TOWN
OF
PINEBLUFF

TOWN OF PINEBLUFF

Presentation of Audit Results

Fiscal Year Ended
June 30, 2025

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS

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Town of Pinebluff

Presentation Agenda

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December 30, 2025

To the Town Council
Town of Pinebluff
Pinebluff, North Carolina

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pinebluff for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 27, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 27, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Board solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

<u>Significant Risks Identified</u>

We have identified the following significant risks:

- Management override of controls – this risk is presumed to be present in every audit under professional standard, regardless of the control environment. The rationale is that even the most robust internal control system can be overridden by management

- Improper revenue recognition – this risk refers to the intentional or unintentional misstatement of revenue in financial statements. This can include premature recognition or manipulation of cut-off procedures. It is one of the most common areas for financial reporting fraud and is therefore presumed to be a significant risk in every audit engagement.

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Pinebluff are described in Note 1 to the financial statements. The Town adopted GASB Statement 101 "Compensated Absences" and GASB Statement 102 "Certain Risk Disclosures" for the year ended June 30, 2025. We noted no transactions entered into by the Town of Pinebluff during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimate(s) or assumptions noted during the audit.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The most sensitive disclosure affecting the Board's financial statements relates to the Prior Period Restatements disclosed in Note VI.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 30, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town of Pinebluff's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

- Although there are multiple employees who handle various processes within finance, the Town should strengthen these controls by adding steps for secondary reviews (for example, if the Finance Officer prepares the bank reconciliation, the Assistant should also review and sign off on it indicating they reviewed it, etc)
- A single audit was not required for the current year. However, it was noted that the Town requested draws of the DEQ loans and held the money several days before paying invoices that the funds were requested for. These invoices should be paid within three days of receiving the funds according to the reimbursement request prepared by the consultant.
- The expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the administration department by $80,632. This over-expenditure occurred because of unplanned expenditures, as well as the Town's failure to file timely payroll tax deposits, which resulted in penalties and interest being charged. Additionally, the Water and Sewer Fund's expenditures exceeded the budget by $565,017. This was a result of proper amendments not being made to account for water improvement projects.
- The Town should adopt a proper project ordinance to set up a new fund to track the Water Improvement project separately going forward since the project will span over multiple years.
- The finance officer's individual performance bond is not in compliance with G.S. 159-29. The amount of bond is required to be an amount equal to ten percent of the Town's annually budgeted funds, up to one million dollars. For FY 24-25, the minimum required coverage would be $364,442. Effective July 26, 2024, the Town increased the coverage to $300,000, which was still less than the minimum requirement.
- It's imperative that the Town focus efforts on reconciling the ledger to subsidiary reports timely (bank reconciliations, receivable reports, payroll withholdings, etc). Additionally, time should be spent reviewing the postings to ensure that they are in the proper accounts. Contingency and Appropriated Fund Balance accounts are for budgetary purposes only, so expenses should not be coded to these accounts. The Town also incurred unnecessary expenses as it relates to payroll tax deposits because they were not filed timely.
- The Town should ensure that proper preaudit steps are being followed. Specific wording is required on purchase orders and/or invoices pursuant to G.S. 159-28.

The Local Government Commission (LGC) will no longer initiate communications about concerns or findings (formerly considered unit letters). They have created a spreadsheet that has to be completed and submitted with the audit report. If that worksheet identifies what they consider a "Financial Performance Indicators of Concern" (FPICs), we are required to communicate those items to the Board. The Town is required to submit a response within 60 days of the Board meeting in which the financial statements are presented. The detailed audit response should be presented to the entire Board, and signed by the entire Board, Finance Officer, and Manager. The Town will be required to respond concerning the following items that will be explained in more detail in the presentation to the Board: Water/Sewer Operating Net Income excluding depreciation was negative, capital assets condition ratio is less than 50%, and the six findings disclosed in the report.

Other Matters

We were engaged to report on the fund statement schedules, budgetary schedules, and other schedules, which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Please ensure that management and the Board is aware of the new GASB pronouncements for the upcoming fiscal year. Be especially mindful of GASB No.103: *Financial Reporting Model Improvements*, as the implementation of this standard may take a significant amount of time and resources to properly implement.

Restriction on Use

This information is intended solely for the use of the Town Council and management of the Town of Pinebluff and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co, P.A.

TOWN OF PINEBLUFF

FINANCIAL INFORMATION FOR 5 YEARS

	2025	2024	2023	2022	2021
Total Fund Balance - General Fund	$ 1,979,204	$ 2,256,768	$ 2,219,199	$ 2,501,148	$ 2,623,545
Unavailable Fund Balance - GF (Nonspendable and Restricted)	751,251	589,049	475,583	493,107	467,713
Committed and Assigned Fund Balance	541,278	532,202	554,902	388,610	274,180
General Fund Expenditures (less proceeds from debt)	2,807,693	3,219,763	2,121,732	1,914,656	1,424,823
Fund Balance Available as % of General Fund Expenditures	43.74%	51.80%	82.18%	104.88%	151.31%
Unassigned Fund Balance	686,675	1,135,517	1,188,714	1,619,431	1,881,652
Unassigned Fund Balance as % of General Fund Expenditures	24.46%	35.27%	56.03%	84.58%	132.06%
Revenues over (under) expenditures before transfers and contributions					
General Fund	(279,380)	(420,431)	(282,099)	(122,397)	403,077
Water and Sewer Fund	392,359	16,332	89,818	100,483	47,893
Operating Income - Water and Sewer Fund	(44,079)	15,582	88,594	97,743	46,306
Cash vs. Accumulated Depreciation - Water and Sewer Fund					
Total Fixed Assets	2,246,190	1,706,292	1,688,392	1,688,392	1,688,392
Accumulated Depreciation & Amortization	1,309,461	1,278,347	1,244,994	1,203,483	1,161,972
Cash	1,726,874	1,553,270	1,431,119	1,293,675	1,138,525
Cash vs. Fund Balance					
Cash - General	1,788,868	2,006,415	2,000,256	2,303,986	2,377,262
Cash - Water and Sewer Fund	1,726,874	1,553,270	1,431,119	1,293,675	1,138,525
Fund Balance - General	1,979,204	2,256,768	2,219,199	2,501,148	2,623,545
Net Position - Water and Sewer Fund	2,220,299	1,776,389	1,760,057	1,670,239	1,569,756
Property Tax Rates	0.400	0.400	0.400	0.400	0.400
Collection Percentages	98.90%	99.57%	99.29%	99.40%	99.36%
Collection Percentages (excluding Motor Vehicle)	98.77%	99.53%	99.19%	99.32%	99.27%
Total Property Valuation	202,591,250	199,168,531	140,775,754	137,458,209	138,302,069
Total Levy Amount	810,599	796,674	567,450	549,946	553,393
Breakdown of General Fund Revenues					
Ad Valorem Taxes	$ 794,341	$ 799,172	$ 571,813	$ 556,117	$ 552,518
Other Taxes and Licenses	170	250	190	225	203
Intergovernment Revenue	1,533,718	1,387,076	1,181,011	1,135,581	1,179,367
Permits and Fees	68,707	29,196	22,064	41,965	23,052
Sales and Services	2,860	2,794	7,617	5,002	8,312
Investment Earnings	95,197	42,887	2,163	1,715	1,645
Miscellaneous	65,580	537,957	54,775	51,654	62,803
Total	$ 2,560,573	$ 2,799,332	$ 1,839,633	$ 1,792,259	$ 1,827,900

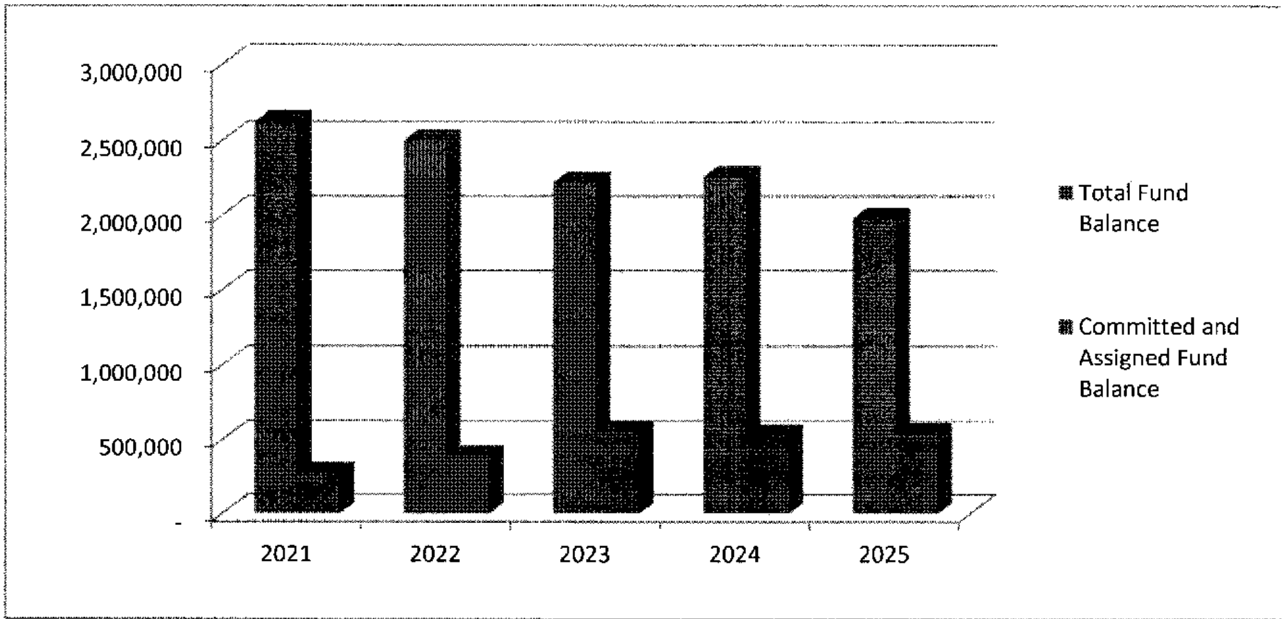
TOWN OF PINEBLUFF

FINANCIAL INFORMATION FOR 5 YEARS

Breakdown of General Fund Expenditures					
Governing Body	$ 62,073	$ 82,713	$ 88,892	$ 58,409	$ 50,290
Administration	325,892	278,293	159,331	125,595	92,601
Police Department	664,637	550,093	430,877	250,143	263,546
Fire Department	886,350	739,661	623,634	459,386	309,021
Planning and Inspections	41,175	38,445	37,889	35,071	28,381
Street Department	416,299	313,809	353,943	227,759	208,705
Powell Bill Funds	-	300	85,503	506	4,838
Sanitation	140,950	139,114	139,504	120,216	117,780
Lakes, Parks, and Cemetery	91,877	165,686	134,618	37,494	149,406
Library	9,017	11,355	9,149	10,049	8,355
Garage	2,015	2,783	-	-	-
COVID-19	-	-	-	11,883	6,372
Debt Service	198,867	109,470	58,392	578,145	176,721
Capital Outlay	-	-	-	-	8,807
Total	$ 2,839,152	$ 2,431,722	$ 2,121,732	$ 1,914,656	$ 1,424,823

TOWN OF PINEBLUFF

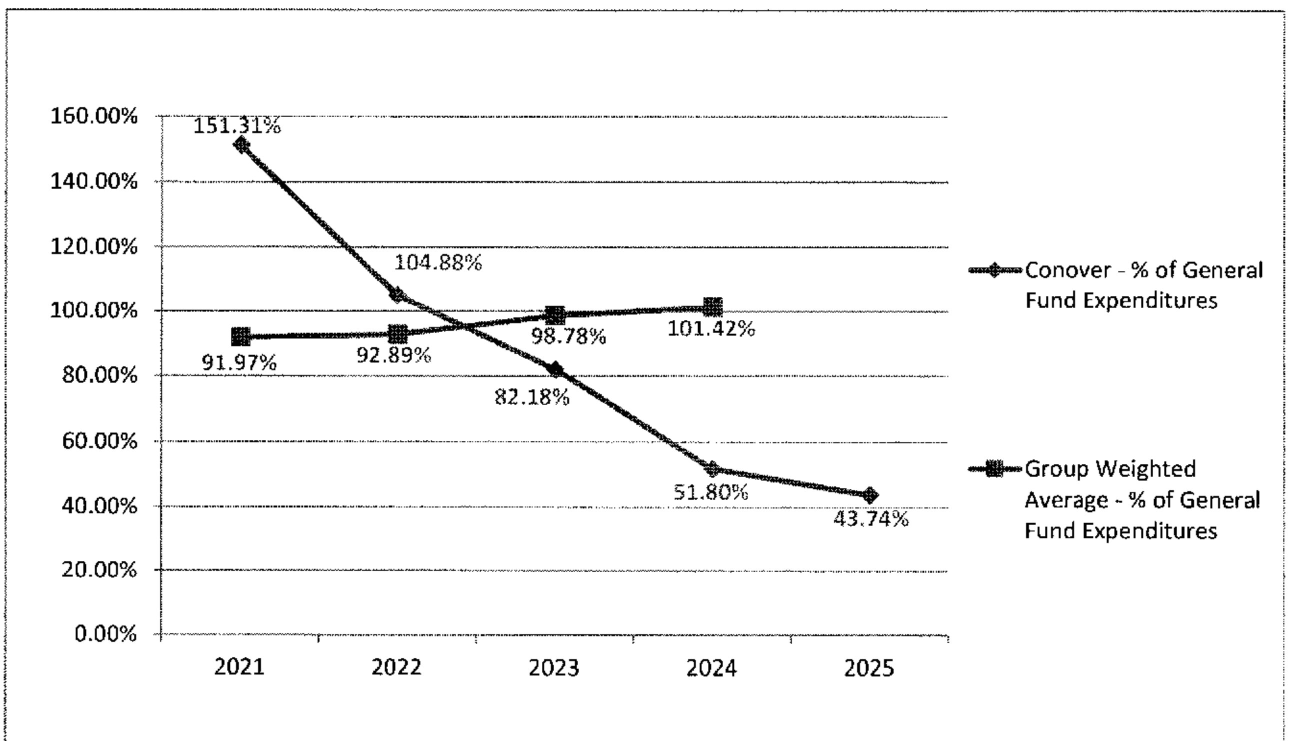
Analysis of Fund Balance



TOWN OF PINEBLUFF

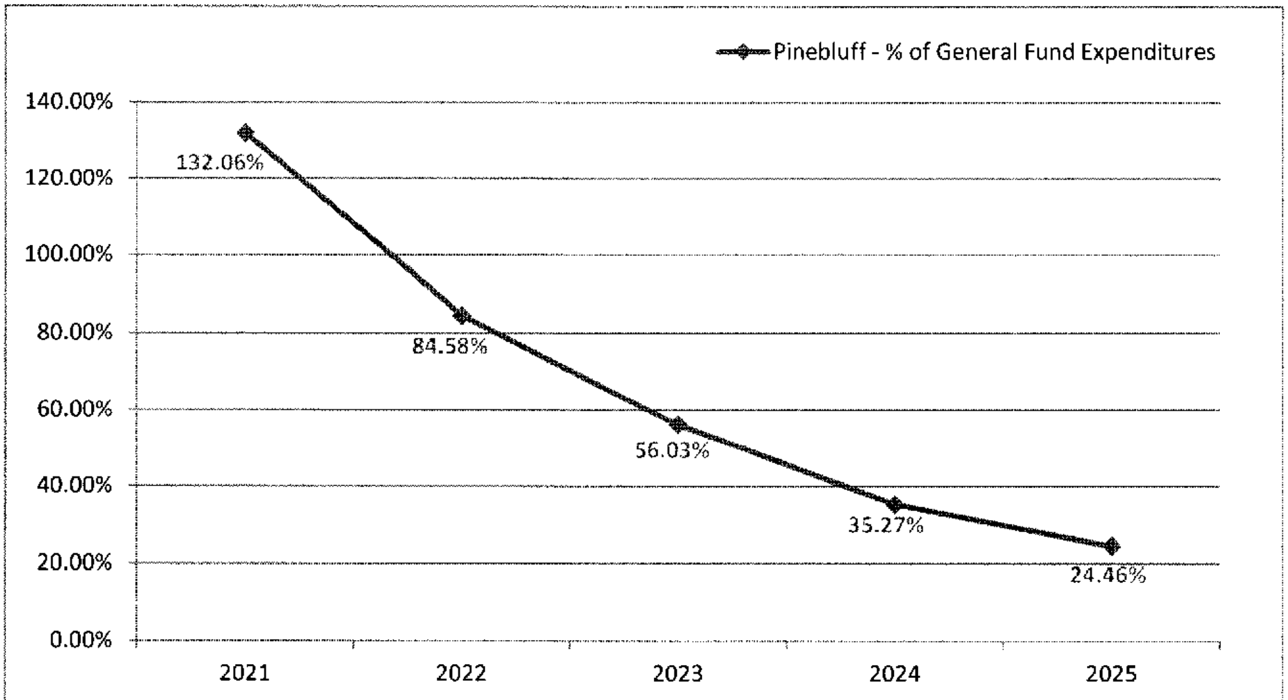
Analysis of Fund Balance Available

(Note - 2025 Group Weighted Average Not Available at Date of Presentation)



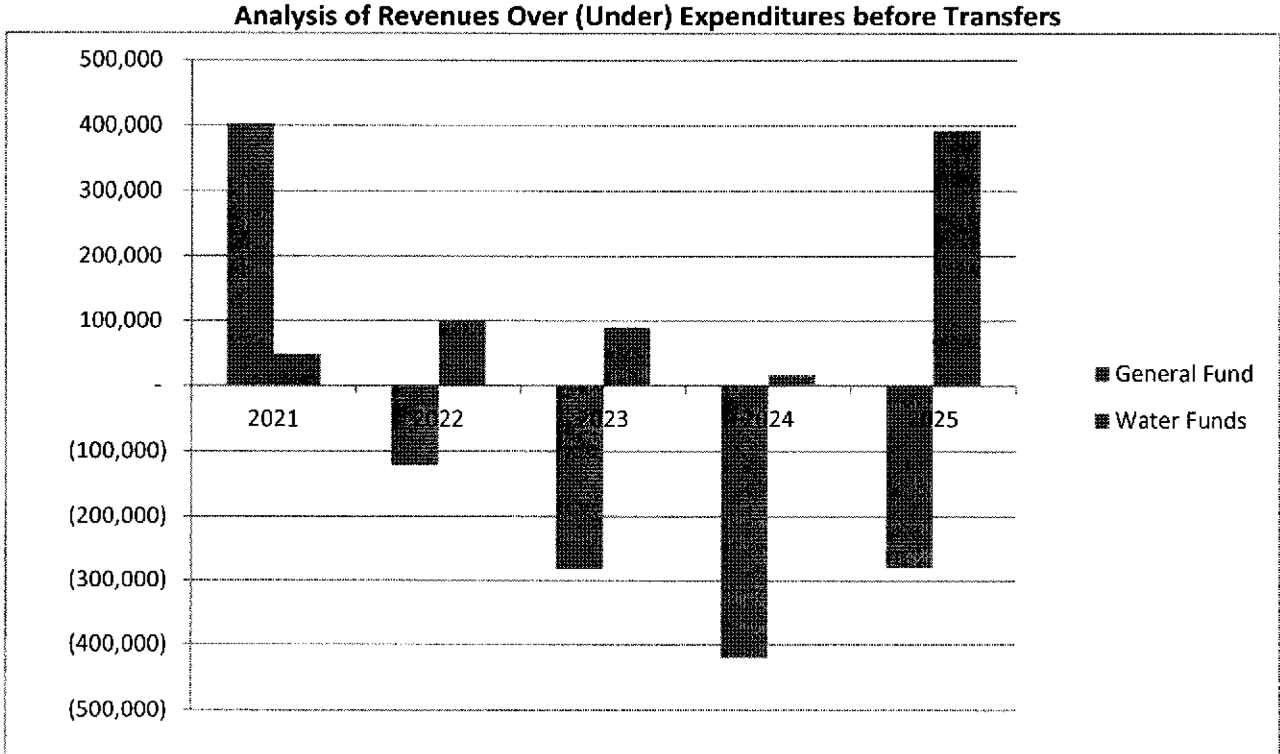
TOWN OF PINEBLUFF

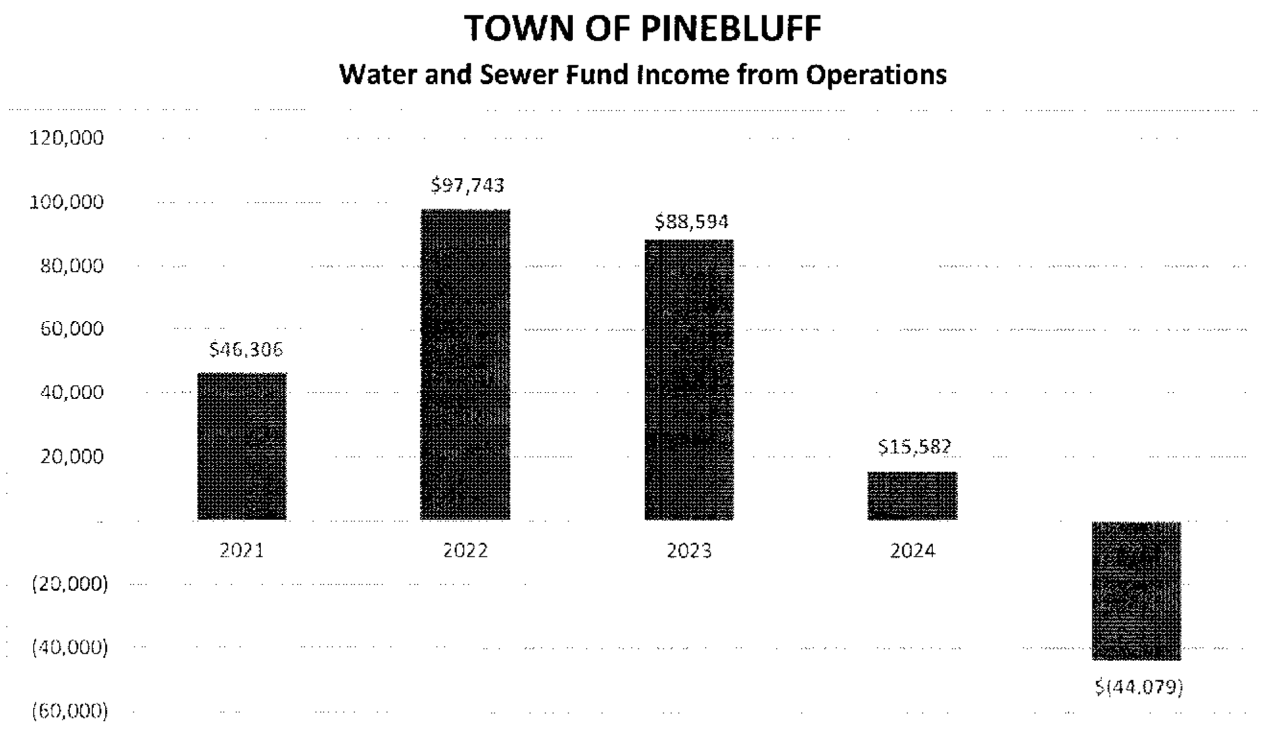
Analysis of Unassigned Fund Balance as a % of General Fund Expenditures



TOWN OF PINEBLUFF

Analysis of Revenues Over (Under) Expenditures before Transfers



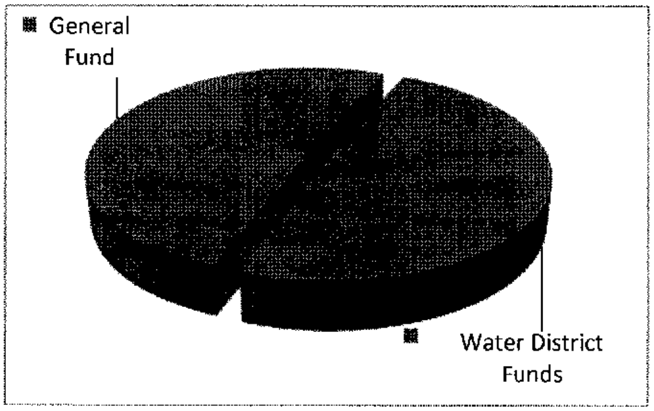


TOWN OF PINEBLUFF
Water and Sewer Fund Income from Operations
120,000
100,000
80,000
60,000
40,000
20,000
(20,000)
(40,000)
(60,000)
$46,306
$97,743
$88,594
$15,582
$(44,079)
2021
2022
2023
2024

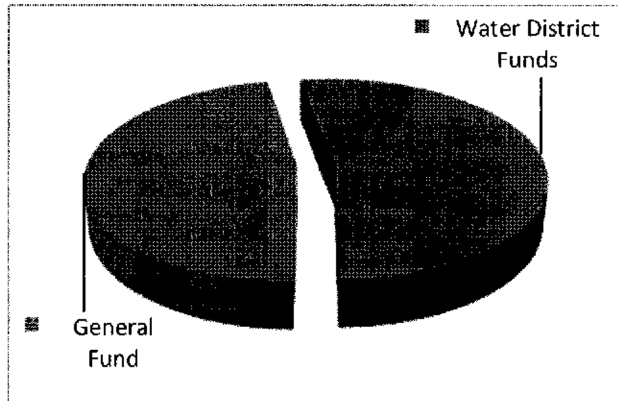
TOWN OF PINEBLUFF

Analysis of Cash and Fund Balances
at June 30, 2025

CASH BALANCES



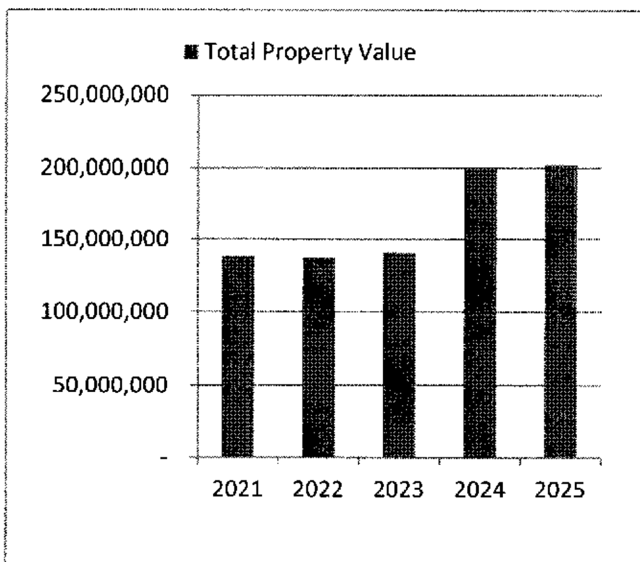
FUND BALANCES

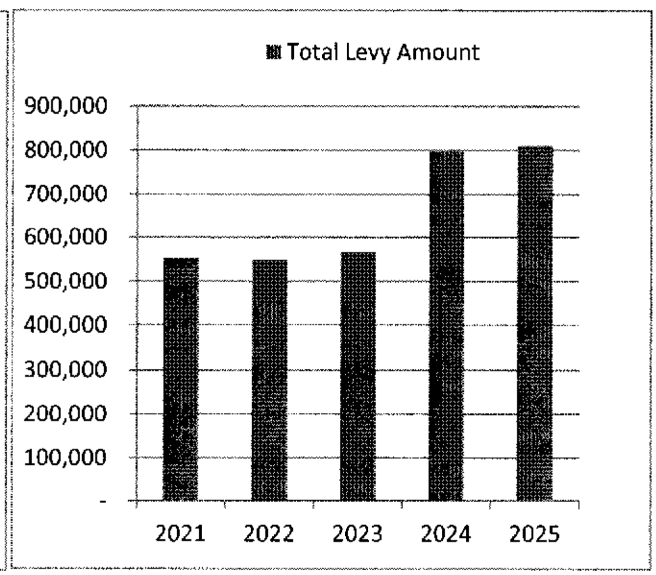


	2025	
	Cash Balances	Fund Balances
General Fund	$ 1,788,868	$ 1,979,204
Water District Funds	1,726,874	2,220,299
Total	$ 3,515,742	$ 4,199,503

TOWN OF PINEBLUFF

Property Valuation and Levy Amount

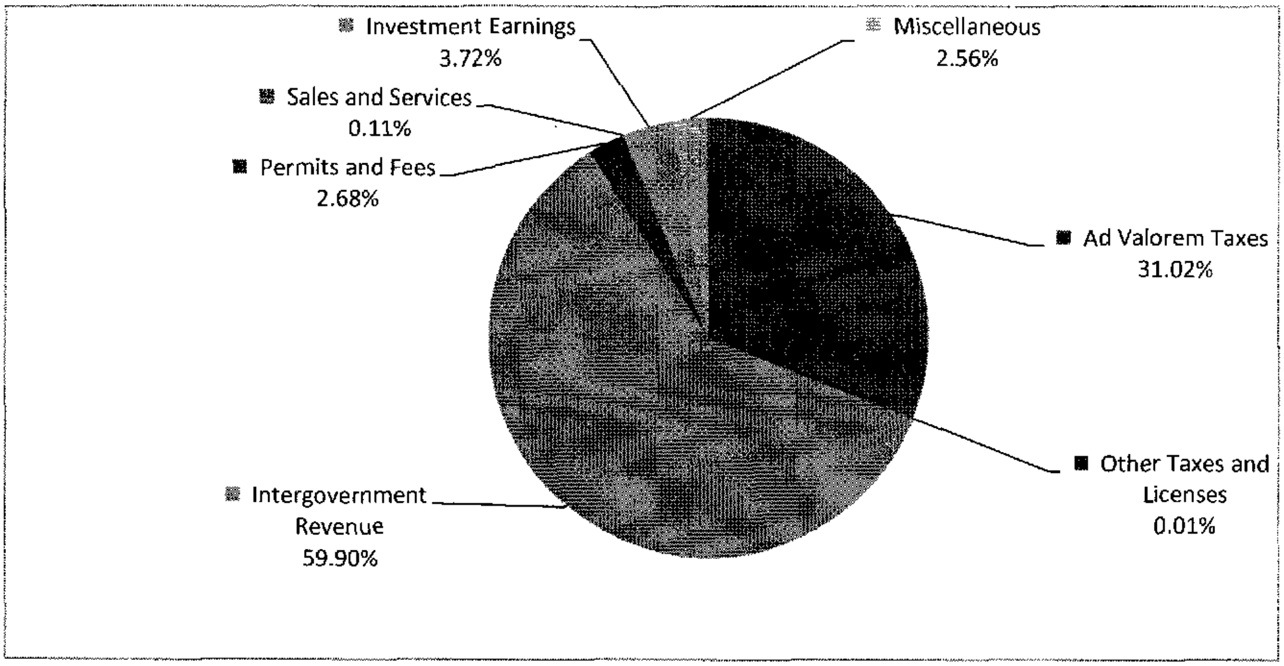




TOWN OF PINEBLUFF

Break Down of General Fund Revenue

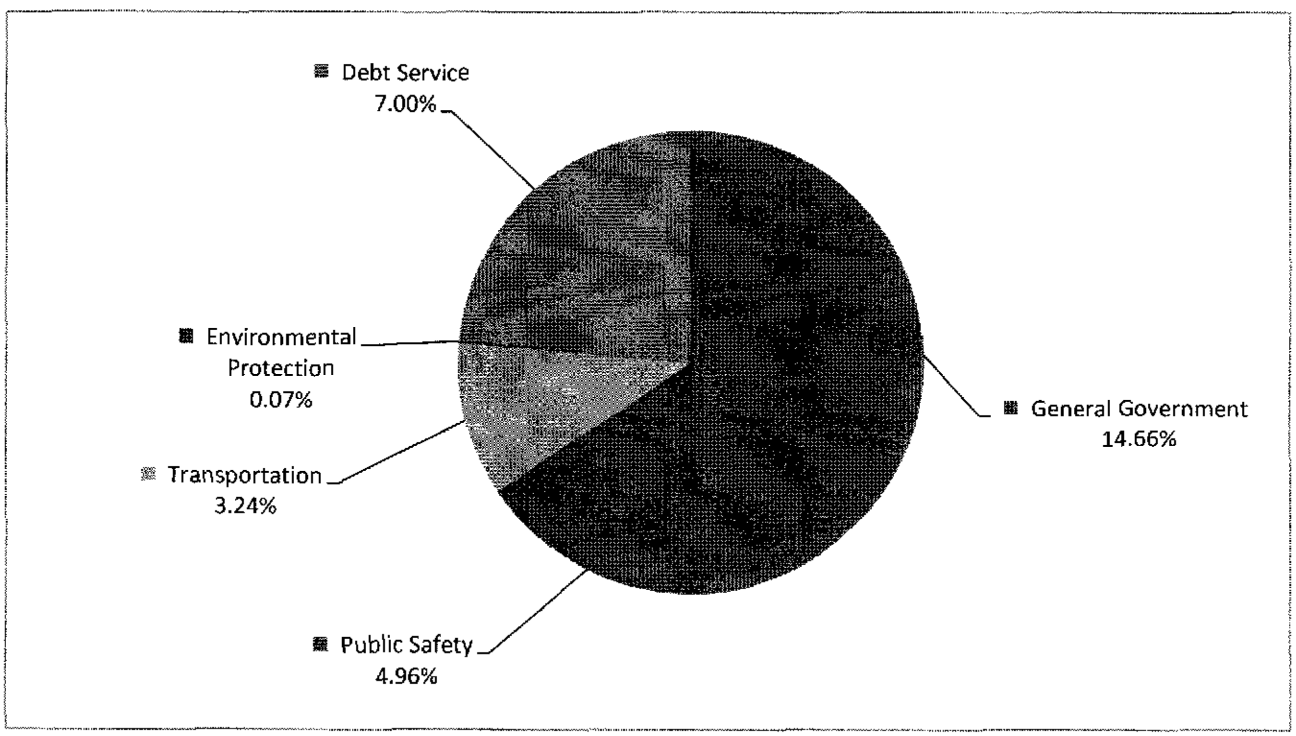
FYE June 30, 2025



TOWN OF PINEBLUFF

Break Down of General Fund Expenditures

FYE June 30, 2025



ADDITIONAL REQUIRED COMMUNICATIONS

Changes to the Audit Process

The Local Government Commission (LGC) will no longer initiate communications about concerns or findings (formerly considered unit letters). They have created a spreadsheet that has to be completed and submitted with the audit report. If that worksheet identifies what they consider a "Financial Performance Indicators of Concern" (FPICs), we are required to communicate those items to the Board.

You are required to submit a response within 60 days of the Board meeting in which the financial statements are presented. The detailed audit response should be presented to the entire Board, and signed by the entire Board, Finance Officer, and Manager.

The responses are required to be uploaded on the LGC's website. The following are the items that have to be addressed by responding directly to the LGC with a corrective action plan:

General Performance Indicator
The Unit had material weaknesses, significant deficiencies, statutory violations and /or items identified on the Data Input report that should be addressed in the FPIC Response Letter.

2025-001
Entries that should be part of the year-end close were overlooked in prior years, resulting in several adjustments to correct beginning balances. Additionally, the Town did not record any of the adjustments provided by the auditor in the prior year.

2025-002
In reviewing records and testing certain account balances, we noted that several accounts were not reconciled and adjusted timely to include cash, receivables, payables, and other balance sheet accounts.

2025-003
For the fiscal year ended June 30, 2025, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the administration department by $80,632. Additionally, the Water and Sewer Fund's expenditures exceeded the budget by $565,017.

2025-004
During our testing of various payroll processes, it was noted that timely payroll tax deposits were not remitted, resulting in notices and penalties for failure to file those deposits and reports timely.

2025-005
The Town did not have the required pre-audit certificate on the backup provided for testing.

2025-006
The Town's finance officer position did not carry the minimum required bond for the fiscal year ended June 30, 2025. For FY 24-25, the minimum required coverage would be $364,442. Effective July 26, 2024, the Town increased the coverage to $300,000, which was still less than the minimum requirement.