

Town of Pink Hill, North Carolina

Annual

Financial Report

For the Fiscal Year Ended June 30, 2023

Town of Pink Hill, North Carolina
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June 30, 2023

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Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

Independent Auditor's Report

To the Mayor and Members of the Board of Commissioners
Pink Hill, North Carolina

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2023, and the related notes to the financial statements, which collectively comprise Town of Pink Hill's basic financial statements as listed in the table of contents.

In our opinion, based upon our 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 as of June 30, 2023, and the respective changes in financial position, and cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material 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 *Governmental Auditing Standards* we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pink Hill's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, 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*, we have also issued our report dated June 7, 2024, on our consideration of the Town of Pink Hill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Pink Hill's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pink Hill's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

June 11, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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, 2023. 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.

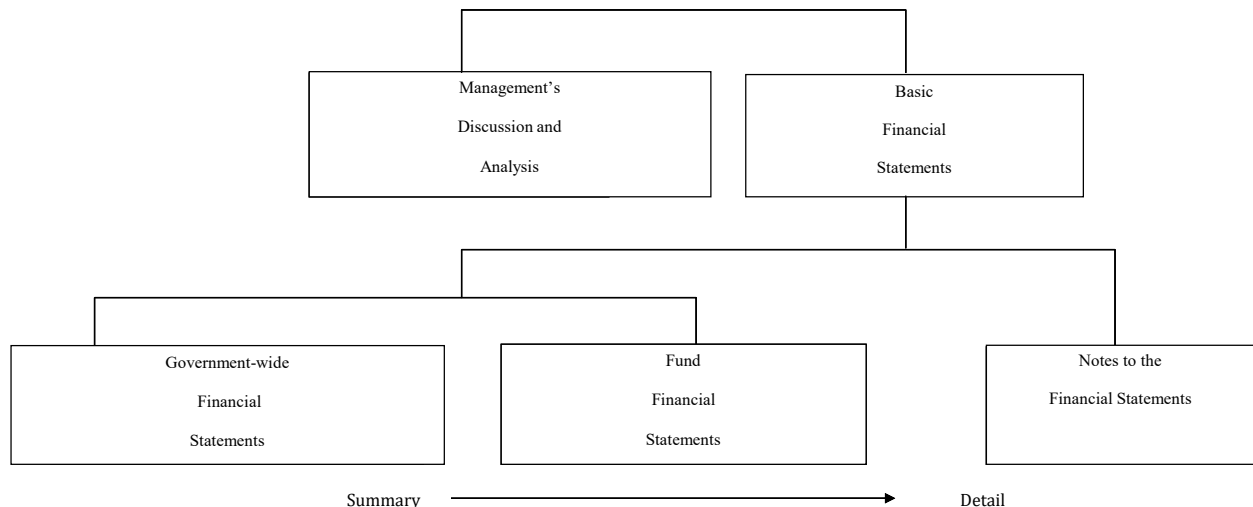
Financial Highlights

- The assets and deferred outflows of resources of Town of Pink Hill exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,404,111 (net position).
- The government's total net position decreased by \$308,842.
- As of close of the current fiscal year, the Town of Pink Hill's governmental funds reported combined ending fund balances of \$1,105,494, an increase of \$68,389 in comparison with the prior year. Approximately 38 percent of this total amount, or \$417,735, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$687,759 or 88 percent of total general fund expenditures for the 2023 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.

Required Components of Annual Financial Report
Figure 1



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 statements; 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.

Following the Notes is the required supplemental information. This section contains funding information about the Town's Pension Plans.

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 gauge the Town's financial condition.

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 enterprise funds 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 to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning 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.

Town of Pink Hill's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 1,149,983	\$ 1,134,372	\$ 657,657	\$ 703,847	\$ 1,807,640	\$ 1,838,219
Non-current assets	985,549	1,052,190	5,993,416	6,220,269	6,978,965	7,272,459
Deferred outflows of resources	123,909	54,380	51,873	27,190	175,782	81,570
Total Assets and Deferred Outflows of Resources	2,259,441	2,240,942	6,702,946	6,951,306	8,962,387	9,192,248
Long-term liabilities outstanding	340,811	\$ 268,391	995,095	\$ 958,388	1,335,906	\$ 1,226,779
Current liabilities	70,927	98,390	93,184	77,400	164,111	175,790
Deferred inflows of resources	56,181	51,217	2,078	25,609	58,259	76,826
Total liabilities and Deferred Inflows of Resources	467,919	\$ 417,998	1,090,357	\$ 1,061,397	1,558,276	\$ 1,479,395
Net Position:						
Net investment in capital assets	813,665	855,514	5,060,207	5,266,754	5,873,872	6,122,268
Restricted	417,735	539,831	-	-	417,735	539,831
Unrestricted	560,122	427,599	552,382	623,255	1,112,504	1,050,854
Total net position	\$ 1,791,522	\$ 1,822,944	\$ 5,612,589	\$ 5,890,009	\$ 7,404,111	\$ 7,712,953

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 \$7,404,111 as of June 30, 2023. The Town's net position decreased by \$308,842 for the fiscal year ended June 30, 2023. 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, \$417,735 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,112,504 (15%) is unrestricted.

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 98.36%.
- Continued diligence in cost saving measures.

Town of Pink Hill Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues						
Charges for Services	\$ 339,289	\$ 109,229	\$ 561,837	\$ 554,746	\$ 901,126	\$ 663,975
Operating grants and contributions	120,902	179,925	-	-	120,902	179,925
Capital grants and contributions	-	-	-	26,489	-	26,489
General revenues:						
Property taxes	206,410	209,318	-	-	206,410	209,318
Other taxes	148,299	-	-	-	148,299	-
Unrestricted grants and contributions	-	144,654	-	-	-	144,654
Miscellaneous	51,269	77,451	21,327	127	72,596	77,578
Total revenues	866,169	720,577	583,164	581,362	1,449,333	1,301,939
Expenses:						
General government	191,151	141,549	-	-	191,151	141,549
Public Safety	516,561	277,394	-	-	516,561	277,394
Culture and Recreation	14,437	6,895	-	-	14,437	6,895
Environmental protection	111,413	108,077	-	-	111,413	108,077
Economic and physical development	-	-	-	-	-	-
Transportation	33,108	103,620	-	-	33,108	103,620
Interest expense	8,894	6,449	-	26,262	8,894	32,711
Water and sewer	-	-	884,219	756,665	884,219	756,665
Total expenses	875,564	643,984	884,219	782,927	1,759,783	1,426,911
Increase (decrease) in net position before transfers	(9,395)	76,593	(301,055)	(201,565)	(310,450)	(124,972)
Transfers	(22,027)	27,650	23,635	49,651	1,608	77,301
Increase (decrease) in net position	(31,422)	104,243	(277,420)	(151,914)	(308,842)	(47,671)
Net position, beginning	1,822,944	1,718,701	5,890,009	6,041,923	7,712,953	7,760,624
Net position, ending	\$ 1,791,522	\$ 1,822,944	\$ 5,612,589	\$ 5,890,009	\$ 7,404,111	\$ 7,712,953

Governmental activities. Governmental activities decreased the Town's net position by \$31,422. Key elements of this decrease are as follows:

- Decrease in operating grants.
- Increase in Public Safety expenditures.

Business-type activities. Business-type activities decreased the Town of Pink Hill's net position by \$277,420. This decrease can be attributed to depreciation expense.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town 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 unassigned fund balance available in the General Fund was \$687,759, while total fund balance reached \$833,135

At June 30, 2023, the governmental funds of Town of Pink Hill reported a combined fund balance of \$1,105,494 with a net increase in fund balance of \$68,389.

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 \$552,382. The total decrease in net position for the fund was \$277,420.

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, 2023, totals \$14,336,753 (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.

**The Town of Pink Hill's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 28,044	\$ 28,044	\$ 341,062	\$ 341,062	\$ 369,106	\$ 369,106
Buildings	522,411	497,128	11,365	12,934	533,776	510,062
Plant and distribution system	-	-	3,271,247	3,440,375	3,271,247	3,440,375
Improvements other than buildings	14,317	37,983	-	-		
Substations, lines, and related equipment	-	-	1,862,203	1,927,902	1,862,203	1,927,902
Machinery and equipment	120,971	163,350	-	-	120,971	163,350
Vehicles and motorized equipment	282,158	313,958	-	-	282,158	313,958
Furniture and equipment	2,297	4,521	371,351	361,807		366,328
Computer equipment	15,351	7,206	-	-		7,206
Construction in Progress	-	-	136,189	136,189	136,189	136,189
Total	\$ 985,549	\$ 1,052,190	\$ 5,993,417	\$ 6,220,269	\$ 6,978,966	\$ 7,272,459

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, 2023 the Town of Pink Hill had total debt outstanding of \$1,101,093.

Town of Pink Hill's Outstanding Debt

The Town of Pink Hill's total debt decreased by \$49,098 during the current fiscal year, due to debt payments.

**Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Direct placement installment purchase	\$ 106,912	\$ 121,676	\$ 913,397	\$ 931,902	\$ 1,020,309	\$ 1,053,578
Direct borrowing note	60,972	75,000	19,812	21,613	80,784	96,613
Total	\$ 167,884	\$ 196,676	\$ 933,209	\$ 953,515	\$ 1,101,093	\$ 1,150,191

North Carolina General Statutes limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Pink Hill is \$142,530,431.

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

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, 2024

Governmental Activities

The Town's budget for the year ended June 30, 2024 is proposed to remain approximately the same.

Business - type Activities. The Town's budget for the year ended June 30, 2024 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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 735,051	\$ 544,224	\$ 1,279,275
Taxes receivables (net)	7,549	-	7,549
Accounts receivable (net)	19,560	46,509	66,069
Due from other governments	46,843	32,207	79,050
Internal balances	5,453	(5,453)	-
Prepaid items	-	6,540	6,540
Restricted cash and cash equivalents	335,527	33,630	369,157
Total current assets	1,149,983	657,657	1,807,640
Non-current assets:			
Capital Assets (Note 4):			
Land, non-depreciable improvements, and construction in progress	28,044	477,251	505,295
Other capital assets, net of depreciation	957,505	5,516,165	6,473,670
Total capital assets	985,549	5,993,416	6,978,965
Total assets	2,135,532	6,651,073	8,786,605
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals - LGERS	104,493	51,873	156,366
Pension deferrals - LEO	19,416	-	19,416
Total Deferred Outflows of Resources	123,909	51,873	175,782
LIABILITIES			
Current liabilities:			
Accounts payable	36,940	33,738	70,678
Compensated absences - current	4,000	5,000	9,000
Current portion of long term liabilities	29,987	20,816	50,803
Payable from restricted assets			
Deposits	-	33,630	33,630
Total current liabilities	70,927	93,184	164,111
Long-term liabilities:			
Due in more than one year	137,897	912,393	1,050,290
Compensated absences	3,279	7,705	10,984
Net pension liability	151,788	74,997	226,785
Total pension liability	47,847	-	47,847
Total long term liabilities	340,811	995,095	1,335,906
Total liabilities	411,738	1,088,279	1,500,017
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals			
LGERS	3,442	2,078	5,520
LEO	52,739	-	52,739
Total Deferred Inflows of Resources	56,181	2,078	58,259
NET POSITION			
Net investment in capital assets	817,665	5,060,207	5,877,872
Restricted for:			
Stabilization by State Statute	82,208	-	82,208
Economic and physical development	272,359	-	272,359
Public safety	31,437	-	31,437
Transportation	31,731	-	31,731
Unrestricted	556,122	552,382	1,108,504
Total net position	\$ 1,791,522	\$ 5,612,589	\$ 7,404,111

The notes to 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, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 191,151	\$ 210	\$ 80,790	\$ -	\$ (110,151)	\$ -	\$ (110,151)
Public safety	516,561	242,009	20,000	-	(254,552)	-	(254,552)
Transportation	33,108	-	20,112	-	(12,996)	-	(12,996)
Environmental protection	111,413	97,070	-	-	(14,343)	-	(14,343)
Culture and recreation	14,437	-	-	-	(14,437)	-	(14,437)
Interest expense	8,894	-	-	-	(8,894)	-	(8,894)
Total governmental activities:	875,564	339,289	120,902	-	(415,373)	-	(415,373)
Business-type activities:							
Water and sewer	884,219	561,837	-	-	-	(322,382)	(322,382)
Total business-type activities	884,219	561,837	-	-	-	(322,382)	(322,382)
Total primary government	\$ 1,759,783	\$ 901,126	\$ 120,902	\$ -	(415,373)	(322,382)	(737,755)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					206,410	-	206,410
Other taxes					148,299	-	148,299
Unrestricted investment earnings					1,116	830	1,946
Miscellaneous					50,153	20,497	70,650
Transfers					(22,027)	23,635	1,608
Total general revenues					383,951	44,962	428,913
Change in net position					(31,422)	(277,420)	(308,842)
Net position, Beginning of year					1,822,944	5,890,009	7,712,953
Net position, End of year					\$ 1,791,522	\$ 5,612,589	\$ 7,404,111

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

Town of Pink Hill, North Carolina
Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds		Non-Major Fund		
	General Fund	Economic Development Special Revenue	American Rescue Plan Act Fund		Total
ASSETS					
Cash and cash equivalents	\$ 735,051	\$ -	\$ -	\$	735,051
Restricted cash	63,168	272,359	-		335,527
Receivables, net:					
Taxes	7,549	-	-		7,549
Accounts	19,560	-	-		19,560
Due from other governments	46,843	-	-		46,843
Due from other funds	15,805	-	-		15,805
Total assets	<u>\$ 887,976</u>	<u>\$ 272,359</u>	<u>\$ -</u>	<u>\$</u>	<u>1,160,335</u>
LIABILITIES					
Accounts payable	\$ 36,940	\$ -	\$ -	\$	36,940
Due to other funds	10,352	-	-		10,352
Total liabilities	<u>47,292</u>	<u>-</u>	<u>-</u>		<u>47,292</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	7,549	-	-		7,549
Total deferred inflows of resources	<u>7,549</u>	<u>-</u>	<u>-</u>		<u>7,549</u>
FUND BALANCES					
Restricted					
Stabilization by State Statute	82,208	-	-		82,208
Economic development		272,359			272,359
Public safety	31,437	-	-		31,437
Streets - Powell Bill	31,731	-	-		31,731
Unassigned	687,759	-	-		687,759
Total fund balances	<u>833,135</u>	<u>272,359</u>	<u>-</u>		<u>1,105,494</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 887,976</u>	<u>\$ 272,359</u>	<u>\$ -</u>	<u>\$</u>	<u>1,160,335</u>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Ending Fund Balance- Governmental Funds	\$ 1,105,494
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	985,549
Deferred outflows of resources related to pensions are not reported in the funds.	
LGERS	104,493
LEO	19,416
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.	-
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.	7,549
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Long-term debt	(167,884)
Net pension liability	(151,788)
Total pension liability	(47,847)
Compensated absences	(7,279)
Deferred inflows of resources related to pensions are not reported in the funds.	
LGERS	(3,442)
LEO	(52,739)
Net position of governmental activities	<u>\$ 1,791,522</u>

Town of Pink Hill, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	Major Fund			
	General	Economic Development Special Revenue	American Rescue Plan Act Fund	Total
REVENUES				
Ad valorem taxes	\$ 213,499	\$ -	\$ -	\$ 213,499
Unrestricted intergovernmental	148,299	-	-	148,299
Restricted intergovernmental	282,472	-	80,790	363,262
Permits and fees	96,929	-	-	96,929
Investment earnings	627	489	-	1,116
Miscellaneous	50,153	-	-	50,153
Total revenues	791,979	489	80,790	873,258
EXPENDITURES				
Current:				
General government	179,931	-	72	180,003
Public safety	408,783	-	-	408,783
Transportation	30,980	-	-	30,980
Environmental protection	111,413	-	-	111,413
Culture and recreation	13,977	-	-	13,977
Debt service:				
Principal	28,792	-	-	28,792
Interest and other charges	8,894	-	-	8,894
Total expenditures	782,770	-	72	782,842
Excess of Revenues Over (Under) Expenditures	9,209	489	80,718	90,416
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds	58,691	-	(80,718)	(22,027)
Total other financing sources (uses)	58,691	-	(80,718)	(22,027)
Net change in fund balance	67,900	489	-	68,389
FUND BALANCES				
Beginning of year	765,235	271,870	-	1,037,105
End of year	\$ 833,135	\$ 272,359	\$ -	\$ 1,105,494

(continued)

Town of Pink Hill, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

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

Net changes in fund balances - total governmental funds	\$	229,825
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$	46,968	
Depreciation expense from governmental assets		(113,609)	(66,641)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		22,409
--	--	--------

Change in unavailable revenue for tax revenues		(4,296)
Change in accrued interest for tax revenues		(2,793)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt		28,792
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	3,521	
Pension Expense	(80,803)	(77,282)

Total changes in net position of governmental activities	\$	130,014
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Town of Pink Hill, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 202,750	\$ 202,750	\$ 213,499	\$ 10,749
Unrestricted intergovernmental	141,445	141,445	148,299	6,854
Restricted intergovernmental	173,201	173,201	282,472	109,271
Permits and fees	112,920	112,920	96,929	(15,991)
Investment earnings	85	85	627	542
Miscellaneous	28,950	28,950	50,153	21,203
Total revenues	659,351	659,351	791,979	132,628
Expenditures:				
Current:				
General government	181,780	181,780	179,931	1,849
Public safety	384,211	384,211	408,783	(24,572)
Transportation	38,668	38,668	30,980	7,688
Environmental protection	112,729	112,729	111,413	1,316
Culture and recreation	9,234	9,234	13,977	(4,743)
Debt service:				
Principal retirement	37,556	37,556	28,792	8,764
Interest and other charges	8,894	8,894	8,894	-
Total expenditures	773,072	773,072	782,770	(9,698)
Revenues over (under) expenditures	(113,721)	(113,721)	9,209	122,930
Other financing sources (uses):				
Transfers from (to) other funds	-	-	58,691	58,691
Total other financing sources (uses)	-	113,721	58,691	58,691
Fund balance appropriated	113,721	-	-	-
Net change in fund balance	\$ -	\$ -	67,900	\$ 181,621
Fund Balances				
Beginning of year			765,235	
End of year			<u>833,135</u>	

Town of Pink Hill, North Carolina
Statement of Fund Net Position
Proprietary Fund - Public Utilities Fund
June 30, 2023

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 544,224
Accounts receivable (net)	46,509
Grant receivable	23,000
Sales and gas tax refunds available	9,207
Due from other funds	14,205
Prepaid items	6,540
Restricted cash and cash equivalents	33,630
Total current assets	<u>677,315</u>
Non-current assets:	
Capital assets:	
Land and other non-depreciable assets	477,251
Other capital assets, net of depreciation	5,516,165
Capital assets (net)	<u>5,993,416</u>
Total non-current assets	<u>5,993,416</u>
Total assets	<u>6,670,731</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	51,873
Total Deferred Outflows of Resources	<u>51,873</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	33,738
Due to other funds	19,658
Compensated absences- current	5,000
Long-term liabilities- current portion	20,816
Liabilities payable from restricted assets:	
Water and sewer deposits	33,630
Total current liabilities	<u>112,842</u>
Noncurrent liabilities:	
Installment debt	912,393
Compensated absences	7,705
Net pension liability	74,997
Total non-current liabilities	<u>995,095</u>
Total liabilities	<u>1,107,937</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	2,078
Total Deferred Inflows of Resources	<u>2,078</u>
NET POSITION	
Net investment in capital assets	5,060,207
Unrestricted	552,382
Total net position	<u>\$ 5,612,589</u>

The notes to 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 - Public Utilities Fund
For the Year Ended June 30, 2023

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 547,836
Water and sewer taps	3,000
Other operating revenues	11,001
Total operating revenues	<u>561,837</u>
OPERATING EXPENSES	
Salaries and employee benefits	231,580
Operational expenses	345,001
Depreciation	281,798
Total operating expenses	<u>858,379</u>
Operating income (loss)	<u>(296,542)</u>
NONOPERATING REVENUE (EXPENSES)	
Investment earnings	830
Interest and other charges	(25,840)
Timber revenue	15,497
Miscellaneous revenue	5,000
Total nonoperating revenue (expenses)	<u>(4,513)</u>
Income (loss) before contributions and transfers	(301,055)
Transfers from (to) other funds	<u>23,635</u>
Change in net position	<u>(277,420)</u>
Total net position, beginning	5,890,009
Total net position, ending	<u><u>\$ 5,612,589</u></u>

The notes to 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, 2023

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 571,263
Cash paid for goods and services	(319,498)
Cash paid to or on behalf of employees for services	(224,565)
Net cash provided (used) by operating activities	<u>27,200</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	23,635
Cash paid from interfund repayments/borrowings	-
Net cash provided (used) by noncapital financing activities	<u>23,635</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(54,946)
Capital contributions	-
Principal paid- State Revolving Funds & USDA	(20,306)
Interest paid- USDA	(25,840)
Other nonoperating	20,497
Net cash provided (used) by capital and related financing activities	<u>(80,595)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>830</u>
Net increase (decrease) in cash and cash equivalents	<u>(28,930)</u>
Balances, beginning	<u>606,784</u>
Balances, ending	<u><u>\$ 577,854</u></u>

The notes to 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, 2023

	<u>Water and Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	<u>\$ (296,542)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	281,798
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivable	9,426
(Increase) decrease in prepaid items	-
(Increase) decrease in deferred outflows of resources	(24,683)
Increase (decrease) in net pension liability	59,201
Increase (decrease) in accounts payable and accrued liabilities	25,503
Increase(decrease) in customer deposits	(5,015)
Increase (decrease) in accrued vacation pay	1,043
Increase (decrease) in deferred inflows of resources	<u>(23,531)</u>
Total adjustments	<u>323,742</u>
Net cash provided by operating activities	<u><u>\$ 27,200</u></u>

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

Notes to Basic
Financial Statements

Town of Pink Hill, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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 that 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 specific 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 specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements : The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise 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 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.

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

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

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 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, 2023 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. Only investments with maturities of three months or less at the time of purchase may be classified as 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.

<u>Town of Pink Hill Restricted Cash</u>	
Governmental Activities	
General Fund	
Public Safety	\$ 31,437
Streets	31,731
Economic Development Special Revenue Fund	
Economic Development	272,359
	<u>\$ 335,527</u>
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	\$ 33,630
	<u>33,630</u>
Total Restricted Cash	<u>\$ 369,157</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 cost are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; and computer software, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimate historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement 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.

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

Asset Class	Estimated Useful Life
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 assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does have one item that meets this criterion, pension deferrals for the 2023 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 assets that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category - property taxes receivable 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.

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 disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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 unexpended 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 Town of Pink Hill intends to use for specific purposes.

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

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance.

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

The Town 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

Noncompliance with G.S. 159-29. Finance Officer Bond

Noncompliance with G.S. 159-34. Timeliness of Audit Report Submission

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

None.

C. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2023, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for Public Safety expenses by \$24,572 and Culture and Recreation expenses by \$4,743. The expenditures made in the Town's Water and Sewer Fund exceeded the authorized appropriations made by the governing board for operating expenses by \$34,655. These over-expenditures occurred due to not making budget amendments. Management will work to more accurately prevent over expenditures and to ensure compliance in future years.

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 under collateralization, 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, 2023, the Town's deposits had a carrying amount of \$1,648,332 and a bank balance of \$1,658,282. 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, 2023, the Town of Pink Hill had \$100 cash on hand.

2. Investments

At June 30, 2023, 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, 2023 are net of the following allowances for doubtful accounts:

General Fund:		
Accounts Receivable- Garbage	\$	3,491
Enterprise Fund:		
Accounts Receivable- Water and Sewer	\$	37,378

4. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2023 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	28,044	-	-	28,044
Capital assets being depreciated:				
Buildings	666,726	12,900	-	679,626
Other Improvements	166,505	-	-	166,505
Equipment	818,106	8,343	-	826,449
Vehicles and motorized equipment	1,025,957	25,725	-	1,051,682
Furniture and equipment	48,349	-	-	48,349
Computer software	26,933	-	26,933	53,866
Computer equipment	97,155	-	-	97,155
Total capital assets being depreciated	2,849,731	46,968	26,933	2,923,632
Less accumulated depreciation for:				
Buildings	147,206	10,009	-	157,215
Other improvements	149,603	2,585	-	152,188
Equipment	669,280	36,198	-	705,478
Vehicles and motorized equipment	712,942	56,582	-	769,524
Furniture and equipment	44,346	1,706	-	46,052
Computer software	26,933	-	26,933	53,866
Computer equipment	75,275	6,529	-	81,804
Total accumulated depreciation	\$ 1,825,585	\$ 113,609	\$ 26,933	\$ 1,966,127
Total capital assets being depreciated, net	1,024,146			957,505
Governmental activity capital assets, net	\$ 1,052,190			\$ 985,549

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

General Government	\$	3,563
Public Safety		107,458
Transportation		2,128
Environmental Protection		-
Cultural & Recreation		460
Total Depreciation Expense	\$	<u>113,609</u>

Business-Type Activities:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 341,062	\$ -	\$ -	\$ -	\$ 341,062
Construction in progress	136,189	-	-	-	136,189
Total capital assets not being depreciated	<u>477,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>477,251</u>
Capital assets being depreciated:					
Plant and Distribution Systems	7,135,461	-	-	-	7,135,461
Substations, lines, and related equipment	3,032,265	-	-	-	3,032,265
Furniture and maintenance equipment	717,592	54,946	-	-	772,538
Buildings	21,428	-	-	-	21,428
Total capital assets being depreciated	<u>10,906,746</u>	<u>54,946</u>	<u>-</u>	<u>-</u>	<u>10,961,692</u>
Less accumulated depreciation for:					
Plant and Distribution Systems	3,695,086	169,128	-	-	3,864,214
Substations, lines, and related equipment	1,104,363	65,699	-	-	1,170,062
Furniture, Equipment & Maintenance	355,000	46,187	-	-	401,187
Buildings	9,279	785	-	-	10,064
Total accumulated depreciation	<u>\$ 5,163,728</u>	<u>\$ 281,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,445,527</u>
Total capital assets being depreciated, net	<u>5,743,018</u>				<u>5,516,165</u>
Business type capital assets, net	<u>\$ 6,220,269</u>				<u>\$ 5,993,416</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 consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (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 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The 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, 2023, was 13.04% of compensation for law enforcement officers and 12.16% 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 were \$32,970 for the year ended June 30, 2023.

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, 2023, the Town reported a liability of \$226,785 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022, the Town's proportion was 0.00402%, which was a increase of 0.00093% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$66,264. At June 30, 2023, 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	\$ 9,772	\$ 958
Change of assumptions	22,628	-
Net difference between projected and actual earnings on pension plan investments	74,955	-
Change in proportion and differences between Town contributions and proportionate share of contributions	16,041	4,562
Town contributions subsequent to the measurement date	32,970	-
Total	<u>\$ 156,366</u>	<u>\$ 5,520</u>

\$32,970 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 net pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2024	\$ 35,271
2025	34,908
2026	11,987
2027	35,710
2028	-
Thereafter	-
	<u>\$ 117,876</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	3.25 to 8.25 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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 projected and interpolated for multiple tenors and over multiple year horizons. Global public equity 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, 2022 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33%	0.9%
Global Equity	38%	6.5%
Real Estate	8%	5.9%
Alternatives	8%	8.2%
Credit	7%	5.0%
Inflation Protection	6%	2.7%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. 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 (5.5 percent) or one percentage point higher (7.5 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 net pension liability (asset)	\$ 409,318	\$ 226,785	\$ 76,368

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of 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 Town law enforcement officers are covered by the Separation Allowance. At December 31, 2022, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	2
Total	<u>2</u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 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, 2022.

Mortality rates are based on the RP-2015 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. 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, 2023, the Town reported a total pension liability of \$47,847. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$1,235.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,773	\$ 42,974
Changes of assumptions and other inputs	11,643	9,765
Town benefit payments and plan administrative expenses subsequent to the measurement date	-	-
Total	\$ 19,416	\$ 52,739

\$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:

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount Recognized in Pension Expense as an Increase (Decrease) to Pension Expense
2024	\$ 7,158	\$ 11,384	\$ (4,226)
2025	6,200	10,916	(4,716)
2026	2,271	9,531	(7,260)
2027	961	9,000	(8,039)
2028	961	9,000	(8,039)
Thereafter	1,865	2,908	(1,043)

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 4.31 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1 % Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Town's pension liability	\$ 52,378	\$ 47,847	\$ 43,648

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

	2023
Beginning balance	\$ 45,084
Service Cost	3,819
Interest on the total pension liability	1,014
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	7,631
Changes of assumptions or other inputs	(9,701)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 47,847</u>

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 66,264	\$ 1,235	\$ 67,499
Pension Liability	226,785	47,847	274,632
Proportionate share of the net pension liability	0.00402%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	9,772	7,773	17,545
Changes of assumptions	22,628	11,643	34,271
Net difference between projected and actual earnings on plan investments	74,955	-	74,955
Changes in proportion and differences between contributions and proportionate share of contributions	16,041	-	16,041
Benefit payments and administrative costs paid subsequent to the measurement date	32,970	-	32,970
Totals	<u>156,366</u>	<u>19,416</u>	<u>175,782</u>
Deferred of Inflows of Resources			
Differences between expected and actual experience	958	42,974	43,932
Changes of assumptions	-	9,765	9,765
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,562	-	4,562

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, 2023 were \$12,048.

d. 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 benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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	\$ -
Benefit payments made and administrative expenses for LEOSSA made subsequent to measurement date	32,970
Differences between expected and actual experience	17,545
Change of assumptions	34,271
Net difference between projected and actual earnings on pension plan investments	74,955
Change in proportion and differences between employer contributions and proportionate share of contributions	16,041
Total	<u>\$ 175,782</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 7,549
Prepaid taxes	-	-
Changes in assumptions	9,765	-
Differences between expected and actual experience	43,932	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,562	-
Total	<u>\$ 58,259</u>	<u>\$ 7,549</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town 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 each.

5. Claims, Judgments and Contingent Liabilities

The Town had no claims or judgments pending at June 30, 2023.

6. Long Term Debt

Installment Purchases: The Town has six installment purchase contracts in place at June 30, 2023. 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, 2023 was \$1,910,951.

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. The amount outstanding as of June 30, 2023 is \$106,912.

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 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. The amount outstanding as of June 30, 2023 is \$332,617 and \$580,780 respectively.

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 amount outstanding as of June 30, 2023 is \$19,812.

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 amount outstanding as of June 30, 2023 is \$60,972.

The following is a summary of the changes in the Town's debt for the year ended June 30, 2023:

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental Activities By Type of Debt:					
Direct placement notes	\$ 121,676	\$ -	\$ 14,764	\$ 106,912	\$ 15,466
Direct borrowing note	75,000	-	14,028	60,972	14,521
Compensated absences	10,800	2,850	6,371	7,279	4,000
Net pension liability (LGRS)	23,694	128,094	-	151,788	-
Total pension liability (LEO)	45,084	2,763	-	47,847	-
Total	\$ 276,254	\$ 133,707	\$ 35,163	\$ 374,798	\$ 33,987

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Business-type Activities Water and Sewer Fund:					
Direct placement notes	\$ 931,902	\$ -	\$ 18,505	\$ 913,397	\$ 19,015
Direct borrowing note	21,613	-	1,801	19,812	1,801
Net pension liability (LGRS)	15,796	59,201	-	74,997	-
Compensated absences	11,662	3,400	2,357	12,705	5,000
Total	\$ 980,973	\$ 62,601	\$ 22,663	\$ 1,020,911	\$ 25,816

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

Notes from Direct Placement:

Government Activities

Year Ended 30-Jun	Note #1- USDA Fire Department Building		
	Total	Principal	Interest
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	43,463	40,500	2,963
	<u>\$ 125,639</u>	<u>\$ 106,912</u>	<u>\$ 18,727</u>

Year Ended 30-Jun	Fire Truck		
	Total	Principal	Interest
2024	16,482	14,521	\$ 1,961
2025	16,482	14,985	\$ 1,497
2026	16,482	15,464	\$ 1,018
2027	16,482	16,002	\$ 480
	<u>\$ 65,928</u>	<u>\$ 60,972</u>	<u>\$ 4,956</u>

Business Activities

Year Ended 30-Jun	Note # 91-13- USDA Water System Improvement		
	Total	Principal	Interest
2024	\$ 17,191	\$ 6,380	\$ 10,811
2025	17,191	6,589	10,602
2026	17,191	6,802	10,389
2027	17,191	7,024	10,167
2028	17,191	7,252	9,939
2029-2033	85,955	39,951	46,004
2034-2038	85,955	46,879	39,076
2039-2043	85,955	55,009	30,946
2044-2048	85,955	64,548	21,407
2049-2053	85,955	75,741	10,214
2054-2058	17,191	16,442	749
	<u>\$ 532,921</u>	<u>\$ 332,617</u>	<u>\$ 200,304</u>

Year Ended 30-Jun	Note # 91-15- USDA Water System Improvement		
	Total	Principal	Interest
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	27,154	13,946	13,208
2029-2033	135,770	75,138	60,632
2034-2038	135,770	85,012	50,758
2039-2043	135,770	96,183	39,587
2044-2048	135,770	108,822	26,948
2049-2053	135,770	123,123	12,647
2054-2058	27,154	26,091	1,063
	<u>\$ 841,774</u>	<u>\$ 580,780</u>	<u>\$ 260,994</u>

Year Ended 30-Jun	State Revolving Loans Fund AMR Water Meter Project		
	Total	Principal	Interest
2024	\$ 1,801	\$ 1,801	\$ -
2025	1,801	1,801	-
2026	1,801	1,801	-
2027	1,801	1,801	-
2028	1,801	1,801	-
2029-2033	9,006	9,006	-
2034-2038	1,801	1,801	-
	<u>\$ 19,812</u>	<u>\$ 19,812</u>	<u>\$ -</u>

C. Interfund Balance

Balances due to/from other funds at June 30, 2023 consist of the following:

Due to the General Fund:	
Water Fund	\$ 5,453
Total	<u>\$ 5,453</u>

The interfund balances resulted from the Water Fund depositing the garbage revenue and not remitting to the General Fund until after June 30, 2023. 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, 2023.

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, 2023, 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	\$ 833,135
Less:	
Stabilization by State Statute	82,208
Streets - Powell Bill	31,731
Public Safety	31,437
Remaining Fund Balance	<u>\$ 687,759</u>

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 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 several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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 June 11, 2024, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

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

Schedule of the Proportionate Share of the Net Pension
Liability – Local Government Employees’ Retirement
System

Schedule of Contributions – Local Government
Employees’ Retirement System

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

Schedule of Total Pension Liability as a Percentage of
Covered Payroll - Law Enforcement Officers' Special
Separation Allowance

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

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.00402%	0.00309%	0.00252%	0.00367%	0.00383%	0.00387%	0.00391%	0.00510%	0.00513%	0.00530%
Town's proportion of the net pension liability (asset) (\$)	\$ 226,785	\$ 47,388	\$ 90,050	\$ 100,225	\$ 90,861	\$ 59,122	\$ 82,982	\$ 22,888	\$ (30,254)	\$ 63,885
Town's covered payroll	\$ 246,875	\$ 195,753	\$ 192,359	\$ 271,204	\$ 254,052	\$ 246,475	\$ 230,483	\$ 200,873	\$ 200,873	\$ 181,874
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	91.86%	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**	84.14%	95.51%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

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

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

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

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 32,970	\$ 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 contribution	32,970	28,489	20,258	17,783	21,809	19,815	18,628	15,903	14,469	13,159
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 264,452	\$ 246,875	\$ 195,753	\$ 192,359	\$ 271,204	\$ 254,052	\$ 246,475	\$ 230,483	\$ 200,873	\$ 184,105
Contributions as a percentage of covered payroll	12.47%	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, 2023

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	45,084	95,779	76,572	66,527	64,527	54,294	52,066
Service Cost	3,819	2,441	2,042	2,168	2,286	1,954	1,992
Interest on the total pension liability	1,014	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	7,631	(53,885)	(10,036)	3,066	588	1,981	-
Changes of assumptions or other inputs	(9,701)	(1,100)	24,705	2,389	(2,913)	4,202	(1,623)
Benefit payments	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 47,847</u>	<u>\$ 45,084</u>	<u>\$ 95,779</u>	<u>\$ 76,572</u>	<u>\$ 66,527</u>	<u>\$ 64,527</u>	<u>\$ 54,294</u>

The amounts presented for each fiscal year were determined as of the prior fiscal 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, 2023

	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 47,847	\$ 45,084	\$ 95,779	\$ 76,572	\$ 66,527	\$ 64,527	\$ 54,294
Covered payroll	92,395	61,346	54,593	62,453	59,510	58,690	56,390
Total pension liability as a percentage of covered payroll	51.79%	73.49%	175.44%	122.61%	111.79%	109.95%	96.28%

Notes to the schedules:

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

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Town of Pink Hill, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes:			
Current year		\$ 209,881	
Prior year		3,130	
Penalties and interest		488	
Total	\$ 202,750	213,499	\$ 10,749
Unrestricted intergovernmental:			
Local option sales tax		112,912	
Utility franchise tax		33,347	
Beer and wine tax		2,040	
Total	141,445	148,299	6,854
Restricted intergovernmental:			
Powell Bill allocation		20,112	
Solid waste disposal tax		351	
Fireman's relief income		3,892	
Department of insurance		77,959	
ABC revenue		11,149	
Duplin County- fire		28,449	
Lenoir County- fire		120,560	
Fire grant		10,000	
Covid grant		10,000	
Total	173,201	282,472	109,271
Total intergovernmental	314,646	430,771	116,125
Permits and Fees:			
Election fees		100	
Court cost and fees		110	
Garbage fees		96,719	
Total	112,920	96,929	(15,991)
Investment Earnings:			
General		443	
Fireman's relief		131	
Powell		53	
Total	85	627	542
Miscellaneous:			
Miscellaneous revenue		8,130	
Fire donations and fund raising		42,023	
Total	28,950	50,153	21,203
Total Revenues	659,351	791,979	132,628

**Town of Pink Hill, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023**

	Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government:			
Administration:			
Salaries and employee benefits		67,816	
Other operating expenditures		110,226	
Total	179,780	178,042	1,738
Taxes:			
Collection fees		1,889	
Other operating expenditures		-	
Total	2,000	1,889	111
Total general government	181,780	179,931	1,849
Public safety:			
Police:			
Salaries and employee benefits		133,094	
Other operating expenditures		58,766	
Capital outlay		38,625	
Total	230,721	230,485	236
Fire:			
Operating expenditures		169,955	
Capital outlay		8,343	
Total	153,490	178,298	(24,808)
Total Public Safety	384,211	408,783	(24,572)
Transportation:			
Streets and highways:			
Operating expenditures		30,980	
Total transportation	38,668	30,980	7,688
Environmental protection:			
Solid waste:			
Garbage pickup		111,413	
Total environmental protection	112,729	111,413	1,316

Town of Pink Hill, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Culture and Recreation			
Other operating expenditures		13,977	
Total Culture and Recreation	9,234	13,977	(4,743)
Debt Service:			
Principal retirement		28,792	
Interest and other charges		8,894	
Total Debt Service	46,450	37,686	8,764
Total expenditures	773,072	782,770	(9,698)
Revenues over (under) expenditures	(113,721)	9,209	122,930
Other financing sources (uses):			
Fund balance appropriation	113,721	-	113,721
Transfers from (to) other funds	-	58,691	(58,691)
Total	113,721	58,691	(55,030)
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ -	67,900	\$ 67,900
Fund balances, beginning		765,235	
Fund balances, ending		\$ 833,135	

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds

Town of Pink Hill, North Carolina
Capital Project Fund- Economic Development
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2023

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment Earnings	\$ 250	\$ 209	\$ 489	\$ 698	\$ 448
Miscellaneous	271,661	271,661	-	271,661	-
Total Revenues	271,911	271,870	489	272,359	448
Expenditures:					
Current	271,911	-	-	-	271,911
Revenues Over (Under Expenditures)	-	271,870	489	272,359	272,359
Other Financing Sources: Transfer out	-	-	-	-	-
Revenues and Other Financing Sources Over (Under) Expenditures	\$ -	\$ 271,870	\$ 489	\$ 272,359	\$ 272,359
Fund Balance:					
Beginning of year, July 1			271,870		
End of year, June 30			<u>\$ 272,359</u>		

Town of Pink Hill, North Carolina
Capital Project Fund- American Rescue Plan Act
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2023

	Project	Actual			Variance
	Authorization	Prior Years	Current Year	Total to Date	Favorable (Unfavorable)
Revenues:					
Federal Grant	\$ 161,580	\$ 80,790	\$ 80,790	\$ 161,580	\$ -
Other revenue	-	-	-	-	-
Total Revenues	161,580	80,790	80,790	161,580	-
Expenditures:					
Service charge	-	-	72	72	(72)
Revenues Over (Under) Expenditures	161,580	80,790	80,718	161,508	(72)
Other Financing Sources:					
Transfer out	(161,580)	(80,790)	(80,718)	(161,508)	(72)
Revenues and Other Financing Sources Over (Under) Expenditures	\$ -	\$ -		\$ -	\$ -
Fund Balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

PROPRIETARY FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Town of Pink Hill, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual
Non-GAAP
For the Fiscal Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:		\$ 547,836	
Water and sewer taps		3,000	
Other operating revenues		11,001	
Total	\$ 593,990	561,837	\$ (32,153)
Non-operating revenues:			
Timber revenue		15,497	
Miscellaneous revenue		5,000	
Interest earnings		830	
Total	75	21,327	21,252
Total revenues	594,065	583,164	(10,901)
Expenditures:			
Operating Expenditures:			
Salaries and employee benefits		219,550	
Maintenance and repair		68,552	
WASA expense		96,000	
Environmental testing		11,780	
Professional services		4,508	
Utilities		54,971	
Supplies		21,034	
Insurance		33,931	
Miscellaneous		8,513	
Water and sewer chemicals		11,922	
Water and sewer expense		33,790	
Total	529,896	564,551	(34,655)
Debt Services:			
Principal retirement		20,306	
Interest		25,840	
Total	46,146	46,146	-
Capital outlay:	55,000	54,946	54
Total expenditures	631,042	665,643	(34,601)

Town of Pink Hill, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual
Non-GAAP
For the Fiscal Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Other Financing Sources/(Uses)			
Fund balance appropriation		-	
Transfers in(out)		23,635	
Total other financing (uses)	36,977	23,635	13,342
 Revenues and Other Sources Over Expenditures and Other Uses	 \$ -	 (58,844)	 \$ (58,844)
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		(58,844)	
 Reconciling items:			
Capital Outlay		54,946	
Capital Contributions		-	
Principal retirement		20,306	
Depreciation		(281,798)	
(Increase) decrease in accrued vacation pay		(1,043)	
(Increase) decrease in net pension liability		(59,201)	
Increase (decrease) in deferred outflows of resources for pensions		24,683	
(Increase) decrease in deferred inflows of resources for pensions		23,531	
Total reconciling items		(218,576)	
Change in Net Position		\$ (277,420)	

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, 2023

		Actual			Varianace- Positive (Negative)
	Project Authorization	Prior Year	Current Year	Total to Date	
Revenues:					
Restricted Intergovernmental:					
NCDENR- Sewer Grant	\$ 70,000	\$ 54,000	\$ -	\$ 54,000	\$ (16,000)
NCDENR- Water Grant	110,000	76,000	-	76,000	(34,000)
Total revenue	<u>180,000</u>	<u>130,000</u>	<u>-</u>	<u>130,000</u>	<u>(50,000)</u>
Expenditures:					
Sewer Expenditures	74,550	55,050	-	55,050	19,500
Water Expenditures	117,150	81,139	-	81,139	36,011
Total expenditures	<u>191,700</u>	<u>136,189</u>	<u>-</u>	<u>136,189</u>	<u>55,511</u>
Revenues Under Expenditures	<u>(11,700)</u>	<u>(6,189)</u>	<u>-</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	5,139	-	5,139	(2,011)
Transfers out	-	-	-	-	-
Total Other Sources	<u>11,700</u>	<u>6,189</u>	<u>-</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 includes additional information on property taxes, transfers, and cash and investments.

- 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 Fiscal Year Ended June 30, 2023

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2022</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022-2023	\$ -	\$ 207,078	\$ 210,483	\$ (3,405)
2021-2022	4,519	-	3,362	1,157
2020-2021	2,406	-	1,911	495
2019-2020	1,336	-	845	491
2018-2019	293	-	75	218
2017-2018	302	-	98	204
2016-2017	695	-	473	222
2015-2016	574	-	238	336
2014-2015	602	-	238	364
2013-2014	681	-	24	657
2012-2013	437	-	437	-
Total	<u>\$ 11,845</u>	<u>\$ 207,078</u>	<u>\$ 218,184</u>	<u>\$ 739</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund \$ 213,499

Reconciling items:

Discounts, write-offs and releases 5,173

Interest collected (488)

Total Collections and Credits \$ 218,184

Town of Pink Hill, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2023

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding registered motor vehicles	Registered motor vehicles
Original levy:					
Real estate/personal property	\$ 37,650,545	0.550	\$ 207,078	\$ 181,783	\$ 25,295
Net levy	<u>37,650,545</u>		207,078	181,783	25,295
Uncollected taxes at June 30, 2023			<u>(3,405)</u>	<u>(3,405)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 203,673</u>	<u>\$ 178,378</u>	<u>\$ 25,295</u>
Current levy collection percentage			<u>98.36%</u>	<u>98.13%</u>	<u>100.00%</u>

Compliance Section

- Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed in Accordance with *Governmental Auditing Standards*
- Schedule of Findings and Responses
- Corrective Action Plan
- Summary Schedule of Prior Year Audit Findings



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

**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 Mayor and Members of the Board of Commissioners
Town of Pink Hill, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type 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, 2023, and the related notes to the financial statements, which collectively comprises the Town of Pink Hill's basic financial statements, and have issued our report thereon dated June 7, 2024.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for limited purpose described in the preceding paragraph and 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. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses 2023-005 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, 2023-003, 2023-004, 2023-006 to be significant deficiencies.

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, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-002, 2023-003, 2023-004, and 2023-006.

Town of Pink Hill's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Pink Hill's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

June 11, 2024

Town of Pink Hill, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2023

Section I.	Summary of Auditor's Results
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Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) identified? X yes no

Noncompliance material to financial
statements noted? X yes no

Town of Pink Hill, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2023

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

Finding: 2023-001 Segregation of Duties

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

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

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.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit as 2022-001.

Cause: The Town has two employees to handle all financial transactions due to their limited budget.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan in this report.

SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

Finding: 2023-002 Noncompliance with Budget

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town expended more for the General Fund and Water and Sewer Fund than was appropriated for in the annual budget ordinance.

Effect: Monies were spent that had not been obligated and appropriated.

Cause: The Town exceeded budget expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for Public Safety expenses by \$24,572 and Culture and Recreation expenses by \$4,743. The expenditures made in the Town's Water and Sewer Fund exceeded the authorized appropriations made by the governing board for operating expenses by \$34,655.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit as 2022-003.

Recommendation: Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. The Town will continue to monitor the budgets monthly to ensure compliance.

Town of Pink Hill, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2023

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

Finding: 2022-003 Preaudit Process

Criteria: According to G.S. 159-28(a), the Finance Officer is required to perform the preaudit process on all purchase orders, credit card purchases, employment agreements, internet orders, and service contracts.

Condition: The Town Clerk has not properly implemented the preaudit stamp and procedures.

Effect: The Town was in violation of the statute and money was spent that had not been formally appropriated in the current fiscal year.

Identification of a repeat finding: This is not a repeat finding.

Cause: Personnel responsible for purchasing and issuing checks have not properly implemented the requirement.

Recommendation: The Town Clerk should implement internal controls that will educate staff on the preaudit requirement. All preprinted documents that require the preaudit certificate should contain the proper form described in the criteria above. A stamp with the preaudit certificate should be available, if necessary, for the issuers of the documents or checks. The stamp should be kept in custody to prevent unauthorized use.

Views of responsible officials and planned corrective actions: Town officials agree with this finding and recommended action to ensure that only those amounts appropriated are spent.

SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

Finding: 2023-004 Timeliness of Audit Report Submission

Criteria: The June 30, 2023, audit was submitted past the required due date. This is a violation of G.S. 159-34.

Condition: The Town did not provide necessary data to audit firm in a timely manner.

Context: The Town was late completing necessary reconciliations which led to the audit being delayed past the required due date.

Effect: The reports are a requirement of General Statutes; lateness created the statute violation.

Cause: Untimely reconciliations of accounts to the ledgers.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit as 2022-002.

Recommendation: The Town will ensure reconciliations are performed timely.

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

Town of Pink Hill, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2023

Section II – Financial Statement Findings

MATERIAL WEAKNESS

Finding: 2023-005 Lack of Oversight of Accounting Records

Criteria: Accounting records should be properly reviewed to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of oversight of the accounting records.

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.

Cause: The Town lax oversight over key accounting areas such as cash, receivables, and payable reconciliations to the general ledger.

Identification of a repeat finding: This is not a repeat finding.

Recommendation: Each area should have proper oversight controls in place to ensure that accurate and timely reconciliations are being performed.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan in this report.

SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

Finding: 2023-006 Finance Officer Bond

Criteria: According to G.S. 159-29, the Town Clerk bond may not be less than the greater of \$50,000 or an amount equal to ten percent of the unit's annually budgeted funds up to one million dollars.

Condition: The Town Clerk was not adequately bonded based on the criteria.

Effect: The Town was in violation of the statute G.S. 159-29.

Identification of a repeat finding: This is not a repeat finding.

Cause: Personnel responsible for purchasing of the bond did not ensure that the bond would cover ten percent of the annual budgeted funds.

Recommendation: The Town should implement internal controls that will ensure the Finance Officer is adequately covered based on the criteria going forward.

Views of responsible officials and planned corrective actions: Town officials agree with this finding and recommend action to ensure that the Town Clerk is adequately bonded.

TOWN OF PINK HILL

CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section II – Financial Statement Findings

Finding: 2023 – 001 Segregation of Duties

Name of contact person: Lauren Smith, Town Clerk

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for the lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: Immediately.

Finding: 2023 - 002 Noncompliance with Budget

Name of Contact Person: Lauren Smith, Town Clerk

Corrective Action: An updated budget vs. actual report is presented to the Town Board monthly. This holds the Board and Town Clerk more accountable and allows them to plan to ensure expenditure does not exceed budgeted amounts.

Proposed Completion Date: Immediately.

Finding: 2023 – 003 Preaudit Process

Name of contact person: Lauren Smith, Town Clerk

Corrective Action: The Town Clerk will implement internal control procedures to ensure that all purchases go through the preaudit process.

Proposed Completion Date: Immediately.

Finding: 2023 – 004 Timeliness of Audit Report Submission

Name of contact person: Lauren Smith, Town Clerk

Corrective Action: Management will ensure timeliness of required filings.

Proposed Completion Date: Immediately.

2023 - 005 Lack of Oversight of Accounting Records

Name of Contact Person: Lauren Smith, Town Clerk

Corrective Action: Management will create a comprehensive review of accounts on a monthly basis.

Proposed Completion Date: Immediately.

TOWN OF PINK HILL

CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section II – Financial Statement Findings

Finding: 2023 – 006 Finance Officer Bond

Name of contact person: Lauren Smith, Town Clerk

Corrective Action: The Town will implement internal control procedures to ensure that the Town Clerk is appropriately bonded based on the to ten percent of the unit's annually budgeted funds

Proposed Completion Date: Immediately.

Town of Pink Hill, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2023

Finding: 2022-001
Status: Still occurring.

Finding: 2022-002
Status: Still occurring.

Finding: 2022-003
Status: Still occurring.