of major programs: | |

Program Name

NC Connect Bonds

Section II - Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards:

A. Deficiencies in Internal Control

None reported

B. Compliance Findings

None reported

Section III - Findings and questioned costs relating to the major state programs which are required to be reported in accordance with the State Single Audit Implementation Act:

Findings and Questioned Costs

None reported

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Summary Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2022

None

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	\$ 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	\$ 2,124,128
Restricted	186,164	270,402	280,387	286,989	271,660	534,922	912,156	577,732	664,508	482,240
Unrestricted	167,774	214,467	332,176	547,764	380,967	8,524	(438,654)	(405,506)	(290,803)	579,002
Total governmental activities net assets	<u>\$ 2,375,932</u>	<u>\$ 2,414,480</u>	<u>\$ 2,527,339</u>	<u>\$ 2,714,445</u>	<u>\$ 2,553,269</u>	<u>\$ 2,403,381</u>	<u>\$ 2,560,033</u>	<u>\$ 2,343,507</u>	<u>\$ 2,458,659</u>	<u>\$ 3,185,370</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 8,590,273
Unrestricted	117,284	22,477	(9,995)	160,684	273,963	213,650	(166,047)	142,611	(650,677)	454,924
Total business-type activities net assets	<u>\$ 6,228,811</u>	<u>\$ 5,989,911</u>	<u>\$ 5,817,040</u>	<u>\$ 5,845,119</u>	<u>\$ 5,783,943</u>	<u>\$ 5,656,882</u>	<u>\$ 5,597,876</u>	<u>\$ 6,085,644</u>	<u>\$ 6,906,630</u>	<u>\$ 9,045,197</u>
Primary Government										
Net investment in capital assets	\$ 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	\$ 10,714,401
Restricted	186,164	270,402	280,387	286,989	271,660	534,922	912,156	577,732	664,508	482,240
Unrestricted	285,058	236,944	322,181	708,448	654,930	222,174	(604,701)	(262,895)	(941,480)	1,033,926
Total Primary Government	<u>\$ 8,604,743</u>	<u>\$ 8,404,391</u>	<u>\$ 8,344,379</u>	<u>\$ 8,559,564</u>	<u>\$ 8,337,212</u>	<u>\$ 8,060,263</u>	<u>\$ 8,157,909</u>	<u>\$ 8,429,151</u>	<u>\$ 9,365,289</u>	<u>\$ 12,230,567</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities										
General Government	\$ 832,685	\$ 381,424	\$ 321,533	\$ 422,306	\$ 372,078	\$ 338,736	\$ 104,580	\$ 449,724	\$ 302,564	\$ 339,369
Public Safety	653,828	668,266	626,299	582,852	591,812	746,399	739,034	802,780	949,928	941,206
Transportation	385,097	220,711	68,340	164,143	177,483	195,029	353,503	139,549	157,565	524,249
Economic Development	31,697	32,188	39,580	14,632	42,861	126,601	126,601	282,186	162,146	203,809
Environmental Protection	70,602	80,813	188,569	186,786	208,938	241,654	349,685	247,280	274,902	561,000
Culture and Recreation	108,822	98,063	122,724	89,033	131,808	106,307	108,279	93,425	99,390	127,062
Interest on Long Term Debt	6,988	7,258	6,643	302	1,765	14,958	6,130	3,219	6,958	2,714
Total governmental activities expenses	<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>	<u>2,699,409</u>
Business-type activities:										
Water and Sewer	836,773	940,407	924,692	991,428	994,305	910,301	1,174,325	1,127,019	1,167,262	1,648,404
Total business-type activities expense	<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>	<u>1,648,404</u>
Total Primary Government	<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>	<u>\$ 4,347,813</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,421	\$ 163,926	\$ 174,252	\$ 140,059	\$ 113,275
Public Safety	-	1,666	-	14,297	4,500	2,091	2,091	3,514	6,182	10,006
Economic Development	-	-	-	-	-	-	-	-	218,059	208,268
Environmental Protection	-	-	-	-	-	70,694	70,694	76,058	79,950	87,033
Operating grants and contributions	476,846	46,304	49,624	45,507	44,764	43,900	43,900	43,583	41,301	1,048,218
Capital grants and contributions	373,777	16,299	-	-	-	142,208	157,304	18,608	2,148	225,762
Total governmental activities program revenues	<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>	<u>1,692,562</u>
Business-type activities:										
Charges for services										
Water and Sewer	654,054	706,157	717,668	811,284	854,528	851,123	907,038	921,559	1,000,173	1,105,632
Operating grants and contributions	-	-	26,481	138,180	37,000	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	93,000	197,450	693,228	988,075	2,651,839
Total business-type activities program revenues	<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>	<u>3,757,471</u>
Total Governmental activities program revenues	<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>	<u>\$ 5,450,033</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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net (Expense) Revenue										
Governmental activities	\$ (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)	\$ (1,006,847)
Business-type activities	(182,719)	(234,250)	(180,543)	(41,964)	(102,777)	33,822	(69,837)	487,768	820,986	2,109,067
Total Primary Government Expense	<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>	<u>\$ 1,102,220</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes	\$ 871,046	\$ 868,266	\$ 850,426	\$ 811,741	\$ 819,384	\$ 845,608	\$ 851,937	\$ 813,607	\$ 905,018	\$ 987,723
Grants and unrestricted contributions	461,624	456,610	510,625	545,111	545,974	608,133	608,930	614,686	648,883	715,467
Gain (loss) on sale of property	(74,105)	3,720	(1,097)	-	16,693	-	-	6,752	26,999	29,500
Investment earnings	1,299	919	913	672	2,333	6,988	6,988	577	6	868
Miscellaneous	119,841	114,087	141,264	224,617	138,494	3,694	3,694	-	-	-
Insurance recovery	-	-	-	-	-	-	-	-	-	-
Forgiveness of debt	-	-	-	34,121	-	-	-	-	-	-
Transfers in (out)	74,695	19,400	-	(29,106)	-	(150,500)	-	-	-	-
Total governmental activities	<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>	<u>1,733,558</u>
Business-type activities:										
Gain on sale of property	-	-	-	-	32,710	10,831	10,831	-	-	29,500
Investment earnings	-	-	-	-	-	-	-	-	-	-
Miscellaneous	15,147	14,750	32,466	40,937	8,891	55,915	-	-	-	-
Transfers in (out)	(74,695)	(19,400)	-	29,106	-	64,611	-	-	-	-
Total business-type activities	<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>	<u>29,500</u>
Total Primary Government	<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>	<u>\$ 1,763,058</u>
Change in Net Assets										
Governmental activities	\$ 29,946	\$ 138,938	\$ 101,881	\$ 109,675	\$ 123,508	\$ (85,447)	\$ 121,652	\$ (266,526)	\$ 115,152	\$ 726,711
Business-type activities	(293,798)	(185,193)	(9,498)	(32,734)	75,423	165,179	(59,006)	487,768	820,986	2,138,567
Total Primary Government	<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>	<u>\$ 2,865,278</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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Restricted	\$ 121,695	\$ 271,682	\$ 282,223	\$ 286,989	\$ 271,660	\$ 534,922	\$ 912,156	\$ 577,732	\$ 664,508	\$ 482,240
Assigned	-	33,070	-	-	-	-	20,000	20,000	-	-
Unassigned	209,364	214,913	388,963	547,764	380,967	312,193	(202,288)	(59,794)	32,524	236,532
Total general fund	<u>\$ 331,059</u>	<u>\$ 519,665</u>	<u>\$ 671,186</u>	<u>\$ 834,753</u>	<u>\$ 652,627</u>	<u>\$ 847,115</u>	<u>\$ 729,868</u>	<u>\$ 537,938</u>	<u>\$ 697,032</u>	<u>\$ 718,772</u>
All Other Governmental Funds										
Restricted	\$ 8,137	\$ 25,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-	-	-	45,177	11,123	3,943	606,908
Unassigned, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Capital projects fund	56,332	(26,652)	(1,636)	(1,636)	136,220	(195)	(2,268)	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 64,469</u>	<u>\$ (1,280)</u>	<u>\$ (1,636)</u>	<u>\$ (1,636)</u>	<u>\$ 136,220</u>	<u>\$ (195)</u>	<u>\$ 42,909</u>	<u>\$ 11,123</u>	<u>\$ 3,943</u>	<u>\$ 606,908</u>

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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Ad valorem taxes	\$ 839,579	\$ 835,000	\$ 831,858	\$ 822,903	\$ 837,857	\$ 826,304	\$ 848,280	\$ 813,607	\$ 905,018	\$ 987,726
Other taxes and licenses	33,815	33,064	26,956	-	-	-	-	-	-	-
Unrestricted intergovernmental revenues	461,624	456,610	510,625	545,111	545,974	553,524	632,342	632,319	651,031	1,716,069
Restricted intergovernmental revenues	509,808	80,158	71,387	62,208	52,597	84,589	215,936	99,220	266,664	492,766
Permits and Fees	3,870	4,645	5,310	2,205	3,490	4,560	2,980	2,155	4,150	2,765
Investment Earnings	1,299	919	913	672	2,333	8,204	6,988	577	6	868
Other Revenues	80,891	76,378	108,998	213,786	131,669	140,126	230,587	240,180	216,490	196,429
Total revenue	<u>1,930,886</u>	<u>1,486,774</u>	<u>1,556,047</u>	<u>1,646,885</u>	<u>1,573,920</u>	<u>1,617,307</u>	<u>1,937,113</u>	<u>1,788,058</u>	<u>2,043,359</u>	<u>3,396,623</u>
Expenditures										
Current										
General government	806,837	368,222	322,995	394,091	349,613	348,923	353,197	530,230	366,909	443,770
Public safety	661,593	664,731	642,926	601,442	670,165	662,024	728,501	776,740	915,063	1,027,787
Transportation	379,527	241,809	89,626	192,492	182,547	149,262	333,364	185,351	148,740	535,170
Pilot Center	-	-	-	-	-	-	-	-	-	-
Economic Development	31,697	32,188	39,581	14,632	42,861	83,296	143,469	279,291	160,833	203,809
Environmental Protection	70,602	80,813	187,919	225,582	204,167	286,438	337,890	222,340	252,197	564,926
Cultural and Recreation	259,211	73,193	89,130	55,795	98,568	103,323	68,915	60,187	67,056	94,781
Debt service:										
Principal retirement	15,384	21,114	25,584	9,561	20,628	34,656	43,484	35,151	69,611	34,461
Interest and Fees	7,103	7,376	6,765	302	1,766	6,149	6,130	3,219	6,958	2,714
Total expenditures	<u>2,231,954</u>	<u>1,489,446</u>	<u>1,404,526</u>	<u>1,493,897</u>	<u>1,570,315</u>	<u>1,674,071</u>	<u>2,014,950</u>	<u>2,092,509</u>	<u>1,987,367</u>	<u>2,907,418</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(301,068)</u>	<u>(2,672)</u>	<u>151,521</u>	<u>152,988</u>	<u>3,605</u>	<u>(56,764)</u>	<u>(77,837)</u>	<u>(304,451)</u>	<u>55,992</u>	<u>489,205</u>
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	29,500
Transfers In	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	106,000
Insurance Recovery	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>284,255</u>	<u>191,278</u>	<u>200,000</u>	<u>60,732</u>	<u>16,693</u>	<u>(1,520)</u>	<u>(146,806)</u>	<u>(10,540)</u>	<u>95,922</u>	<u>135,500</u>
Net change in fund balances	<u>\$ (16,813)</u>	<u>\$ 188,606</u>	<u>\$ 351,521</u>	<u>\$ 213,720</u>	<u>\$ 20,298</u>	<u>\$ (58,284)</u>	<u>\$ (224,643)</u>	<u>\$ (314,991)</u>	<u>\$ 151,914</u>	<u>\$ 624,705</u>
Debt service as a percentage of noncapital expenditures	1.01%	1.91%	2.30%	0.66%	1.43%	2.53%	2.89%	2.00%	4.07%	1.40%

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>
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
2022	138,374,519	26,647,536	4,384,932	169,406,987	0.57	967,876

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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
County of Surry	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.582	\$ 0.552
Town of Pilot Mountain	0.560	0.560	0.570	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	0.040
Total Direct and Overlapping Rates	<u>\$ 1.142</u>	<u>\$ 1.142</u>	<u>\$ 1.152</u>	<u>\$ 1.192</u>	<u>\$ 1.192</u>	<u>\$ 1.192</u>	<u>\$ 1.192</u>	<u>\$ 1.192</u>	<u>\$ 1.192</u>	<u>\$ 1.162</u>

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

Principal Property Taxpayer

Current Year and Nine Years Ago

	2022			2013		
	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	21.66%	\$ 3,884,327	1	16.71%
Glenwood Pilot Mountain Co LLC	2,775,250	2	8.59%	2,518,370	2	10.84%
Duke Energy	2,584,754	3	8.00%	-	-	0.00%
Chilton Moir Edward	2,549,420	4	7.89%	2,477,230	3	10.66%
Needham Holdings LLC	2,111,880	5	6.54%	1,709,310	7	7.36%
Altus Group US INC	2,199,410	6	6.81%	-	-	0.00%
Key Street of Pilot LLC	1,960,560	7	6.07%	1,646,710	9	7.09%
Time Warner Cable Southeast	1,660,330	8	5.14%	-	-	0.00%
Barbee Harold Ted	1,510,620	9	4.68%	1,646,710	8	7.09%
Pinnacle Hill Limited Partners	1,452,520	10	4.50%	1,631,310	9	7.02%
Pilot Mountain Partners LLC	4,083,900	11	12.65%	2,313,840	4	9.96%
North Key Street LLC	1,172,220	12	3.63%	2,074,840	5	8.93%
Pramukh C Hospitality LLC	1,236,210	13	3.83%	1,773,610	6	7.63%
Intex Corporation				1,562,780	10	6.72%
Total	<u>\$ 32,291,902</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
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%
2022	968,814	961,063	99.20%	-	961,063	99.20%

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			Percentage of Personal Income	Per Capita	Population (Est.)	Assessed Value of Taxable Property
	Installment Purchases	General Obligation Bonds	Installment Purchases	Total Primary Government					
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	
2022	284,056	70,000	179,433	533,489	1.05%	354.48	1,505	149,084,912	

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)

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Expenditures</u>	<u>Total General Government Expenditures</u>	<u>Percentage of Debt Service to Total General Government Expenditures</u>
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%
2022	14,000	3,500	17,500	2,907,418	0.60%

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
Computation of Direct and Underlying Debt
General Obligation Bonds
June 30, 2022

<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	\$ 215,133	100.000%	\$ 215,133
Underlying			
Surry County			
General Obligation Bonds	495,000	2.394%	<u>11,850</u>
Total direct and overlapping debt			<u><u>\$ 226,983</u></u>

Sources: Town of Pilot Mountain and County of Surry, North Carolina CAFR, Year Ended June 30, 2022

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

	Fiscal Year Ending June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Assessed Value of Property	\$ 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	\$ 149,084,912
Debt limit, 8% of assessed value	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	11,926,793
Total net debt applicable to limit	933,293	823,549	712,324	799,734	1,031,720	914,512	757,237	606,547	1,310,442	533,489
Legal debt margin available	<u>\$ 9,898,210</u>	<u>\$ 9,744,507</u>	<u>\$ 10,149,988</u>	<u>\$ 9,723,908</u>	<u>\$ 9,010,294</u>	<u>\$ 9,410,779</u>	<u>\$ 10,337,416</u>	<u>\$ 10,227,350</u>	<u>\$ 9,753,682</u>	<u>\$ 11,393,304</u>
Total net debt applicable to the limit as a percentage of debt limit	8.62%	7.79%	6.56%	7.60%	10.27%	8.86%	6.83%	5.60%	11.84%	4.47%

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	2022			2013		
	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>21.81%</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

Year	Population ^a	Per Capita Personal Income ^c	Unemployment Rate ^d	Median Age	Public School Enrollment
2013	1,506	20,118	11.90%	39.9	377
2014	1,506	20,570	8.90%	39.8	382
2015	1,501	20,910	6.30%	39.8	385
2016	1,505	20,910	5.90%	39.8	386
2017	1,506	22,238	4.90%	38.5	390
2018	1,505	22,238	4.30%	38.5	395
2019	1,505	24,464	3.90%	39.4	411
2020	1,506	25,532	4.20%	45.5	423
2021	1,649	24,464	11.30%	45.4	435
2022	1,440	35,306	3.50%	47.0	450

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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Administration										
Manager	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance Officer	-	-	-	-	-	-	-	-	-	-
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	1.0	1.0	1.0	1.0	1.0	-
Downtown Development										
Main Street Coordinator	-	-	-	-	-	0.5	0.5	0.5	0.5	0.8
Events Coordinator	-	-	-	-	-	-	-	-	-	0.5
Code Enforcement	-	-	-	-	-	-	-	-	-	0.3
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	-	-	-	-	-	-
Detective										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	-	-	-
Maintenance Worker	3.0	3.0	3.0	3.0	2.0	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	-	-	-
Plant Maintenance Tech	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	-	-	-	-	-	-
Total	21.5	21.5	21.5	21.5	18.0	18.5	18.5	16.5	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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Administration										
Zoning Permits	23	26	28	50	41	44	59	57	62	-
Tax Rate	\$ 0.58	\$ 0.56	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.57
Police										
Criminal Activities	5,517	3,490	3,986	5,048	4,321	622	3,875	3,268	3,354	3,614
Total Activities	57,024	77,249	71,779	75,588	50,245	11,197	69,869	66,966	67,852	67,942
Patrol Miles Driven	78,236	77,562	75,123	69,718	77,458	71,258	91,000	75,000	82,000	81,799
Public Works										
Street Signs Installed	-	7	6	3	3	30	25	20	5	5
Meters Read	12,010	12,010	12,010	12,096	12,096	12,096	12,372	12,372	12,372	12,372
New Water/Sewer Taps	2	5	3	5	7	19	5	2	5	8
Water Treatment										
Gallons Treated	88.375	48.875	24.375	49.250	64.750	55.875	102.234	78.860	101.030	102.070
Permit Violations	-	-	-	-	1	1	1	1	-	-
Wastewater Treatment										
Gallons Treated	70.7	39.1	19.5	39.4	51.8	44.7	72.6	72.8	69.1	68.1
Permit Violations	2	1	-	3	-	1	1	1	-	-
Finance										
Vendor Checks Written	7,566	7,395	7,430	5,641	7,580	9,213	1,150	1,150	1,120	-
Payroll Checks Processed	559	559	559	559	468	481	481	429	442	546
Taxes Collected	98.53%	98.31%	98.67%	98.91%	99.11%	99.12%	99.05%	97.93%	98.69%	0.00%
Downtown Development										
Façade Grants Issued	-	-	-	-	-	2	3	6	5	3
Events	7	7	7	8	8	10	10	7	3	15

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

Function/Program	Fiscal Year Ending June 30,										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Police											
Stations	1	1	1	1	1	1	1	1	1	1	1
Patrol Units	7	7	7	6	6	7	7	10	10	10	
Public Works											
Streets (miles)	19	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	18
Fire Hydrants	193	193	193	193	193	193	193	193	193	193	193
Storage Capacity	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	1,200,000	
Wastewater Treatment											
Collection Lines	18	18	18	18	18	18	18	18	18	18	18
Pump Stations	19	19	19	19	19	19	19	19	19	19	19
Treatment Plants	1	1	1	1	1	1	1	1	1	1	1