

TOWN OF PINK HILL, NORTH CAROLINA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2022

GREGORY T. REDMAN, CPA
TARBORO, NORTH CAROLINA

Financial Statements

Town of Pink Hill, North Carolina

Board of Commissioners

Yvonne Deatherage, Mayor

Pete Fantini

Penny Murphy

James Quinn

Administrative and Financial Staff

Lisa McGee, Town Clerk

Town of Pink Hill, North Carolina
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June 30, 2022

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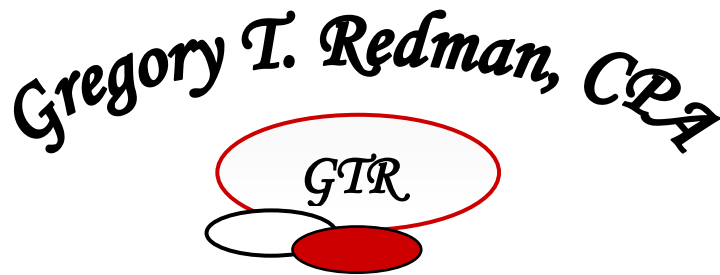
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Financial Section



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Independent Auditor's Report

To the Honorable Mayor
and Members of the Town Council
Pink Hill, North Carolina

Report on the Audit of Financial Statements

Opinion

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Pink Hill, North Carolina as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Pink Hill, North Carolina's basic financial statements as listed in the table of contents.

In my opinion, based on my audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Town of Pink Hill, North Carolina as of June 30, 2022, and the respective changes in financial position, and budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United State My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Town of Pink Hill, North Carolina and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 Town of Pink Hill, North Carolina's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *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 GAAS and *Government Auditing Standards*, I:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of Pink Hill, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Pink Hill, North Carolina's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits' Schedules of Changes in Total OPEB Liability and Related Ratios, Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability, and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pink Hill, North Carolina's basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules are presented purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion based on my audit the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 26, 2023 on my consideration of the Town of Pink Hill, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Pink Hill, North Carolina's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pink Hill, North Carolina's internal control over financial reporting and compliance.



Gregory T. Redman, CPA
Tarboro, North Carolina
May 26, 2023

Management's Discussion and Analysis

**Town of Pink Hill, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

As management of the Town of Pink Hill, we offer readers of the Town of Pink Hill's financial statements this narrative overview and analysis of the financial activities of the Town of Pink Hill 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

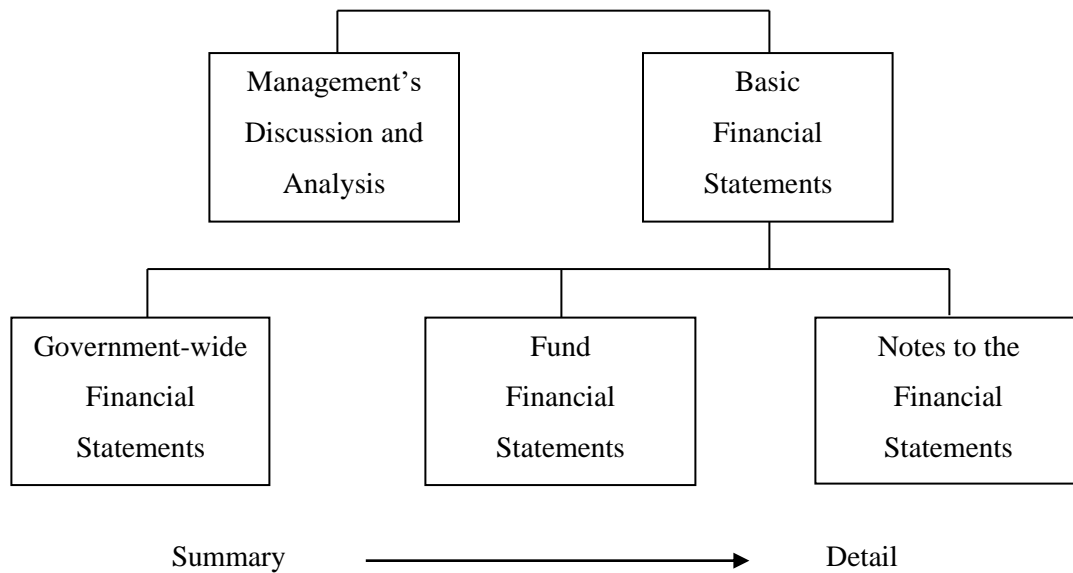
- The assets and deferred outflows of resources of the Town of Pink Hill exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,712,953 (*net position*).
- The government's total net position decreased by \$47,671, primarily due to depreciation.
- As of close of the current fiscal year, the Town of Pink Hill's governmental funds reported combined ending fund balances of \$1,037,105, a decrease of \$101,931 in comparison with the prior year. Approximately 52 percent of this total amount, or \$539,831, is non-spendable or restricted.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$427,978 or 46 percent of total general fund expenditures for the 2022 fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Pink Hill's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. 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 Pink Hill.

**Town of Pink Hill, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

Required Components of Annual Financial Report



Basic Financial Statements

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

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to 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 they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gage the Town's financial condition.

**Town of Pink Hill, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

The government-wide statements report governmental activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Pink Hill, 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 Requirements of the Town's budget ordinance. All of the funds of the Town of Pink Hill are governmental funds.

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. The 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*, which 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 governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the funds financial statements.

The Town of Pink Hill 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 Board about 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 budgetary basis of accounting and the actual resources and charges.

Proprietary Funds – Town of Pink Hill has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Pink Hill uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function 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 for a full understanding of the data provided in the government-wide and fund financial statements.

**Town of Pink Hill, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Pink Hill's progress in funding its obligation to provide pension benefits to its employees.

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 and local 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.

The Town of Pink Hill's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 1,134,372	\$ 1,167,623	\$ 703,847	\$ 686,586	\$ 1,838,219	\$ 1,854,209
Non-current assets	1,052,190	857,723	6,220,269	6,459,479	7,272,459	7,317,202
Deferred outflows of resources	54,380	51,943	27,190	25,771	81,570	77,714
Total Assets and Deferred Outflows of Resources	\$ 2,240,942	\$ 2,077,289	\$ 6,951,306	\$ 7,171,836	\$ 9,192,248	\$ 9,249,125
Long-term liabilities outstanding	\$ 268,391	\$ 309,291	\$ 958,388	\$ 1,047,795	\$ 1,226,779	\$ 1,357,086
Current liabilities	98,390	28,619	77,400	73,992	175,790	102,611
Deferred inflows of resources	51,217	20,678	25,609	8,126	76,826	28,804
Total Liabilities and Deferred Inflows of Resources	\$ 417,998	\$ 358,588	\$ 1,061,397	\$ 1,129,913	\$ 1,479,395	\$ 1,488,501
Net Position:						
Net investment in capital assets	\$ 855,514	\$ 721,953	\$ 5,266,754	\$ 5,486,153	\$ 6,122,268	\$ 6,208,106
Restricted	539,831	611,142	-	-	539,831	611,142
Unrestricted	427,599	385,606	623,255	555,770	1,050,854	941,376
Total Net Position	\$ 1,822,944	\$ 1,718,701	\$ 5,890,009	\$ 6,041,923	\$ 7,712,953	\$ 7,760,624

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Pink Hill exceeded liabilities and deferred inflows by \$7,712,953 as of June 30, 2022. The Town's net position decreased by \$47,671 for the fiscal year ended June 30, 2022. However, the largest portion (79%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Pink Hill uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pink Hill'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 Pink Hill's net position, \$539,831 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,050,854 (14%) is unrestricted.

**Town of Pink Hill, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.84%.
- Continued diligence in cost saving measures.

Town of Pink Hill Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 109,229	\$ 128,588	\$ 554,746	\$ 567,878	\$ 663,975	\$ 696,466
Operating grants and contributions	179,925	299,949	-	-	179,925	299,949
Capital grants and contributions	-	-	26,489	50,000	26,489	50,000
General revenues:						
Property taxes	209,318	210,464	-	-	209,318	210,464
Other taxes	-	-	-	-	-	-
Unrestricted grants and contributions	144,654	133,708	-	-	144,654	133,708
Miscellaneous	77,451	16,073	127	9,332	77,578	25,405
Total Revenues	<u>\$ 720,577</u>	<u>\$ 788,782</u>	<u>\$ 581,362</u>	<u>\$ 627,210</u>	<u>\$ 1,301,939</u>	<u>\$ 1,415,992</u>
Expenses:						
General government	\$ 141,549	\$ 153,175	\$ -	\$ -	\$ 141,549	\$ 153,175
Public safety	277,394	292,093	-	-	277,394	292,093
Cultural and recreation	6,895	7,604	-	-	6,895	7,604
Environmental protection	108,077	105,283	-	-	108,077	105,283
Economic and physical development	-	-	-	-	-	-
Transportation	103,620	208,209	-	-	103,620	208,209
Interest expense	6,449	9,165	26,262	26,744	32,711	35,909
Water and sewer	-	-	756,665	796,898	756,665	796,898
Total Expenses	<u>\$ 643,984</u>	<u>\$ 775,529</u>	<u>\$ 782,927</u>	<u>\$ 823,642</u>	<u>\$ 1,426,911</u>	<u>\$ 1,599,171</u>
Increase(decrease) in net position						
before transfers	76,593	13,253	(201,565)	(196,432)	(124,972)	(183,179)
Transfers	27,650	-	49,651	-	77,301	-
Increase(decrease) in net position	<u>104,243</u>	<u>13,253</u>	<u>(151,914)</u>	<u>(196,432)</u>	<u>(47,671)</u>	<u>(183,179)</u>
Net position, July 1, retated	<u>1,718,701</u>	<u>1,705,448</u>	<u>6,041,923</u>	<u>6,238,355</u>	<u>7,760,624</u>	<u>7,943,803</u>
Net position, June 30	<u>\$ 1,822,944</u>	<u>\$ 1,718,701</u>	<u>\$ 5,890,009</u>	<u>\$ 6,041,923</u>	<u>\$ 7,712,953</u>	<u>\$ 7,760,624</u>

Governmental activities. Governmental activities increased the Town's net position by \$104,242.

Business-type activities: Business-type activities decreased the Town of Pink Hill's net position by \$151,914. This decrease can be attributed to depreciation expense.

**Town of Pink Hill, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Pink Hill'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 of Pink Hill's financing requirements.

The general fund is the chief operating fund of the Town of Pink Hill. At the end of the current fiscal year, Town of Pink Hill's fund balance available in the General Fund was \$427,978, while total fund balance reached \$765,235. The Governing Body of Town of Pink Hill has determined that the Town should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available balance of 46% of general fund expenditures, while total fund balance represents 83% of the same amount.

At June 30, 2022, the governmental funds of Town of Pink Hill reported a combined fund balance of \$1,037,105 with a net increase in fund balance of \$101,931.

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.

Proprietary Funds. The Town'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 \$623,255. The total decrease in net position for the fund was \$151,914.

Capital Asset and Debt Administration

Capital Assets: The Town of Pink Hill's investments in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$7,272,459 (net of accumulated depreciation). These assets include buildings, sewer plant and distribution system, land, machinery and equipment, water and sewer substations, line and equipment, and vehicles.

**Town of Pink Hill, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

The Town of Pink Hill's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 28,044	\$ 28,044	\$ 341,062	\$ 341,062	\$ 369,106	\$ 369,106
Buildings	497,128	460,264	12,934	12,934	510,062	473,198
Plant and distribution system	-	-	3,440,375	3,543,804	3,440,375	3,543,804
Improvements other than buildings	37,983	38,017	-	-	37,983	38,017
Substations, lines, and related equipment	-	-	1,927,902	2,052,861	1,927,902	2,052,861
Machinery and equipment	163,350	146,787	-	-	163,350	146,787
Vehicles and motorized equipment	313,958	173,556	-	-	313,958	173,556
Furniture and equipment	4,521	5,452	361,807	399,118	366,328	404,570
Computer equipment	7,206	5,603	-	-	7,206	5,603
Construction in progress	-	-	136,189	109,700	136,189	109,700
Total	<u>\$ 1,052,190</u>	<u>\$ 857,723</u>	<u>\$ 6,220,269</u>	<u>\$ 6,459,479</u>	<u>\$ 7,272,459</u>	<u>\$ 7,317,202</u>

Additional information on the Town's capital assets can be found in the Notes to the Financial Statements.

Long-term Debt. As of June 30, 2022, the Town of Pink Hill had total debt outstanding of \$1,150,191. Of this outstanding debt, \$121,676 is due to the USDA for the Pink Hill Volunteer Fire Department building (Note #1). The Town has completed two projects that were funded through USDA with outstanding debt on Note 91-13 - \$344,782 for Water System Improvement and Note 91-15 - \$605,130. The Town also entered into a Water Meter Project with outstanding debt to the State Revolving Loan Fund of \$21,613. The Town entered into a new loan agreement in the amount of \$75,000 to purchase a fire truck.

Additional information regarding the Town of Pink Hill's long-term debt can be found in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- During the next fiscal year, more growth is expected with more businesses opening in the Town, providing new employment opportunities for area citizens and also increasing the Town's tax base.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities: The Town's budget for the year ended June 30, 2022 is proposed to decrease by \$149,409 which is a 17% decrease from the prior year. This decrease is mainly attributable to decreased expenditures in Transportation.

**Town of Pink Hill, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

Business – type Activities: The Town's budget for the year ended June 30, 2022 is proposed to remain approximately the same.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Post Office Box 530, Pink Hill, NC 28572, or call the Town Hall at (252) 568-3181.

Basic Financial Statements

Town of Pink Hill, North Carolina
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 579,903	\$ 541,542	\$ 1,121,445
Taxes receivable (net)	11,845	-	11,845
Accounts receivable (net)	13,366	89,333	102,699
Accrued interest receivable	2,793	-	2,793
Due from other governments	53,343	4,949	58,292
Internal balances	3,759	(3,759)	-
Prepaid items	-	6,540	6,540
Restricted cash and cash equivalents	469,363	65,242	534,605
Total Current Assets	\$ 1,134,372	\$ 703,847	\$ 1,838,219
Non-current Assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	\$ 28,044	\$ 477,251	\$ 505,295
Other capital assets, net of depreciation	1,024,146	5,743,018	6,767,164
Total capital assets	\$ 1,052,190	\$ 6,220,269	\$ 7,272,459
Total Assets	\$ 2,186,562	\$ 6,924,116	\$ 9,110,678
Deferred Outflows of Resources			
Pension deferrals	\$ 54,380	\$ 27,190	\$ 81,570
OPEB deferrals	-	-	-
Total Deferred Outflows of Resources	\$ 54,380	\$ 27,190	\$ 81,570
Liabilities			
Current liabilities:			
Accounts payable	\$ 82,629	\$ 16,170	\$ 98,799
Unearned revenue	-	-	-
Accrued interest payable	-	2,278	2,278
Current portion of long-term liabilities	15,761	20,307	36,068
Payable from restricted assets	-	38,645	38,645
Total Current Liabilities	\$ 98,390	\$ 77,400	\$ 175,790
Long-term liabilities:			
Net pension liability	\$ 31,592	\$ 15,796	\$ 47,388
Total pension liability	45,084	-	45,084
Total OPEB liability	-	-	-
Due in more than one year	191,715	942,592	1,134,307
Total Long-term liabilities	\$ 268,391	\$ 958,388	\$ 1,226,779
Total Liabilities	\$ 366,781	\$ 1,035,788	\$ 1,402,569
Deferred Inflows of Resources			
Prepaid taxes	\$ -	\$ -	\$ -
Pension deferrals	51,217	25,609	76,826
OPEB deferrals	-	-	-
Total Deferred Inflows of Resources	\$ 51,217	\$ 25,609	\$ 76,826
Net Position			
Net investment in capital assets	\$ 855,514	\$ 5,266,754	\$ 6,122,268
Restricted for:			
Stabilization by State Statute	70,468	-	70,468
Economic and physical development	271,870	-	271,870
Transportation	92,522	-	92,522
Public safety	104,971	-	104,971
Unrestricted	427,599	623,255	1,050,854
Total Net Position	\$ 1,822,944	\$ 5,890,009	\$ 7,712,953

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

Town of Pink Hill, North Carolina
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 141,549	\$ -	\$ 8,637	\$ -	\$ (132,912)	\$ -	\$ (132,912)
Public safety	277,394	135	135,486	-	(141,773)	-	(141,773)
Cultural and recreation	6,895	-	-	-	(6,895)	-	(6,895)
Environmental protection	108,077	109,094	15,490	-	16,507	-	16,507
Economic and physical development	-	-	-	-	-	-	-
Transportation	103,620	-	20,312	-	(83,308)	-	(83,308)
Interest expense	6,449	-	-	-	(6,449)	(26,262)	(32,711)
Total governmental activities	<u>\$ 643,984</u>	<u>\$ 109,229</u>	<u>\$ 179,925</u>	<u>\$ -</u>	<u>\$ (354,830)</u>	<u>\$ (26,262)</u>	<u>\$ (381,092)</u>
Business-type activities:							
Water and sewer	756,665	554,746	-	26,489	-	(175,430)	(175,430)
Total business-type activities	<u>\$ 756,665</u>	<u>\$ 554,746</u>	<u>\$ -</u>	<u>\$ 26,489</u>	<u>\$ -</u>	<u>\$ (175,430)</u>	<u>\$ (175,430)</u>
Total primary government	<u>\$ 1,400,649</u>	<u>\$ 663,975</u>	<u>\$ 179,925</u>	<u>\$ 26,489</u>	<u>\$ (354,830)</u>	<u>\$ (201,692)</u>	<u>\$ (556,522)</u>
General Revenues							
Taxes:							
Property taxes, levied for general purpose					\$ 209,318	\$ -	\$ 209,318
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					144,654	-	144,654
Unrestricted investment earnings					107	127	234
Miscellaneous					77,344	-	77,344
Transfers and loan proceeds					27,650	49,651	77,301
Total general revenues					<u>459,073</u>	<u>49,778</u>	<u>508,851</u>
Change in Net Position					\$ 104,243	\$ (151,914)	\$ (47,671)
Net Position, Beginning of year					1,718,701	6,041,923	7,760,624
Prior period adjustments					-	-	-
Net Position, End of year					<u>\$ 1,822,944</u>	<u>\$ 5,890,009</u>	<u>\$ 7,712,953</u>

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

Town of Pink Hill, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds			Total
	General	Economic Development Special Revenue	American Rescue Plan Act Fund	
Assets				
Cash and cash equivalents	\$ 579,903	\$ -	\$ -	\$ 579,903
Restricted cash	197,493	271,870	-	469,363
Receivables, net:				
Taxes	11,845	-	-	11,845
Accounts	13,366	-	-	13,366
Due from other governments	53,343	-	-	53,343
Due from other funds	3,759	-	-	3,759
Total Assets	<u>\$ 859,709</u>	<u>\$ 271,870</u>	<u>\$ -</u>	<u>\$ 1,131,579</u>
Liabilities				
Liabilities:				
Accounts payable	\$ 82,629	\$ -	\$ -	\$ 82,629
Due to other funds	-	-	-	-
Total Liabilities	<u>\$ 82,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,629</u>
Deferred Inflows of Resources				
Property taxes receivable	\$ 11,845	\$ -	\$ -	\$ 11,845
Prepaid taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>\$ 11,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,845</u>
Fund Balances				
Restricted:				
Stabilization by State Statute	\$ 70,468	\$ -	\$ -	\$ 70,468
Transportation	92,522	-	-	92,522
Public safety	104,971	-	-	104,971
Economic development	-	271,870	-	271,870
Assigned:				
Subsequent year's expenditures	69,296	-	-	69,296
Unassigned	427,978	-	-	427,978
Total Fund Balances	<u>\$ 765,235</u>	<u>\$ 271,870</u>	<u>\$ -</u>	<u>\$ 1,037,105</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 859,709</u>	<u>\$ 271,870</u>	<u>\$ -</u>	<u>\$ 1,131,579</u>

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

Town of Pink Hill, North Carolina
Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
June 30, 2022

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

Ending Fund Balance - Governmental Funds	\$ 1,037,105
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,052,190
Deferred outflows of resources related to pensions are not reported in the funds.	54,380
Deferred outflows of resources related to OPEB are not reported in the funds.	-
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are not reported in the funds.	2,793
Other assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds.	11,845
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Long-term debt	(196,676)
Net pension liability	(31,592)
Total pension liability	(45,084)
OPEB liability	-
Compensated absences	(10,800)
Deferred inflows of resources related to pensions are not reported in the funds.	(51,217)
Deferred inflows of resources related to OPEB are not reported in the funds.	-
Net Position of Governmental Activities	<u><u>\$ 1,822,944</u></u>

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

Town of Pink Hill, North Carolina
Statement of Revenues, Expenditures And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	Major Fund			Total
	General	Economic Development Special Revenue	American Rescue Plan Act Fund	
Revenues				
Ad valorem taxes	\$ 207,899	\$ -	\$ -	\$ 207,899
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	144,654	-	-	144,654
Restricted intergovernmental	179,925	-	80,790	260,715
Permits and fees	109,229	-	-	109,229
Sales and services	-	-	-	-
Investment earnings	107	128	-	235
Miscellaneous	77,344	-	-	77,344
Total Revenues	<u>\$ 719,158</u>	<u>\$ 128</u>	<u>\$ 80,790</u>	<u>\$ 800,076</u>
Expenditures				
Current:				
General government	\$ 140,101	\$ -	\$ -	\$ 140,101
Public safety	546,288	-	-	546,288
Transportation	102,402	-	-	102,402
Economic and physical development	-	-	-	-
Environmental protection	108,077	-	-	108,077
Culture and recreation	6,455	-	-	6,455
Debt Service:				
Principal	14,095	-	-	14,095
Interest and other charges	6,449	-	-	6,449
Total Expenditures	<u>\$ 923,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 923,867</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (204,709)</u>	<u>\$ 128</u>	<u>\$ 80,790</u>	<u>\$ (123,791)</u>
Other Financing Sources (Uses)				
Loan proceeds	\$ 75,000	\$ -	\$ -	\$ 75,000
Transfers (to) from other funds	27,650	-	(80,790)	(53,140)
Total Other Financing Sources (Uses)	<u>102,650</u>	<u>-</u>	<u>(80,790)</u>	<u>21,860</u>
Net Change in Fund Balance	<u>\$ (102,059)</u>	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ (101,931)</u>
Fund balances				
Beginning of year	867,294	271,742	-	1,139,036
End of year	<u>\$ 765,235</u>	<u>\$ 271,870</u>	<u>\$ -</u>	<u>\$ 1,037,105</u>

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

Town of Pink Hill, North Carolina
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement Activities
For the Year Ended June 30, 2022

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

Net change in Fund Balance - Total Governmental Funds \$ (101,931)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 270,396	
Depreciation expense for governmental assets	<u>(74,054)</u>	196,342

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		19,088
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Change in unavailable revenue for tax revenues.		1,419
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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 affect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt		14,094
Issuance of debt		<u>(75,000)</u>

Some expenses reported in the Statement of Activites do not require the use of current financial resources and therefore are not reported as expenditures in govermental funds.

Compensated absences	(2,468)	
Pension expense	(12,689)	
OPEB plan expense	<u>65,388</u>	<u>\$ 50,231</u>

Total changes in net position of governmental activities		<u><u>\$ 104,243</u></u>
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The notes of the financial statements are an integral part of this statement.

Town of Pink Hill, North Carolina
Statement of Revenues, Expenditures, And
Changes in Fund Balances - Budget and Actual - General Fund
For the Year Ended June 30, 2022

	General Fund			Variance with
	Original	Final	Actual	Final Budget
			Amounts	Positive
				(Negative)
Revenues				
Ad valorem taxes	\$ 198,623	\$ 198,623	\$ 207,899	\$ 9,276
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	122,835	122,835	144,654	21,819
Restricted intergovernmental	158,422	158,422	179,925	21,503
Permits and fees	105,723	105,723	109,229	3,506
Sales and services	1,500	1,500	-	(1,500)
Investment earnings	127	127	107	(20)
Miscellaneous	56,957	76,544	77,344	800
Total Revenues	<u>\$ 644,187</u>	<u>\$ 663,774</u>	<u>\$ 719,158</u>	<u>\$ 55,384</u>
Expenditures				
Current:				
General government	\$ 141,529	\$ 151,354	\$ 140,101	\$ 11,253
Public safety	353,805	550,178	546,288	3,890
Transportation	35,158	42,285	102,402	(60,117)
Economic and physical development	-	-	-	-
Environmental protection	105,495	105,495	108,077	(2,582)
Culture and recreation	8,200	8,200	6,455	1,745
Debt Service:				
Principal retirement	-	14,095	14,095	-
Interest and other charges	-	6,449	6,449	-
Total Expenditures	<u>\$ 644,187</u>	<u>\$ 878,056</u>	<u>\$ 923,867</u>	<u>\$ (45,811)</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (214,282)</u>	<u>\$ (204,709)</u>	<u>\$ 9,573</u>
Other Financing Sources (Uses)				
General/Powell fund appropriation	37,649	139,282	-	(139,282)
Insurance recovery	-	-	-	-
Loan proceeds	-	75,000	75,000	-
Transfer (to) from other funds	-	-	27,650	27,650
Total Other Financing Sources (Uses)	<u>\$ 37,649</u>	<u>\$ 214,282</u>	<u>\$ 102,650</u>	<u>\$ (111,632)</u>
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	<u>\$ 37,649</u>	<u>\$ -</u>	<u>\$ (102,059)</u>	<u>\$ (102,059)</u>
Fund Balances				
Beginning of year			867,294	
End of year			<u>\$ 765,235</u>	

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

Town of Pink Hill, North Carolina
Statement of Net Position
Proprietary Fund
June 30, 2022

	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 541,542
Accounts receivable (net)	89,333
Sales and gas tax refunds receivable	4,949
Due from other funds	8,064
Prepaid items	6,540
Restricted cash and cash equivalents	65,242
Total Current Assets	\$ 715,670
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	\$ 477,251
Other capital assets, net of depreciation	5,743,018
Capital assets (net)	\$ 6,220,269
Total Assets	\$ 6,935,939
Deferred Outflows of Resources	
Pension deferrals	\$ 27,190
OPEB deferrals	-
Total Deferred Outflows of Resources	\$ 27,190
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 16,170
Due to other funds	11,723
Compensated absences - current	2,278
Long-term liabilities - current portion	20,307
Liabilities payable from restricted assets:	
Water and sewer deposits	38,645
Total Current Liabilities	\$ 89,123
Noncurrent liabilities:	
Compensated absences	\$ 9,384
Net pension liability	15,796
Total OPEB liability	-
USDA loans payable - noncurrent	933,208
Total non-current liabilities	\$ 958,388
Total Liabilities	\$ 1,047,511
Deferred Inflows of Resources	
Pension deferrals	\$ 25,609
OPEB deferrals	-
Total Deferred Inflows of Resources	\$ 25,609
Net Position	
Net investment in capital assets	\$ 5,266,754
Restricted net position	-
Unrestricted net position	623,255
Total Net Position	\$ 5,890,009

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

Town of Pink Hill, North Carolina
Statement of Revenues, Expenses, And Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2022

	Water and Sewer Fund
Operating Revenues	
Charges for services	\$ 535,928
Water and sewer taps	1,000
Other operating revenues	17,818
Total Operating Revenues	\$ 554,746
Operating Expenses	
General operations	\$ 482,663
Depreciation	274,002
Total Operating Expenses	\$ 756,665
Operating income (loss)	\$ (201,919)
Non-operating Revenues (Expenses)	
Investment earnings	\$ 127
Interest and other charges	(26,262)
Miscellaneous revenue	-
Total Non-operating Revenues (expenses)	\$ (26,135)
Income (loss) before contributions and transfers	\$ (228,054)
Capital contributions	26,489
Transfers from other funds	53,140
Transfers to other funds	(3,489)
Change in net position	\$ (151,914)
Net position, beginning	6,041,923
Net position, ending	\$ 5,890,009

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

Town of Pink Hill, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2022

	Water and Sewer Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 528,015
Cash paid for goods and services	(328,880)
Cash paid to or on behalf of employees for services	(203,200)
Other operating revenues	17,818
Net cash provided (used) by operating activities	\$ 13,753
Cash Flows From Noncapital Financing Activities	
Transfers from other funds	\$ 49,651
Cash paid from interfund repayments/borrowings	3,838
Net cash provided by noncapital financing activities	\$ 53,489
Cash Flows From Capital and Related Financing	
Acquisition of capital assets	\$ (34,792)
Capital contributions	26,489
Principal paid - State Revolving Funds & USDA	(19,811)
Interest paid - USDA	(26,262)
Other nonoperating	-
Net cash provided (used) by capital and related financing activities	\$ (54,376)
Cash Flows From Investing Activities	
Interest and dividends	\$ 127
Net increase (decrease) in cash and cash equivalents	\$ 12,993
Balances - Beginning of year	593,791
Balances - End of year	\$ 606,784

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

Town of Pink Hill, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2022

	Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (201,919)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	\$ 274,002
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(8,401)
(Increase) decrease in prepaid items	1,719
(Increase) decrease in deferred outflows of resources	(1,419)
Increase (decrease) in net pension liability	(29,229)
Increase (decrease) in accounts payable and accrued liabilities	1,814
Increase (decrease) in customer deposits	1,100
Increase (decrease) in accrued vacation pay	274
Increase (decrease) in deferred inflows of resources	15,959
Increase (decrease) in OPEB liability	(40,147)
Total adjustments	\$ 215,672
Net cash provided by operating activities	\$ 13,753

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

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Pink Hill conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Pink Hill is a municipal corporation, which is governed by an elected mayor and a three-member board. As required by generally accepted accounting principles, these financial statements present the Town of Pink Hill.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Town's funds, including the fiduciary fund. Separate statements for each fund category – *governmental and fiduciary* – are presented. The emphasis of fund financial statements is on the major governmental funds displayed in a separate column.

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. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

Special Revenue Fund. Economic Development Fund - This fund is used to account for grant funds the town received from a Community Development Block Grant. The Town received grant funds that it loaned to an area business. The loan has been paid back to the town, but these funds are restricted and can only be used for economic development.

Special Revenue Fund. American Rescue Plan Act - This Act was signed into law on March 11, 2021 to provide additional financial relief in the wake of the COVID-19 pandemic. ARPA includes a significant amount of “Coronavirus State and Local Fiscal Recovery Funds” (SLFRF) for state and local governments to use over a period of several years. The local portion of these federal funds is referred to as the Coronavirus Local Fiscal Recovery Fund (LFRF). The U.S. Treasury Department is distributing LFRF funds in two equal installments, or “tranches,” with the first distribution occurring in July 2021 and the second occurring in July 2022. LFRF funds may be used to cover qualifying costs obligated between March 3, 2021 and December 31, 2024 and expended by December 31, 2026.

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.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and 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.

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

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 fund 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 the enterprise fund 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 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the 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 Pink Hill because the tax is levied by Halifax County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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 general revenues.

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General and Enterprise Funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Special Revenue and the Capital Project Funds. 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 the object level for the multi-year funds. The governing board must approve any revisions that alter total expenditures of any fund. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until an annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town 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). As of June 30, 2022 the Town did not have any of these investments.

2. 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.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Money in the Economic Development Special Revenue Fund is classified as restricted assets because its use is restricted to the Economic Development Fund per NC G.S. Chapter 159, Article 3, Part 2. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Firefighter's Relief Funds are also classified as restricted cash because they can only be expended for the purpose of financially assisting firefighters that may have been injured while volunteering their service to their community.

**Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022**

Town of Pink Hill Restricted Cash

Governmental Activities	
General Fund	
Public safety	\$ 104,971
Streets	92,522
Economic Development Special Revenue Fund	
Economic Development	271,870
	<u>\$ 469,363</u>
Business-type Activities:	
Water and Sewer Fund	
Customer deposits	\$ 38,645
USDA Reserve	26,597
	<u>\$ 65,242</u>
Total Restricted Cash	<u>\$ 534,605</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. Those taxes are based on the assessed values as of January 1, 2021.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$500; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; furniture and equipment, \$500; computer software, \$500, and vehicles, \$2,500. Donated capital assets received after June 15, 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 Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50 - 100
Improvements	25
Vehicles	6 - 20
Furniture and equipment	10 - 40
Computer equipment	5
Computer software	3 - 5

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, pension deferrals for the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivables and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and 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.

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

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

11. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is 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 can be composed of five classifications designed to dissolve the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The Town does not maintain this type of fund balance.

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 – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by the law through constitutional provisions or enabling legislation”. RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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 total unexpected Powell Bill funds.

Restricted for Public Safety – portion of fund balance that represents the reserve required by the USDA promissory notes on certain fire department assets and the portion of fund balance that is restricted for Firefighter’s Relief activities. This reserve account must be maintained and increased to eventually total the sum of one full annual payment, \$31,437. Payments into the reserve account must be made annually equal to 10% of the loan payment until this balance is reached.

Restricted for Economic Development – portion of fund balance restricted for economic development [G.S. Chapter 159, Article 3, Part 2].

Committed fund balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Pink Hill’s governing board (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Any changes or removal of specific purpose requires majority action by the governing body. The Town does not currently have any committed fund balance.

Assigned Fund Balance - portion of fund balance that the Town intends to use for specific purposes.

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

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

The Town of Pink Hill has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, 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 Director has the authority to deviate from this policy if it is in the best interest of the Town.

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

The Town of Pink Hill has also 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 20% of budgeted expenditures. Any portion of the general fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, 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 Pink Hill employer contributions are recognized when due and the Town of Pink Hill has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

Annual Audit

In accordance with G.S. 159-34, each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year. The audit for the year ended June 30, 2022 was not completed until May 26, 2023. The records were ready for audit in October 2022. However, there was major staff turnover that prevented requested items from being provided timely. Management believes the next year's audit will be submitted timely.

B. Deficit in Fund Balance or Net Position of Individual Funds

There were no deficits in Fund Balance or Net Position of Individual Funds at the end of the year.

C. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2022, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for Transportation expenses by \$60,117 and Environmental Protection expenses by \$2,582. These over-expenditures occurred due to not making budget amendments. Management will work to more accurately to prevent over expenditures and to ensure compliance in future years.

**Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022**

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the Town's deposits 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 agent in its name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name. 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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and 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 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.

At June 30, 2022, the Town's deposits had a carrying amount of \$1,655,950 and a bank balance of \$1,686,671. Of the bank balance, \$956,840 was covered by federal depository insurance and \$729,831 was covered by collateral held under the pooling method. At June 30, 2022, the Town of Pink Hill had \$100 cash on hand.

2. Investments

At June 30, 2022, the Town of Pink Hill had no investments.

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2022 are net of the following allowances for doubtful accounts:

General Fund:	
Accounts Receivable - Garbage	\$ 4,204
Enterprise Fund:	
Accounts Receivable - Water and Sewer	\$ 63,390

**Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022**

4. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 28,044	\$ -	\$ -	\$ 28,044
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 28,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,044</u>
Capital assets being depreciated:				
Buildings	\$ 599,765	\$ 45,699	\$ -	\$ 645,464
Other improvements	186,408	-	-	186,408
Equipment	780,296	56,118	-	836,414
Vehicles and motorized equipment	879,393	164,481	17,907	1,025,967
Furniture and equipment	48,349	-	-	48,349
Computer software	26,933	-	-	26,933
Computer equipment	49,166	4,098	-	53,264
Total capital assets being depreciated	<u>\$ 2,570,310</u>	<u>\$ 270,396</u>	<u>\$ 17,907</u>	<u>\$ 2,822,799</u>
Less accumulated depreciation for:				
Buildings	\$ 139,501	\$ 8,835	\$ -	\$ 148,336
Other improvements	148,391	34	-	148,425
Equipment	633,509	39,555	-	673,064
Vehicles and motorized equipment	705,837	23,135	16,963	712,009
Furniture and equipment	42,897	931	-	43,828
Computer software	26,933	-	-	26,933
Computer equipment	43,563	2,495	-	46,058
Total accumulated depreciation	<u>\$ 1,740,631</u>	<u>\$ 74,985</u>	<u>\$ 16,963</u>	<u>\$ 1,798,653</u>
Total capital assets being depreciated, net	<u>\$ 829,679</u>			<u>\$ 1,024,146</u>
Governmental activity capital assets, net	<u>\$ 857,723</u>			<u>\$ 1,052,190</u>

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

General government	\$ 1,575
Public safety	70,821
Transportation	1,218
Environmental protection	-
Cultural and recreational	440
Total Depreciation Expense	<u>\$ 74,054</u>

**Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022**

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 341,062	\$ -	\$ -	\$ 341,062
Construction in progress	109,700	26,489	-	136,189
Total Capital Assets Not Being Depreciated	<u>\$ 450,762</u>	<u>\$ 26,489</u>	<u>\$ -</u>	<u>\$ 477,251</u>
Capital Assets Being Depreciated:				
Plant and distributions systems	\$ 7,135,461	\$ -	\$ -	\$ 7,135,461
Substations, lines, and related equipment	3,032,265	-	-	3,032,265
Furniture and maintenance equipment	709,288	8,304	-	717,592
Buildings	21,428	-	-	21,428
Total Capital Assets Being Depreciated	<u>\$ 10,898,442</u>	<u>\$ 8,304</u>	<u>\$ -</u>	<u>\$ 10,906,746</u>
Less Accumulated Depreciation For:				
Plant and distributions systems	\$ 3,591,687	\$ 169,128	\$ 65,729	\$ 3,695,086
Substations, lines, and related equipment	979,404	124,959	-	1,104,363
Furniture and maintenance equipment	310,170	45,615	-	355,785
Buildings	8,494	-	-	8,494
Total Accumulated Depreciation	<u>\$ 4,889,755</u>	<u>\$ 339,702</u>	<u>\$ 65,729</u>	<u>\$ 5,163,728</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 6,008,687</u>			<u>\$ 5,743,018</u>
Business-type activities capital assets	<u>\$ 6,459,449</u>			<u>\$ 6,220,269</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Pink Hill 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 consist 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

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). 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 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 Town of Pink Hill employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Pink Hill's contractually required contribution rate for the year ended June 30, 2022, was 11.40% of compensation for law enforcement officers and 10.20% 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 Pink Hill were \$28,489 for the year ended June 30, 2022.

Town of Pink Hill, North Carolina
Notes to the Financial Statements
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 \$47,388 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, 2020, the Town’s proportion was 0.00309%, which was a decrease of 0.00057% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$18,939. 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	\$ 15,076	\$ -
Changes of assumptions	29,772	-
Net difference between projected and actual earnings on pension plan investments	-	67,703
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,233	9,123
Town contributions subsequent to the measurement date	28,489	-
Total	\$ 81,570	\$ 76,826

\$28,489 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 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:

**Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022**

Year ended June 30	
2022	\$ 2,701
2023	(3,242)
2024	(2,486)
2025	(20,718)
2026	-
Thereafter	-
	\$ (23,745)

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

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

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

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

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

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

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 183,957	\$ 47,388	\$ (65,000)

**Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022**

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Pink Hill 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 creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	1
Total	1

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 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 Statements 73.

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

**Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022**

Inflation	2.25 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.50 percent

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

Mortality rates are based on the RP-2015 Mortality tables with adjustments for mortality 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 benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 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 \$45,084. The total pension liability was measured as of December 31, 2020 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$924.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,058	\$ 52,497
Changes of assumptions and other inputs	17,401	2,132
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 19,459</u>	<u>\$ 54,629</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

<u>Year Ended June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Amount Recognized in Pension Expense as an Increase (Decrease) to Pension Expense</u>
2023	\$ 6,713	\$ 10,369	\$ (3,656)
2024	6,197	10,162	(3,965)
2025	5,239	9,694	(4,455)
2026	1,310	8,309	(6,999)
2027	-	7,778	(7,778)
Thereafter	-	8,317	(8,317)

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

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 48,578	\$ 45,084	\$ 41,749

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

	<u>2021</u>
Beginning balance	\$ 95,779
Service cost	2,441
Interest on the total pension liability	1,849
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(53,885)
Changes of assumptions or other inputs	(1,100)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 45,084</u>

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

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

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

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 18,939	\$ 924	\$ 19,863
Pension Liability	47,388	45,084	92,472
Proportionate share of the net pension liability	0.00309%	n/a	
Deferred of Outflows of Resources:			
Differences between expected and actual experience	15,076	2,058	17,134
Changes of assumptions	29,772	17,401	47,173
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,233	-	8,233
Benefit payments and administrative costs paid subsequent to the measurement date	28,489	-	28,489
Deferred of Inflows of Resources:			
Differences between expected and actual experience	-	52,497	52,497
Changes of assumptions	-	2,132	2,132
Net difference between projected and actual earnings on pension plan investments	67,703	-	67,703
Changes in proportion and differences between contributions and proportionate share of contributions	9,123	-	9,123

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town's contributions for the year ended June 30, 2022 were \$4,244, which consisted of \$3,724 from the Town and \$520 from the law enforcement officers.

d. Other Post-Employment Benefits (OPEB)

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. As of June 23, 2009, this plan provides postemployment healthcare benefits to retirees of the Town, provided they have at least twenty years of creditable service with the Town. Under this plan, the Town will allow continued enrollment in the Town's group insurance coverage indefinitely and will pay \$100 per month on the retiree's individual group insurance until the retiree reaches the age of 65, at which time the retiree shall incur the entire costs of the premium. The retiree is responsible for the cost of any dependent coverage. Prior to June 23, 2009, retirees with twenty years of creditable service with the Town qualified to have the monthly premium paid for entirely by the Town. The Town Board amended the benefit provisions on November 14, 2017. As of November 14, 2017, the Town will no longer contribute to the cost of retiree health insurance premiums. The retiree will be responsible for all cost. Because this plan change was made after the Measurement Date, it was not considered in the measurement. A separate report was not issued for the plan.

**Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022**

Retired Employees' Years of Creditable Service	Date Hired Pre June 23, 2009	Date Hired On or after June 23, 2009
Less than 20 years	Not eligible for coverage	Not eligible for coverage
20+ years	Full coverage paid by Town	\$100 paid by Town until age 65 for Town's group policy

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	<u>Membership</u>
Retirees and dependents receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	-
Total	<u>-</u>

Total OPEB Liability

The Town's Total OPEB Liability (TOL) of \$80,293 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases, including wage inflation	3.50 to 7.75 percent, General Employees
Discount rate	2.21 percent
Healthcare cost trend rates	5.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2021

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

**Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022**

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2020	\$ 80,293
Changes for the year:	
Service Cost at the end of the year*	-
Interest on TOL and Cash Flows	-
Change in benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	(80,293)
Benefit payments and implicit subsidy credit	-
Other	-
Net Changes	<u>(80,293)</u>
Total OPEB Liability as of June 30, 2021	<u>\$ -</u>

* The service cost includes interest for the year.

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

Discount Rate Sensitivity

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ -	\$ -	\$ -

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point higher than the current healthcare cost trend rates:

**Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022**

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ -	\$ -	\$ -

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Town recognized OPEB expense of \$0. At June 30, 2022, the Town reported outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ -	\$ -

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		
2022	\$	-
2023		-
2024		-
2025		-
2026		-
Thereafter		-

e. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

Contributions to pension plan in current fiscal year	\$ 28,489
Benefit payments made and administrative expenses for LEOSSA made subsequent to measurement date	-
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	15,076
Changes of assumptions	29,772
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,233
Total	<u>\$ 81,570</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 11,845
Prepaid taxes	-	-
Changes in assumptions	-	-
Differences between expected and actual experience	67,703	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,123	-
Total	<u>\$ 76,826</u>	<u>\$ 11,845</u>

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries insurance for the above with independent insurance agencies. Through these agencies, the Town has property, general liability, and auto liability coverage of \$1 million per occurrence, worker's compensation coverage of up to statutory limits, and employee health coverage up to \$1 million lifetime limit.

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

The Town carries a flood insurance policy with independent insurance agencies with coverage of \$4,300,000 million per occurrence.

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 bonded for \$50,000.

5. Claims and Judgments

The Town had no claims or judgments pending at June 30, 2022.

6. Long-Term Debt

Installment Purchases. The Town has six installment purchase contracts in place at June 30, 2022. Five of the contracts are with U.S. Department of Agriculture and Rural Development, and one is with Drinking Water State Revolving Fund. The Town's legal debt margin at June 30, 2022 was \$2,094,325.

Contract 1 USDA: A direct placement note in the amount of \$325,000 was borrowed for the construction of a new fire department building. The annual loan payment totals \$20,544 due October 5 each year for a period of thirty years. The interest rate on this note is 4.75%. The lender has been granted a secured interest in all the rents, revenues, fees, charges, assessments, all income from whatever source derived, accounts receivable, other choices in action of whatever nature and service charges in connection with the operation of the facility financed with the USDA loan funds. A reserve account is maintained by the Town, which is a loan requirement of the USDA.

Contract 2 & 3 USDA: On May 20, 2013, the town entered into a direct placement note with First Citizens Bank to provide interim financing for the Water Distribution System Improvement Project consisting of replacing water lines and providing better water quality. The total cost of the installment purchase was \$1,033,000. First Citizens provided a tax-exempt interest rate of 1.5% for a term of one year. On May 7, 2014, the Town closed on USDA permanent financing and paid off the interim financing at First Citizens Bank. The

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

Town has two direct placement notes with USDA for the Water Distribution System Improvement Project: Loan #91-13 and Loan #91-15. The installment loans will be amortized annual payments calculated using a forty-year repayment schedule with an interest rate of 3.25% for Loan #91-13 and 2.50% for loan #91-15. The first two installment payments of interest only were due on May 7, 2015 and May 7, 2016 and \$44,345 total for both loans (\$17,191 and \$27,154) is due each May 7th thereafter. The final payment is due on May 7, 2054.

Contracts 1-3 with the USDA contain provision that an event of default would result in: (1) declare the unpaid principal components of the Installment Payments immediately due and payable, (2) proceed by appropriate court action to enforce the Town's performance of the applicable covenants of this Agreement or to recover for the breach thereof, (3) as provided in the Project Fund Agreement, pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner USDA may reasonably deem appropriate, and (4) avail itself of all available remedies under the Agreement, including execution and foreclosure and recovery of attorney's fees and other expenses.

Contract 4 Drinking Water State Revolving Fund Loan: On March 12, 2013 the Town entered into a direct borrowing rate agreement to accept a loan of \$219,255 in order to install AMR meters for the Town's water system. The Town only disbursed \$180,112 of the loan to complete the project. The terms of the loan consist of \$144,090 in principal forgiveness and the balance of \$36,022 due in annual installments using a twenty-year repayment schedule with an interest rate of 0%. The annual payment is \$1,801.10 and the first payment was due on May 1, 2015 with each subsequent payment due on May 1st each year thereafter. The final payment is due on May 1, 2034.

The note contains provision that an event of default would result in: (1) declare the unpaid principal components of the Installment Payments immediately due and payable, (2) proceed by appropriate court action to enforce the Town's performance of the applicable covenants of this Agreement or to recover for the breach thereof, (3) as provided in the Project Fund Agreement, pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner DEQ may reasonably deem appropriate, and (4) avail itself of all available remedies under the Agreement, including execution and foreclosure and recovery of attorney's fees and other expenses.

On March 22, 2022, the Town entered into a direct borrowing installment note payable with First Citizens Bank & Trust Company in the amount of \$75,000 to purchase a new fire truck. The interest rate is 3.15% with annual payments of \$16,482 for five years.

The following is a summary of the changes in the Town's debt for the year ended June 30, 2022:

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

	Beginning			Ending	Current
	Balances	Increases	Decreases	Balances	Portion of
					Balance
Governmental Activities					
By Type of Debt:					
Direct placement notes	\$ 135,770	\$ -	\$ 14,094	\$ 121,676	\$ 14,095
Direct borrowing note	-	75,000	-	75,000	
Compensated absences	8,332	2,468	-	10,800	1,666
Total OPEB liability	40,146	-	40,146	-	-
Net pension liability (LGERS)	45,025	-	21,331	23,694	-
Total pension liability (LEO)	95,779	-	50,695	45,084	-
Total	<u>\$ 325,052</u>	<u>\$77,468</u>	<u>\$ 126,266</u>	<u>\$ 276,254</u>	<u>\$ 15,761</u>
Business-type Activities					
Water and Sewer Fund:					
Direct placement notes	\$ 949,912	\$ -	\$ 18,010	\$ 931,902	\$ 18,506
Direct borrowing note	23,414	-	1,801	21,613	1,801
Net pension liability (LGERS)	45,025	-	21,331	23,694	-
Compensated absences	11,388	274	-	11,662	2,278
Total OPEB liability	40,147	-	40,147	-	-
Total	<u>\$1,069,886</u>	<u>\$ 274</u>	<u>\$ 81,289</u>	<u>\$ 988,871</u>	<u>\$ 22,585</u>

The following tables summarize the annual requirements to amortize all long-term debt outstanding:

Notes from Direct Placement:

Year Ended 30-Jun	Note # 1 - USDA Fire Department Building		
	Total	Principal	Interest
2023	\$ 20,544	\$ 14,764	\$ 5,780
2024	20,544	15,466	5,078
2025	20,544	16,200	4,344
2026	20,544	16,970	3,574
2027	20,544	17,776	2,768
2028-2032	43,463	40,500	2,963
	<u>\$ 146,183</u>	<u>\$ 121,676</u>	<u>\$ 24,507</u>

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

Year Ended 30-Jun	Note # 91-13 - USDA Water System Improvement		
	Total	Principal	Interest
2023	\$ 17,191	\$ 6,180	\$ 11,011
2024	17,191	6,381	10,810
2025	17,191	6,588	10,603
2026	17,191	6,802	10,389
2027	17,191	7,024	10,167
2028-2032	85,955	38,695	47,260
2033-2037	85,955	45,402	40,553
2038-2042	85,955	53,277	32,678
2043-2047	85,955	62,514	23,441
2048-2052	85,955	73,357	12,598
2053-2057	34,170	32,577	1,593
	<u>\$ 549,900</u>	<u>\$ 338,797</u>	<u>\$ 211,103</u>

Year Ended 30-Jun	Note # 91-15 - USDA Water System Improvement		
	Total	Principal	Interest
2023	\$ 27,154	\$ 12,326	\$ 14,828
2024	27,154	12,635	14,519
2025	27,154	12,950	14,204
2026	27,154	13,274	13,880
2027	27,154	13,606	13,548
2028-2032	135,770	73,306	62,464
2033-2037	135,770	82,939	52,831
2038-2042	135,770	93,838	41,932
2043-2047	135,770	106,168	29,602
2048-2052	135,770	120,120	15,650
2053-2057	53,894	51,943	1,951
	<u>\$ 868,514</u>	<u>\$ 593,105</u>	<u>\$ 275,409</u>

Notes from Direct Placement:

Year Ended 30-Jun	State Revolving Loans Fund AMR Water Meter Project		
	Total	Principal	Interest
2023	\$ 1,801	\$ 1,801	\$ -
2024	1,801	1,801	-
2025	1,801	1,801	-
2026	1,801	1,801	-
2027	1,801	1,801	-
2028-2032	9,005	9,005	-
2033-2037	3,603	3,603	-
	<u>\$ 21,613</u>	<u>\$ 21,613</u>	<u>\$ -</u>

**Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022**

Year Ended 30-Jun	Fire Truck		
	Total	Principal	Interest
2023	\$ 16,482	\$ 14,071	\$ 2,411
2024	16,482	14,521	1,961
2025	16,482	14,985	1,497
2026	16,482	15,464	1,018
2027	16,482	15,959	523
	\$ 82,410	\$ 75,000	\$ 7,410

C. Interfund Balance

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

Due to the General Fund:	
Water Fund	\$ 3,759

The interfund balances resulted from the Water Fund depositing the garbage revenue and not remitting to the General Fund until after June 30, 2022. The Town intends to pay this balance in the next fiscal year as it transfers the garbage collections monthly to the general fund.

D. On-behalf Payments for Fringe Benefits and Salaries

The Town has recognized as a revenue on-behalf payments for fringe benefits and salaries of \$2,315 for the salary supplement and stipend benefits to be paid to eligible firemen by the local board of trustees of the Firemen’s Relief Fund during the fiscal year ended June 30, 2022. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments. During the year ended June 30, 2022, there were no expenditures made from this fund.

E. Fund Balance

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

Total fund balance - General Fund	\$ 765,235
Less:	
Stabilization by State Statute	70,468
Streets-Powell Bill	92,522
Public Safety	104,971
Subsequent year's expenditures	69,296
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	427,978

**Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022**

The Town of Pink Hill 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 20% of budgeted expenditures.

IV. Joint Ventures

The Town of The Town of Pink Hill, in conjunction with seven other member entities, have formed the Neuse Regional Water and Sewer Authority (WASA) in an effort to develop alternative sources of water due to the continuing depletion of the Central Coastal Plain Cretaceous Aquifer, which is the current source of supply for the Member Entities. The Authority was organized under the North Carolina Water and Sewer Authorities Act [G.S. 162-A] for the purpose of providing water and sewer services to residents of Lenoir County, Pitt County, and surrounding areas in North Carolina and the surrounding region. The Authority has constructed a raw water intake on the Neuse River and an associated water treatment and distribution system for supplying treated water to the Member Entities of the Authority. The Town of Pink Hill began purchasing potable water from the new surface water plant in September 2008. The Organization is obligated to purchase a minimum of .06525 MGD (million gallons per day) from WASA at an estimated cost of \$4.00 per 1,000 gallons, or \$96,000 annually. The Organization expects to purchase no more than the minimum, using its existing groundwater wells for any additional supply that is needed. For more information on this joint venture, contact Harold Herring at Neuse Regional Water and Sewer Authority, Post Office Box 6277, Kinston, NC 28501.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from Federal and State grants and programs. Periodic audits of these grants and programs are required and certain costs may be questioned as not being appropriate expenditures under the grant or program agreements. Such audits could result in the refund of grant or program monies to the grantor or program 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.

VI. Significant Effects of Subsequent Events

As of May 26, 2023, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contribution to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability – Law Enforcement Separation Allowance.
- Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Separation Allowance.
- Schedule of Changes in Total OPEB Liability

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

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town of Pink Hill's proportion of the net pension liability (asset) (%)	0.00309%	0.00252%	0.00367%	0.00383%	0.00387%	0.00391%	0.00510%	0.00513%	0.00530%
Town of Pink Hill's proportion of the net pension liability (asset) (\$)	\$ 47,388	\$ 90,050	\$ 100,225	\$ 90,861	\$ 59,122	\$ 82,982	\$ 22,888	\$ (30,254)	\$ 63,885
Town of Pink Hill's covered-employee payroll	\$ 195,753	\$ 192,359	\$ 271,204	\$ 254,052	\$ 246,475	\$ 230,483	\$ 200,873	\$ 200,873	\$ 181,874
Town of Pink Hill's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.21%	46.81%	36.96%	35.76%	23.99%	36.00%	11.39%	-15.06%	35.13%
Plan fiduciary net position as a percentage of the total pension liability	95.51%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

Town of Pink Hill, North Carolina
Town of Pink Hill's Contributions
Required Supplementary Information
Last Nine Fiscal Years

Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 28,489	\$ 20,258	\$ 17,783	\$ 21,809	\$ 19,815	\$ 18,628	\$ 15,903	\$ 14,469	\$ 13,159
Contributions in relation to the contractually required contributions	<u>28,489</u>	<u>20,258</u>	<u>17,783</u>	<u>21,809</u>	<u>19,815</u>	<u>18,628</u>	<u>15,903</u>	<u>14,469</u>	<u>13,159</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Pink Hill's covered-employee payroll	<u>\$ 246,875</u>	<u>\$ 195,753</u>	<u>\$ 192,359</u>	<u>\$ 271,204</u>	<u>\$ 254,052</u>	<u>\$ 246,475</u>	<u>\$ 230,483</u>	<u>\$ 200,873</u>	<u>\$ 184,105</u>
Contributions as a percentage of covered-employee payroll	11.54%	10.35%	9.24%	8.04%	7.80%	7.56%	6.90%	7.20%	7.15%

Town of Pink Hill, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 95,779	\$ 76,572	\$ 66,527	\$ 64,257	\$ 54,294	\$ 52,066
Service cost	2,441	2,042	2,168	2,286	1,954	1,992
Interest on the total pension liability	1,849	2,496	2,422	2,039	2,096	1,859
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(53,885)	(10,036)	3,066	588	1,981	-
Changes of assumptions or other inputs	(1,100)	24,705	2,389	(2,913)	4,202	(1,623)
Benefit payments	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 45,084</u>	<u>\$ 95,779</u>	<u>\$ 76,572</u>	<u>\$ 66,257</u>	<u>\$ 64,527</u>	<u>\$ 54,294</u>

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 45,084	\$ 95,779	\$ 76,572	\$ 66,527	\$ 64,527	\$ 54,294
Covered payroll	\$ 61,346	\$ 54,593	\$ 62,453	\$ 59,510	\$ 58,690	\$ 56,390
Ending balance of the total pension liability	73.49%	175.44%	122.61%	111.79%	109.95%	96.28%

Notes to the schedules:

The Town of Pink Hill has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 no does the Plan provide or pay related benefits.

Town of Pink Hill, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2022

Total OPEB Liability	2022	2021	2020	2019	2018
Service Cost	\$ -	\$ -	\$ -	\$ 79	\$ 84
Interest	-	2,539	3,093	3,027	2,756
Change in benefit terms	-	-	-	(1,100)	-
Difference between expected and actual experience	-	(544)	(5,624)	(327)	(87)
Changes of assumptions or other inputs	(80,293)	8,097	181	(2,576)	(4,677)
Benefit payments and implicit subsidy credit	-	(4,627)	(4,621)	(4,621)	(4,599)
Net Change in Total OPEB Liability	(80,293)	5,465	(6,971)	(5,518)	(6,523)
Total OPEB Liability - beginning	80,293	74,828	81,799	87,317	93,840
Total OPEB Liability - ending	<u>\$ -</u>	<u>\$ 80,293</u>	<u>\$ 74,828</u>	<u>\$ 81,799</u>	<u>\$ 87,317</u>
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB Liability as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule

Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Individual Fund Statements and Schedules

Town of Pink Hill, North Carolina
General Fund
Schedule of Revenues, Expenditures, And Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Current year		\$ 204,322	
Prior years		2,703	
Penalties and interest		874	
Total	<u>\$ 198,623</u>	<u>\$ 207,899</u>	<u>\$ 9,276</u>
Other Taxes and Licenses:			
Privilege licenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unrestricted Intergovernmental:			
Local option sales taxes		\$ 110,082	
Utility franchise tax		32,786	
Beer and wine tax		1,786	
Total	<u>\$ 122,835</u>	<u>\$ 144,654</u>	<u>\$ 21,819</u>
Restricted Intergovernmental:			
Powell Bill allocation		\$ 20,312	
Solid waste disposal tax		363	
Fireman's relief income		2,315	
FEMA		15,127	
ABC revenue		8,637	
Duplin County - fire		26,961	
Lenoir County - fire		106,210	
Total	<u>\$ 158,422</u>	<u>\$ 179,925</u>	<u>\$ 21,503</u>
Permits and Fees:			
Election fees			
Court cost and fees		135	
Garbage fees		109,094	
Total	<u>\$ 105,723</u>	<u>\$ 109,229</u>	<u>\$ 3,506</u>
Sales and Services:			
Community center rent		\$ -	
Police department revenue			
Total	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ (1,500)</u>
Investment Earnings:			
General		\$ 78	
Fireman's relief		20	
Powell		9	
Total	<u>\$ 127</u>	<u>\$ 107</u>	<u>\$ (20)</u>

Continued

Town of Pink Hill, North Carolina
General Fund
Schedule of Revenues, Expenditures, And Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

Continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous:			
Miscellaneous revenue		\$ 32,861	
Fire donations and fund raising		44,483	
Total	<u>\$ 76,544</u>	<u>\$ 77,344</u>	<u>\$ 800</u>
Total Revenues	<u>\$ 663,774</u>	<u>\$ 719,158</u>	<u>\$ 55,384</u>
Expenditures:			
General Government:			
Governing board		\$ 12,300	
Professional services		14,050	
Other Operating Expenditures		-	
Total		<u>\$ 26,350</u>	<u>\$ -</u>
Administration:			
Salaries and employee benefits		\$ 47,085	
Other operating expenditures		62,132	
Capital outlay		-	
Total		<u>\$ 109,217</u>	<u>\$ -</u>
Taxes:			
Collection fees		\$ 2,824	
Other operating expenditures		-	
Total		<u>\$ 2,824</u>	<u>\$ -</u>
Elections:			
Other operating expenditures		\$ 1,710	
Total	<u>\$ -</u>	<u>\$ 1,710</u>	<u>\$ -</u>
Total General Government	<u>\$ 151,354</u>	<u>\$ 140,101</u>	<u>\$ 11,253</u>
Public Safety:			
Police:			
Salaries and employee benefits		\$ 138,148	
Vehicle maintenance		10,409	
Other operating expenditures		22,898	
Capital outlay		57,261	
Total	<u>\$ 221,269</u>	<u>\$ 228,716</u>	<u>\$ -</u>
Fire:			
Repairs and maintenance		\$ 16,025	
Vehicle maintenance		5,185	
Other operating expenditures		83,672	
Capital outlay		212,690	
Total	<u>\$ 328,909</u>	<u>\$ 317,572</u>	<u>\$ -</u>
Total Public Safety	<u>\$ 550,178</u>	<u>\$ 546,288</u>	<u>\$ 3,890</u>

Town of Pink Hill, North Carolina
General Fund
Schedule of Revenues, Expenditures, And Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

Continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets and highways:			
Street lights		\$ 15,772	
Other operating expenditures		86,630	
Capital outlay		-	
Total Transportation	<u>\$ 42,285</u>	<u>\$ 102,402</u>	<u>\$ (60,117)</u>
Environmental Protection:			
Solid waste:			
Garbage pickup		\$ 108,077	
Total Environmental Protection	<u>\$ 105,495</u>	<u>\$ 108,077</u>	<u>\$ (2,582)</u>
Economic Development:			
Revitalization expenses			
Total Economic Development	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Culture and Recreation:			
Other operating expenditures		\$ 6,455	
Capital outlay		-	
Total Culture and Recreation	<u>\$ 8,200</u>	<u>\$ 6,455</u>	<u>\$ 1,745</u>
Debt Service:			
Principal retirement		\$ 14,095	
Interest and other charges		6,449	
Total Debt Service	<u>\$ 20,544</u>	<u>\$ 20,544</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 878,056</u>	<u>\$ 923,867</u>	<u>\$ (45,811)</u>
Revenues Over (Under) Expenditures	<u>\$ (214,282)</u>	<u>\$ (204,709)</u>	<u>\$ 9,573</u>
Other Financing Sources (Uses):			
Fund balance appropriation		\$ -	
Loan proceeds		75,000	
Transfer (to) from other funds		27,650	
Total	<u>\$ 214,282</u>	<u>\$ 102,650</u>	<u>\$ 111,632</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>(102,059)</u>	<u>\$ (102,059)</u>
Fund Balances, beginning		867,294	
Fund Balances, ending		<u>\$ 765,235</u>	

Town of Pink Hill, North Carolina
Special Revenue Fund - Economic Development
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Favorable
		Years	Year	Date	(Unfavorable)
Revenues:					
Investment earnings	\$ 250	\$ 81	\$ 128	\$ 209	\$ (41)
Miscellaneous	-	-	-	-	-
Total Revenues	<u>\$ 250</u>	<u>\$ 81</u>	<u>\$ 128</u>	<u>\$ 209</u>	<u>\$ (41)</u>
Expenditures:					
Current	-	-	-	-	-
Revenues Over (Under) Expenditures	\$ 250	\$ 81	\$ 128	\$ 209	\$ (41)
Other Financing Sources:					
Transfer out	-	-	-	-	-
Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$ 250</u>	<u>\$ 81</u>		<u>\$ 209</u>	<u>\$ (41)</u>
Fund Balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 128</u>		

Town of Pink Hill, North Carolina
Special Revenue Fund - American Rescue Plan Act
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Favorable
		Years	Year	Date	(Unfavorable)
Revenues:					
Federal grant	\$ 161,580	\$ -	\$ 80,790	\$ 80,790	\$ (80,790)
Other revenue	-	-	-	-	-
Total Revenues	<u>\$ 161,580</u>	<u>\$ -</u>	<u>\$ 80,790</u>	<u>\$ 80,790</u>	<u>\$ (80,790)</u>
Expenditures:					
Capital outlay	-	-	-	-	-
Revenues Over (Under) Expenditures	\$ 161,580	\$ -	\$ 80,790	\$ 80,790	\$ (80,790)
Other Financing Sources:					
Transfer out	(161,580)	-	(80,790)	(80,790)	(80,790)
Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Charges for services		\$ 535,928	
Water and sewer taps		1,000	
Other operating revenues		17,818	
Total	<u>\$ -</u>	<u>\$ 554,746</u>	<u>\$ -</u>
Nonoperating Revenues:			
Miscellaneous revenue		\$ -	
Interest earnings		127	
Total	<u>\$ -</u>	<u>\$ 127</u>	<u>\$ -</u>
Total Revenues	<u>\$ 593,879</u>	<u>\$ 554,873</u>	<u>\$ (39,006)</u>
Expenditures:			
Operating Expenditures:			
Salaries and employee benefits		\$ 203,199	
Travel		503	
Office supplies		6,581	
Automotive expense		17,598	
Postage and telephone		12,891	
Repairs and maintenance		47,143	
WASA expense		96,000	
Environmental testing		13,612	
Professional services		5,500	
Utilities		40,634	
Uniforms		2,524	
Supplies		52	
Training and conferences		1,230	
Insurance		31,400	
Miscellaneous		11,384	
Advertising		-	
Water and sewer chemicals		11,414	
Water and sewer expense		33,232	
Total	<u>\$ 566,080</u>	<u>\$ 534,897</u>	<u>\$ 31,183</u>

Continued

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

Continued

	Budget	Actual	Variance Positive (Negative)
Debt Service:			
Principal retirement		\$ 19,811	
Interest		26,262	
Total	\$ 46,146	\$ 46,073	\$ 73
Capital Outlay:			
Sewer extensions and expansions		\$ 26,489	
Miscellaneous water and sewer		8,304	
Total	\$ 34,793	\$ 34,793	\$ -
Total expenditures	\$ 647,019	\$ 615,763	\$ 31,256
Other Financing Sources (Uses):			
Fund balance appropriation	\$ -	\$ -	\$ -
Transfers in	53,140	53,140	-
Transfers out	-	(3,489)	(3,489)
Total Other Financing Sources (Uses)	\$ 53,140	\$ 49,651	\$ (3,489)
Revenues and Other Sources Over Expenditures and Other Uses	\$ -	\$ (11,239)	\$ (11,239)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		\$ (11,239)	
Reconciling Items:			
Capital outlay		34,793	
Capital contributions		26,489	
Principal retirement		19,811	
Changes in pension and OPEB transactions		52,234	
Depreciation		(274,002)	
Total Reconciling Items		\$ (140,675)	
Change in Net Position		\$ (151,914)	

Town of Pink Hill, North Carolina
Water and Sewer Asset Inventory and Assessment Grant
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2022

	Actual			Variance - Positive (Negative)	
	Project Authorization	Prior Year	Current Year		Total To Date
Revenues:					
Restricted Intergovernmental:					
NCDENR - Sewer Grant	\$ 70,000	\$ 38,000	\$ 16,000	\$ 54,000	\$ (16,000)
NCDENR - Water Grant	110,000	69,000	7,000	76,000	(34,000)
Total Revenues	<u>\$ 180,000</u>	<u>\$ 107,000</u>	<u>\$ 23,000</u>	<u>\$ 130,000</u>	<u>\$ (50,000)</u>
Expenditures:					
Sewer Expenditures	\$ 74,550	\$ 39,050	\$ 16,000	\$ 55,050	\$ 19,500
Water Expenditures	117,150	70,650	10,489	81,139	36,011
Total Expenditures	<u>\$ 191,700</u>	<u>\$ 109,700</u>	<u>\$ 26,489</u>	<u>\$ 136,189</u>	<u>\$ 55,511</u>
Revenues Under Expenditures	<u>\$ (11,700)</u>	<u>\$ (2,700)</u>	<u>\$ (3,489)</u>	<u>\$ (6,189)</u>	<u>\$ 5,511</u>
Other Financing Sources (Uses):					
Local contribution - Sewer	\$ 4,550	\$ 1,050	\$ -	\$ 1,050	\$ (3,500)
Local contribution - Water	7,150	1,650	3,489	5,139	(2,011)
Transfers out	-	-	-	-	-
Total Other Sources	<u>\$ 11,700</u>	<u>\$ 2,700</u>	<u>\$ 3,489</u>	<u>\$ 6,189</u>	<u>\$ (5,511)</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Pink Hill, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2022

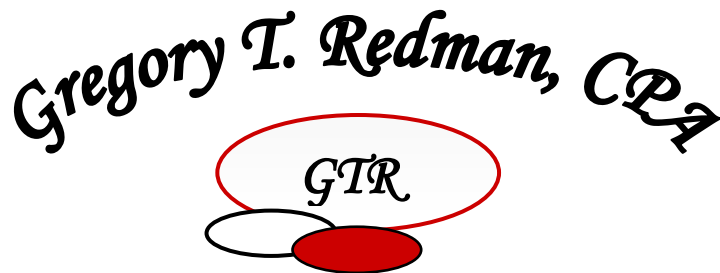
<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 209,539	\$ 205,020	\$ 4,519
2020-2021	4,450	-	2,044	2,406
2019-2020	1,438	-	102	1,336
2018-2019	628	-	335	293
2017-2018	386	-	84	302
2016-2017	764	-	69	695
2015-2016	574	-	-	574
2014-2015	602	-	-	602
2013-2014	681	-	-	681
2012-2013	437	-	-	437
2011-2012	395	-	395	-
Total	<u>\$ 10,355</u>	<u>\$ 209,539</u>	<u>\$ 208,049</u>	<u>\$ 11,845</u>

Reconciliation with Revenues:

Ad valorem taxes - General Fund	\$ 207,899
Reconciling items:	
Interest collected	(874)
Discounts, write-offs and releases	1,024
Total Collections and Credits	<u>\$ 208,049</u>

Town of Pink Hill, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2022

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property Excluding Registered Vehicles	Registered Vehicles
Original Levy:					
Real estate/personal property	\$ 38,098,000	0.55	\$ 209,539	\$ 187,145	\$ 22,394
Discoveries:					
Current year taxes	-	0.55	-	-	-
Net Levy	<u>\$ 38,098,000</u>		\$ 209,539	\$ 187,145	\$ 22,394
Less uncollected taxes at June 30, 2022			4,519	4,519	-
Current Year's Taxes Collected			<u>\$ 205,020</u>	<u>\$ 182,626</u>	<u>\$ 20,034</u>
Current Levy Collection Percentage			<u>97.84%</u>	<u>97.59%</u>	<u>89.46%</u>



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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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Pink Hill, North Carolina

I have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Pink Hill, North Carolina as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Pink Hill, North Carolina's basic financial statements, and have issued my report thereon dated May 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Pink Hill, North Carolina's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Pink Hill's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Pink Hill's internal control over financial reporting.

A deficiency in internal control exists when the design or operating 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town of Pink Hill'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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies reported as 2022-001, 2022-002, and 2022-003..

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pink Hill's financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Pink Hill's Response to Findings

The Town of Pink Hill's responses to the findings identified in my audit are described in the accompanying schedule of findings and response. The Town of Pink Hill's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Gregory T. Redman, CPA
Tarboro, North Carolina
May 26, 2023

Town of Pink Hill, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II – Financial Statement Findings

Significant Deficiency

Finding 2022-001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is lack of segregation of duties among Town personnel.

Cause: The Town has limited employees to handle all financial transactions

Effect: The Town's internal control process cannot ensure that errors will be detected by employees in the normal course of performing their assigned functions.

Recommendation: The Town should examine its internal control procedures and segregate duties within the Town's accounting function. As much as possible, the Town should use alternative controls to compensate for the lack of separation. The Governing Board should provide some of these controls.

Repeat Finding: Yes

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

**Town of Pink Hill, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section II – Financial Statement Findings

Significant Deficiencies

Finding 2022-002 Late Submission of Audit

Criteria: The Town is required to submit the audit report to the Local Government Commission by October 31 following the year end of June 30.

Condition: The audit report for the year ended June 30, 2022 was due to the Local Government Commission by October 31, 2022. The audit report was not submitted to the Local Government Commission until May 26, 2023.

Cause: Major personnel turnover delayed the completion of the audit.

Effect: Audit reports completed a year after the June 30 year end do not provide useful information to management, the Board, lenders, and the Local Government Commission.

Recommendation: The Board should remain diligent in expecting and receiving timely financial information from the staff and the outside accountant. Management should constantly monitor the financial information and be aware of whether reporting deadlines are met.

Repeat Finding: No

Views of responsible officials and planned corrective actions: With new personnel in place, Management plans to have all future audits submitted timely.

Town of Pink Hill, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II – Financial Statement Findings

Significant Deficiencies

Finding 2022-003 Expenditures Exceeded Authorized Budget

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government should be included in the budget ordinance.

Condition: As of the For the fiscal year ended June 30, 2022, the Authority’s expenditures exceeded approved budget authorization for Transportation and Environmental Protection expenses in the General Fund by \$60,117 and \$2,582, respectively.

Cause: The Town did not amend its budget when expenditures exceeded appropriate amounts.

Effect: Moneys were spent that had not been appropriated.

Recommendation: Budget amendments should be adopted when excess expenditures occur.

Repeat Finding: No

Views of responsible officials and planned corrective actions: Management agrees with this finding. We will monitor expenses and make budget amendments as required in the future.

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**Town of Pink Hill
Pink Hill, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2022**

Section II – Financial Statement Findings

Finding 2022-001

Segregation of Duties

Name of Contact Person:

Yvonne Deatherage
Mayor

Corrective Action:

The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation.

Proposed Completion Date:

The Board will implement the above procedure immediately.

Finding 2022-002

Late Submission of Audit

Name of Contact Person:

Yvonne Deatherage
Mayor

Corrective Action:

Management has stressed the importance of timely records. Management and the finance officer will work together to make sure that financial records are prepared timely records for the year ended June 30, 2023.

Proposed Completion Date:

June 30, 2023

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**Town of Pink Hill
Pink Hill, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2022**

Section II – Financial Statement Findings

Finding 2022-003

Expenditures Exceeded Authorized Budget

Name of Contact Person:

Yvonne Deatherage
Mayor

Corrective Action:

Management agrees with this finding. We will monitor expenses and make budget amendments as required in the future.

Proposed Completion Date:

Immediately

Town of Pink Hill, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022

Finding 2021-001

Segregation of Duties

This is reported as finding 2022-001 this year.