

**TOWN OF PITTSBORO  
NORTH CAROLINA**

Financial Statements and  
Supplementary Information

Year Ended June 30, 2020

Governing Board

James W. Nass, Mayor  
Pamela Baldwin  
J.A. (Jay) Farrell  
Michael A. Fiocco  
Kyle Shipp  
John Bonitz

Town Officials

Chris Kennedy, Town Manager  
Cassandra M. Bullock, Town Clerk  
Heather E.R. Meacham, Finance Officer

# TOWN OF PITTSBORO, NORTH CAROLINA

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## **FINANCIAL SECTION**

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# SHARPE PATEL PLLC

## Certified Public Accountants

### INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor  
and Members of the Board of Commissioners  
Town of Pittsboro  
Pittsboro, North Carolina

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Pittsboro, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Pittsboro's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statement of the Town of Pittsboro ABC Board, which represented 100 percent of the assets, net position and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Pittsboro ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The Town of Pittsboro ABC Board was not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Pittsboro as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 62, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 58 through 59, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 60 and 61 be presented to supplement the basic financial statements. Such information, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021 on our consideration of Town of Pittsboro'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 these reports 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Pittsboro's internal control over financial reporting and compliance.

*Sharpe Patel PLLC*

Raleigh, North Carolina  
January 25, 2021

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Town of Pittsboro  
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Pittsboro, we offer readers of the Town of Pittsboro's financial statements this narrative overview and analysis of the financial activities of the Town of Pittsboro for the fiscal year ended June 30, 2020. 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**

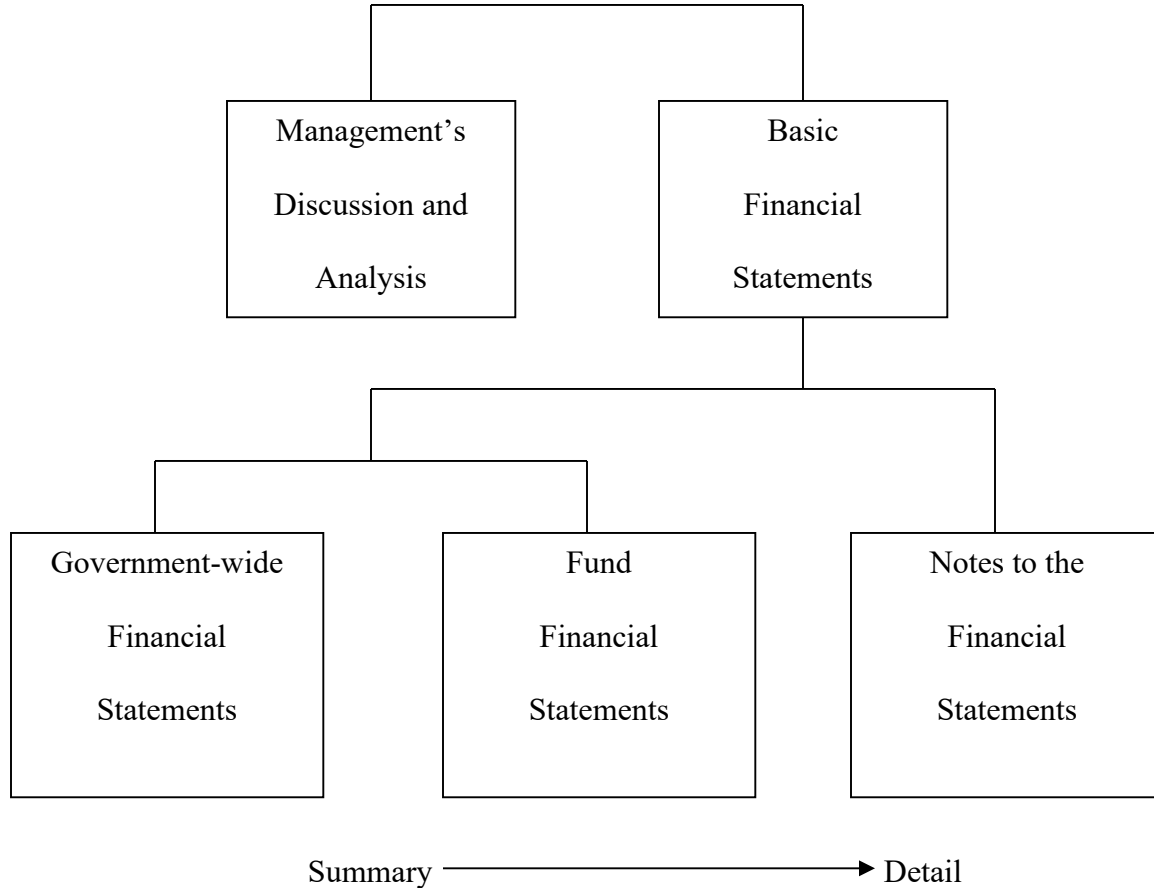
- The assets of the Town of Pittsboro exceeded its liabilities at the close of the fiscal year by \$23,713,885 (**net position**).
- The government's total net position *increased* by \$1,006,536 due to an *increase* in both *governmental* activities net position and *business-type* activities net position.
- As of the close of the current fiscal year, Pittsboro's governmental funds reported combined ending fund balances of \$5,304,240 an increase of \$250,861 in comparison with the prior year. Approximately 45% of this total amount, or \$2,393,431, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,834,984 or 34.6% of total General Fund – Fund Balance for the fiscal year.
- The Town of Pittsboro's total debt (net of compensated absences, net pension liability and other postemployment benefits) decreased by \$47,316 during the current fiscal year. The key factors in this decrease were regular loan payments.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Pittsboro's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town of Pittsboro through the use of government-wide financial 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 Pittsboro.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Required Components of Annual Financial Report  
Figure 1**



**Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town of Pittsboro's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town of Pittsboro'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**. 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 of Pittsboro's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Town of Pittsboro  
North Carolina

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town of Pittsboro'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 of Pittsboro's net position and how it has changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town of Pittsboro's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town of Pittsboro's basic services such as public safety, sanitation, street maintenance, recreation and parks, and general administration. Property taxes, sales taxes, charges for services, and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Pittsboro. The final category is the component unit. Although legally separate from the Town of Pittsboro, the Pittsboro ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits, if any, to the Town of Pittsboro.

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

### Fund Financial Statements

The fund financial statements (See figure 1) provide a more detailed look at the Town of Pittsboro'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 Pittsboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town of Pittsboro's budget ordinance. All of the funds of the Town of Pittsboro can be divided into two categories: governmental funds and proprietary 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 of Pittsboro's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Pittsboro 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, management of the Town and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period

Town of Pittsboro  
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

activities. The budgetary statements provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town of Pittsboro succeeded in providing the services a 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 statements shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** – The Town of Pittsboro has one kind of proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Pittsboro uses an Enterprise Fund to account for its water and sewer activities. The fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

**Government-Wide Financial Analysis  
The Town of Pittsboro's Net Position  
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 7,607,708	\$ 5,817,761	\$ 4,964,124	\$ 3,965,409	\$ 12,571,832	\$ 9,783,170
Capital assets	5,657,380	5,086,071	12,006,362	12,517,246	17,663,742	17,603,317
Deferred outflows of resources	443,811	438,424	271,730	263,825	715,541	702,249
 Total assets and deferred outflow of resources	 13,708,899	 11,342,256	 17,242,216	 16,746,480	 30,951,115	 28,088,736
 Long-term liabilities outstanding	 2,170,574	 1,960,756	 2,256,224	 2,092,819	 4,426,798	 4,053,575
Other liabilities	1,817,434	317,057	384,359	420,372	2,201,793	737,429
Deferred inflows of resources	576,014	554,567	32,625	35,816	608,639	590,383
 Total liabilities and deferred outflow of resources	 4,564,022	 2,832,380	 2,673,208	 2,549,007	 7,237,230	 5,381,387
 Net position						
Net investment in capital assets	5,372,889	4,837,458	10,611,968	11,039,657	15,984,857	15,877,115
Restricted	2,407,856	799,643	579,109	577,688	2,986,965	1,377,331
Unrestricted	1,364,132	2,872,775	3,377,931	2,580,128	4,742,063	5,452,903
 Total net position	 \$9,144,877	 \$8,509,876	 \$14,569,008	 \$14,197,473	 \$23,713,885	 \$22,707,349

Town of Pittsboro  
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Pittsboro exceeded liabilities and deferred inflows by \$23,713,885 as of June 30, 2020. The Town's net position *increased* by \$1,006,536 for the fiscal year ended June 30, 2020. However, the largest portion, \$15,984,857 (67.4%), reflects the Town's investment in capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pittsboro's investment in its 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 Pittsboro's net position, \$2,986,965 (12.6%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,742,063 (20%) is unrestricted. With the GASB Statement 73 reporting change, the Town has allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Pittsboro's management.

The Town of Pittsboro's financial operations positively influenced the total unrestricted governmental net position by:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.62% for the year ending June 30, 2020.
- Conservative spending habits within departments.

Town of Pittsboro  
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Town of Pittsboro's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 851,940	\$ 577,054	\$ 4,358,386	\$ 2,967,508	\$ 5,210,326	\$ 3,544,562
Operating grants and contributions	376,560	350,016	-	-	376,560	350,016
Capital grants and contributions	23,000	22,885	-	-	23,000	22,885
General revenues						
Property taxes	2,461,923	2,445,560	-	-	2,461,923	2,445,560
Other taxes	1,661,264	1,605,616	-	-	1,661,264	1,605,616
Grants and contributions not restricted to specific programs	277,787	130,477	-	-	277,787	130,477
Other	111,709	12,242	84,139	46,856	195,848	59,098
Total revenues	<u>5,764,183</u>	<u>5,143,850</u>	<u>4,442,525</u>	<u>3,014,364</u>	<u>10,206,708</u>	<u>8,158,214</u>
<b>Expenses</b>						
General government	1,405,113	1,284,269	-	-	1,405,113	1,284,269
Public safety	2,152,880	1,936,369	-	-	2,152,880	1,936,369
Transportation	715,797	506,802	-	-	715,797	506,802
Economic & physical development	261,010	245,438	-	-	261,010	245,438
Environmental protection	466,010	415,108	-	-	466,010	415,108
Culture and recreation	195,411	259,692	-	-	195,411	259,692
Main street/downtown	105,231	61,759	-	-	105,231	61,759
Interest on long-term debt	3,860	3,422	-	-	3,860	3,422
Water and sewer	-	-	3,894,860	3,276,307	3,894,860	3,276,307
Total expenses	<u>5,305,312</u>	<u>4,712,859</u>	<u>3,894,860</u>	<u>3,276,307</u>	<u>9,200,172</u>	<u>7,989,166</u>
Increase in net position before transfers	458,871	430,991	547,665	(261,943)	1,006,536	169,048
Transfers	176,130	-	(176,130)	-	-	-
Increase in net position	635,001	430,991	371,535	(261,943)	1,006,536	169,048
Net position, beginning	<u>8,509,876</u>	<u>8,078,885</u>	<u>14,197,473</u>	<u>14,459,416</u>	<u>22,707,349</u>	<u>22,538,301</u>
Net position, June 30	<u>\$9,144,877</u>	<u>\$8,509,876</u>	<u>\$14,569,008</u>	<u>\$14,197,473</u>	<u>\$23,713,885</u>	<u>\$22,707,349</u>

Town of Pittsboro  
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Governmental Activities** – Governmental activities increased the Town's net position by \$635,001.

**Business-type Activities** – Business-type activities increased the Town's net position by \$371,535.

**Financial Analysis of the Town of Pittsboro's Funds**

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

**Governmental Funds** – The focus of the Town of Pittsboro's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Pittsboro. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,834,984 while total fund balance reached \$4,265,752. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 34.6% of total General Fund expenditures.

At June 30, 2020, the governmental funds of the Town of Pittsboro reported a combined fund balance of \$5,304,240, a \$250,861 increase over last year. Included in this change in fund balance is an increase in fund balance in the Non-Major Funds and a decrease in fund balance in the General Fund.

**General Fund Budgetary Highlights** – During the fiscal year, the Town of Pittsboro 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 of Pittsboro'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 \$3,377,931. The total net position for the fund increased by \$371,535. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Pittsboro's business-type activities.

**Capital Assets and Debt Administration**

**Capital Assets** – The Town of Pittsboro's investment in capital assets for its governmental and business type activities as of June 30, 2020 totals \$17,663,742 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

Town of Pittsboro  
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**The Town of Pittsboro's Capital Assets  
Figure 4**

**(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,461,830	\$ 1,461,830	\$ 10,200	\$ 10,200	\$ 1,472,030	\$ 1,472,030
Buildings and systems	222,878	232,439	27,163	31,522	250,041	263,961
Improvements other than building		-	10,193,029	10,734,029	10,193,029	10,734,029
Furniture and equipment	365,462	419,301	262,531	308,675	627,993	727,976
Infrastructure	1,911,757	2,084,484	-	-	1,911,757	2,084,484
Vehicles and motorized equipment	388,322	366,802	42,498	-	430,820	366,802
Construction in progress	1,307,131	521,216	1,470,941	1,432,820	2,778,072	1,954,036
<b>Total</b>	<b>\$ 5,657,380</b>	<b>\$ 5,086,071</b>	<b>\$ 12,006,362</b>	<b>\$ 12,517,246</b>	<b>\$ 17,663,742</b>	<b>\$ 17,603,318</b>



Town of Pittsboro  
North Carolina

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Additional information on the Town of Pittsboro’s capital assets can be found in the Notes to the Financial Statements, Section II-A-3 (pages 36-37), of the Basic Financial Statements.

**Long-term Debt** – As of June 30, 2020, the Town of Pittsboro had total debt outstanding of \$4,626,927. This entire amount of debt is backed by the full faith and credit of the Town of Pittsboro.

**The Town of Pittsboro’s Outstanding Debt**  
**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ -	\$ -	\$ 293,000	\$ 309,000	\$ 293,000	\$ 309,000
Notes Payable	284,492	248,613	1,101,394	1,168,589	1,385,886	1,417,202
Compensated absences	89,467	117,134	63,925	52,075	153,392	169,209
OPEB	765,229	718,933	502,883	370,360	1,268,112	1,089,293
Pension related debt	1,109,808	1,005,192	416,729	329,993	1,526,537	1,335,185
	<u>\$2,248,996</u>	<u>\$ 2,089,872</u>	<u>\$ 2,377,931</u>	<u>\$ 2,230,017</u>	<u>\$ 4,626,927</u>	<u>\$ 4,319,889</u>

The Town of Pittsboro’s total debt increased by \$307,038 (7.11%) during the past fiscal year primarily as a result of increased liability related to Other Postemployment Benefits Plan (OPEB) and pension related debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Pittsboro is \$44,270,597. The Town has no bonds authorized at June 30, 2020.

Additional information regarding the Town’s long-term debt can be found in the Notes to the Financial Statements, Section II-6 (pages 51-54), of this report.

**Economic Factors and Next Year’s Budgets and Rates**

The Town of Pittsboro continued to experience positive economic growth in Fiscal Year 2019-2020 despite the onset of the SARS-CoV-2, better known as COVID-19, pandemic in early- to mid-2020. Notwithstanding the positive slope on our economic growth, the growth was limited and below our expected pre-pandemic projections. The COVID-19 pandemic shuttered businesses, schools closed in favor of online remote learning, jobs were lost, and tourist travel was restricted to a level of non-existence in an attempt to quell the spread of the virus. While many communities in North Carolina experienced significant negative impacts of COVID-19, those with concentrations of businesses most affected in the shutdowns like bars, large-scale office space, movie theaters and the like, Pittsboro saw lesser overall negative impacts despite indisputable local instances of the worst effects of COVID-19 seen also across the State and country.

Town of Pittsboro  
North Carolina

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Pittsboro experienced lesser macro-level negative impacts as many of our emerging and growth-indicating markets continued to be classified as “essential” businesses; the primary one being real estate development. However, our downtown businesses, many of which are small retail shops and local restaurateurs, will continue to battle the effects for years to come as they attempt to remain open for business. Pandemic-related fiscal prognostication, especially on the sales tax revenue side, pushed most municipalities to reduce their expected revenues to fractions of the original projections as travel and in-person shopping was halted. The Town also implemented policy waiving all late fees and disconnections on the enterprise fund side of the operation in direct response to the pandemic, recognizing many residents were without a job and without a clear idea of when the next paycheck would come. These necessary waivers generated more accounts in arrears that directly correlate to fund balance in our retained earnings. Pittsboro fared better than expected and better than many other communities, again being largely insulated by virtue of fewer concentrations of prohibited businesses during the pandemic. However, while we are thankful for not being among the worst affected and are optimistic about our future and our response to COVID-19, our revenue projections remain tempered as we analyze more data and how long-term revenues react to a prolonged global health pandemic.

Construction and planning of new residential and commercial projects began in earnest and look to continue beyond FY 2019-2020. Chatham Park, Mosaic and Northwood Landing continue to bring excitement to the Town. Smaller infill and reuse projects also continued throughout Town. However, development projects are slowed until the Town gains the necessary State approvals and completes construction on the expansion of the Town’s wastewater treatment system. The Town anticipates wastewater capacity-increasing projects to come to fruition in the year to come, allowing for a more exponential positive slope in our economic growth.

The Town of Pittsboro does not directly issue building permits, but does issue Zoning Compliance Permits. The tracking of these permit issuances depicts the uptick in development over the last few years and the increase in permits issued is a reliable growth indicator. If not for the COVID-19 pandemic hitting its hardest at the outset of quarter 4 in FY 2019-20, we would expect the 2020 number of Zoning Compliance Permits issued to be closer to 175 or better.

Year*	Zoning Compliance Permits Issued
2017	106
2018	127
2019	128
2020	151

\*July 1 – June 30 fiscal year data

As we look ahead to FY 2020-21 and beyond, the effects of the COVID-19 pandemic and minimal wastewater treatment capacity availability persist. Revenue projections will continue to be tempered and both new capital and continuation budgets will be affected by COVID-19 and overall growth slowed by a lack of wastewater capacity. It is unknown when the clinches of the pandemic will subside, and an additional effect of the pandemic is its impact on supply chains. Compounded with an existing market shortage on contractors and subcontractors like surveyors, electricians and other necessary trades, the pandemic has significantly affected supply chains creating material shortages for piping, lumber and the like further escalating the costs of maintenance and new projects. Many pass-through costs or costs for contracted services are expected to surge beyond previous and typical annual price increases. Public and private projects are equally affected. The Town will need to assess our fee schedules and structures to ensure that maintenance can continue

Town of Pittsboro  
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

as necessary and new project costs are predicted appropriately within the current market and bidding conditions.

**Budget Highlights for the Year Ending June 30, 2021**

**Governmental Activities** –An ad valorem tax rate of \$0.4333 per \$100.00 assessed value was recommended and adopted in the base budget for the official tax rate for the Town of Pittsboro for fiscal year 2020-2021. This rate is based on the most recent valuation and uses and anticipated collection rate of 96% which is 2% decrease from prior years based on the current economic environment.

Ad valorem taxes (\$2,436,661) account for 45% of the total General Fund revenue. Other major revenue streams for the Town include sales taxes, tipping fees and utility franchise taxes. These revenues are projected to bring in \$961,200 (17.8%), \$480,000 (8.9%) and \$160,800 (3%) respectively. These four revenues account for 74.7% of the total General Fund revenues.

The fiscal year 2020-2021 original General Fund budget of \$5,412,721 is a 4.3% increase over the fiscal year 2019-2020 original budget.

**Enterprise Activities**

Operating revenues in the Enterprise Fund are generated primarily through the sale of water and sewer utilities. It is anticipated that \$2,952,159 will be generated in fiscal year 2020-2021. This represents 73.9% of the revenues in the Enterprise Fund. Other revenues include reuse water charges - \$55,080 (1.4%), penalties and late fees - \$35,000 (0.9%).

At \$3,993,447 the fiscal year 2020-2021 original Enterprise Fund Budget is 19.5% more than the fiscal year 2019-2020 original budget.

**Requests for Information**

This report is designed to provide an overview of the Town of Pittsboro'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 Manager or Finance Officer.

Town of Pittsboro  
P.O. Box 759  
Pittsboro, North Carolina 27312  
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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF PITTSBORO, NORTH CAROLINA**

**Exhibit 1**

**Statement of Net Position**

**June 30, 2020**

	Primary Government			Town of Pittsboro ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 5,176,940	\$ 4,347,966	\$ 9,524,906	\$ 683,872
Taxes receivables (net)	97,656	-	97,656	-
Accrued interest receivable on taxes	-	-	-	-
Accounts receivable	18,219	368,049	386,268	-
Due from other governments	350,653	58,419	409,072	-
Due from component unit	228,042	-	228,042	-
Inventories	-	-	-	154,698
Prepaid items	22,912	13,966	36,878	3,655
Restricted cash	1,713,286	175,724	1,889,010	-
Total current assets	7,607,708	4,964,124	12,571,832	842,225
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements and construction in progress	2,768,961	1,481,141	4,250,102	6,750
Other capital assets, net of depreciation	2,888,419	10,525,221	13,413,640	69,655
Total capital assets	5,657,380	12,006,362	17,663,742	76,405
Total assets	13,265,088	16,970,486	30,235,574	918,630
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	443,811	271,730	715,541	-
Total deferred outflows of resources	443,811	271,730	715,541	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	236,723	135,795	372,518	315,719
Accrued interest payable	-	5,134	5,134	-
Customer deposits	1,502,287	121,724	1,624,011	-
Current portion of long-term liabilities	78,424	121,706	200,130	-
Total current liabilities	1,817,434	384,359	2,201,793	315,719
Long-term liabilities:				
Net pension liability	634,130	416,729	1,050,859	-
Total pension liability	475,678	-	475,678	-
Due in more than one year	1,060,766	1,839,495	2,900,261	-
Total liabilities	3,988,008	2,640,583	6,628,591	315,719
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	16,802	-	16,802	-
Deferred rent	450,000	-	450,000	-
OPEB deferrals	38,966	25,607	64,573	-
Pension deferrals	70,246	7,018	77,264	-
Total deferred inflows of resources	576,014	32,625	608,639	-
<b>NET POSITION</b>				
Net investment in capital assets	5,372,889	10,611,968	15,984,857	76,405
Restricted for:				
Stabilization by State Statue	694,570	-	694,570	-
Other functions	1,713,286	579,109	2,292,395	518,542
Unrestricted	1,364,132	3,377,931	4,742,063	7,964
Total net position	\$ 9,144,877	\$ 14,569,008	\$ 23,713,885	\$ 602,911

The accompanying notes to the financial statements are an integral part of these statements.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Statement of Activities**  
**For the year ended June 30, 2020**

**Exhibit 2**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Town of Pittsboro ABC Board
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,405,113	\$ 397,809	\$ 74,362	\$ -	\$ (932,942)	\$ -	\$ (932,942)	\$ -
Public safety	2,152,880	783	9,913	-	(2,142,184)	-	(2,142,184)	-
Transportation	715,797	-	128,744	-	(587,053)	-	(587,053)	-
Economic and physical development	261,010	-	163,541	-	-	-	-	-
Environmental protection	466,010	445,188	-	-	(97,469)	-	(97,469)	-
Cultural and recreation	195,411	8,160	-	23,000	(20,822)	-	(20,822)	-
Main street/downtown	105,231	-	-	-	(164,251)	-	(164,251)	-
Interest on long-term debt	3,860	-	-	-	(105,231)	-	(105,231)	-
Total governmental activities	5,305,312	851,940	376,560	23,000	(3,860)	-	(3,860)	-
Business-type activities:								
Water and sewer	3,894,860	4,358,386	-	-	(4,053,812)	463,526	463,526	-
Total primary government	\$ 9,200,172	\$ 5,210,326	\$ 376,560	\$ 23,000	(4,053,812)	463,526	(3,590,286)	-
Component unit								
ABC Board	\$ 1,102,536	\$ 1,313,963	\$ -	\$ -				252,993
General revenues:								
Taxes:								
Property taxes, levied for general purpose					2,461,923	-	2,461,923	-
Other taxes					1,661,264	-	1,661,264	-
Grants and contributions not restricted to specific programs					277,787	-	277,787	-
Unrestricted investment earnings					14,629	10,132	24,761	274
Miscellaneous					97,080	74,007	171,087	104
Transfers					176,130	(176,130)	-	(301,578)
Total general revenues and transfers					4,688,813	(91,991)	4,596,822	(301,200)
Change in net position					635,001	371,535	1,006,536	(48,207)
Net position, beginning					8,509,876	14,197,473	22,707,349	651,118
Net position, ending					\$ 9,144,877	\$ 14,569,008	\$ 23,713,885	\$ 602,911

The accompanying notes to the financial statements are an integral part of these statements.

## TOWN OF PITTSBORO, NORTH CAROLINA

Exhibit 3

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	<u>Major Fund</u>		<u>Total</u>
	<u>General</u>	<u>Total Non-</u>	<u>Governmental</u>
		<u>Major Funds</u>	<u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,059,630	\$ 1,117,310	\$ 5,176,940
Restricted cash	1,713,286	-	1,713,286
Taxes receivable - net	97,656	-	97,656
Accounts receivable	18,219	-	18,219
Due from other governments	350,653	-	350,653
Prepaid items	22,912	-	22,912
Due from component unit	228,042	-	228,042
Total assets	<u>\$ 6,490,398</u>	<u>\$ 1,117,310</u>	<u>\$ 7,607,708</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 157,901	\$ 78,822	\$ 236,723
Deposit	1,502,287	-	1,502,287
Total liabilities	<u>1,660,188</u>	<u>78,822</u>	<u>1,739,010</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes, licenses and fees	16,802	-	16,802
Prepaid rent	450,000	-	450,000
Taxes receivable	97,656	-	97,656
Total deferred inflows of resources	<u>564,458</u>	<u>-</u>	<u>564,458</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	22,912	-	22,912
Restricted:			
Stabilization by State Statute	694,570	-	694,570
Streets	31,555	-	31,555
Public Safety	165,019	-	165,019
General Government	1,502,287	-	1,502,287
Assigned:			
Subsequent year's expenditures	14,425	-	14,425
Capital Projects Funds	-	1,038,488	1,038,488
Unassigned	1,834,984	-	1,834,984
Total fund balances	<u>4,265,752</u>	<u>1,038,488</u>	<u>5,304,240</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,490,398</u>	<u>\$ 1,117,310</u>	<u>\$ 7,607,708</u>

The accompanying notes to the financial statements are an integral part of these statements.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Reconciliation of the Balance Sheet - Governmental Funds to the**  
**Statement of Net Position**  
**June 30, 2020**

**Exhibit 3**

Amounts reported for governmental activities in the Statement of Net Position (exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$ 5,304,240
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	\$ 9,379,523
Accumulated depreciation	<u>(3,722,143)</u> 5,657,380
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	443,811
Earned revenues considered deferred inflows of resources in fund statements.	97,656
Deferred inflows of resources related to OPEB are not reported in the funds	(38,966)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).	(373,961)
Pension related deferrals	(70,246)
Net pension liability	(634,130)
Total pension liability	(475,678)
OPEB liability	<u>(765,229)</u>
Net position of governmental activities	<u><u>\$ 9,144,877</u></u>

The accompanying notes to the financial statements are an integral part of these statements



**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

**Exhibit 4**

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Total Non-</u>	<u>Governmental</u>
		<u>Major Funds</u>	<u>Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 2,474,699	\$ -	\$ 2,474,699
Other taxes and licenses	1,661,265	-	1,661,265
Unrestricted intergovernmental	277,787	-	277,787
Restricted intergovernmental	399,560	-	399,560
Permits and fees	93,854	-	93,854
Sales and services	758,087	-	758,087
Investment earnings	14,610	19	14,629
Miscellaneous	97,076	-	97,076
Total revenues	<u>5,776,938</u>	<u>19</u>	<u>5,776,957</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,050,347	-	1,050,347
Public safety	2,067,320	-	2,067,320
Transportation	853,030	35,932	888,962
Economic and physical development	265,009	749,983	1,014,992
Environmental protection	466,010	-	466,010
Cultural and recreational	141,388	-	141,388
Main street/downtown	105,231	-	105,231
Debt service:			
Principal	126,672	-	126,672
Interest	6,304	-	6,304
Total expenditures	<u>5,081,311</u>	<u>785,915</u>	<u>5,867,226</u>
Excess (deficiency) of revenues over expenditures	<u>695,627</u>	<u>(785,896)</u>	<u>(90,269)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds	47,792	224,748	272,540
Transfer to other funds	(96,410)	-	(96,410)
Proceeds from loan	165,000	-	165,000
Total other financing sources (uses)	<u>116,382</u>	<u>224,748</u>	<u>341,130</u>
Net change in fund balance	812,009	(561,148)	250,861
Fund balances, beginning	<u>3,453,743</u>	<u>1,599,636</u>	<u>5,053,379</u>
Fund balances, ending	<u><u>\$ 4,265,752</u></u>	<u><u>\$ 1,038,488</u></u>	<u><u>\$ 5,304,240</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2020**

**Exhibit 4**

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

Net changes in fund balances- total governmental funds	\$	250,861
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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	943,912		
Depreciation expense for governmental assets	<u>(372,604)</u>		571,308

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			141,294
--	--	--	---------

OPEB benefit payments and administrative costs made in the current

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

New long-term debt issues	(165,000)		
Principal payments on long-term debt	<u>129,116</u>		(35,884)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues			(12,776)
--	--	--	----------

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	27,667		
Pension expense	(296,238)		
OPEB plan expense	<u>(11,231)</u>		<u>(279,802)</u>

Total changes in net position of governmental activities	\$	<u><u>635,001</u></u>
--	----	-----------------------

The accompanying notes to the financial statements are an integral part of these statements.

**TOWN OF PITTSBORO, NORTH CAROLINA**

**Exhibit 5**

**General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2020**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 2,444,300	\$ 2,444,300	\$ 2,474,699	\$ 30,399
Other taxes and licenses	1,265,050	1,265,050	1,661,265	396,215
Unrestricted intergovernmental	120,000	130,000	277,787	147,787
Restricted intergovernmental	330,010	371,659	399,560	27,901
Permits and fees	109,575	109,575	93,854	(15,721)
Sales and services	574,350	574,350	758,087	183,737
Investment earnings	2,500	2,500	14,610	12,110
Miscellaneous	70,000	70,000	97,076	27,076
Total revenues	4,915,785	4,967,434	5,776,938	809,504
Expenditures:				
Current:				
General government	1,064,681	1,166,151	1,050,347	115,804
Public safety	2,112,466	2,162,466	2,067,320	95,146
Transportation	767,453	876,453	853,030	23,423
Economic and physical development	300,804	300,804	265,009	35,795
Environmental protection	416,000	466,500	466,010	490
Cultural and recreational	306,227	308,875	141,388	167,487
Main street/downtown	86,131	105,231	105,231	-
Debt Service:				
Principal	126,672	126,673	126,672	1
Interest	6,304	6,304	6,304	-
Total expenditures	5,186,738	5,519,457	5,081,311	438,146
Revenues over (under) expenditures	(270,953)	(552,023)	695,627	1,247,650
Other financing sources (uses):				
Transfers from other funds	-	-	47,792	47,792
Transfers to other funds	-	(96,410)	(96,410)	-
Proceeds from loan	165,000	165,000	165,000	-
Fund balance appropriated	105,953	483,433	-	(483,433)
Total other financing sources (uses)	270,953	552,023	116,382	(435,641)
Net change in fund balance	\$ -	\$ -	812,009	\$ 812,009
Fund balance, beginning			3,453,743	
Fund balance, ending			\$ 4,265,752	

The accompanying notes to the financial statements are an integral part of these statements.

**TOWN OF PITTSBORO, NORTH CAROLINA**

**Exhibit 6**

**Statement of Net Position**

**Proprietary Fund**

**June 30, 2020**

	<b>Major Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 4,347,966
Accounts receivable (net) - billed	311,232
Accounts receivable (net) - unbilled	56,817
Due from other governments	58,419
Prepaid items	13,966
Restricted cash and cash equivalents	175,724
Total current assets	<u>4,964,124</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	1,481,141
Other capital assets, net of depreciation	10,525,221
Total capital assets	<u>12,006,362</u>
Total noncurrent assets	<u>12,006,362</u>
Total assets	<u><u>\$ 16,970,486</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Contributions to pension plan in current fiscal year	<u>271,730</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 135,795
Accrued bond interest	5,134
Customer deposits	121,724
Current portion of long-term debt	121,706
Total current liabilities	<u>384,359</u>
Noncurrent liabilities:	
Accrued vacation	63,924
Total OPEB liability	502,883
Net pension liability	416,729
Non-current portion of long-term debt	1,272,688
Total noncurrent liabilities	<u>2,256,224</u>
Total liabilities	<u>2,640,583</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB deferrals	25,607
Pension deferrals	7,018
Total deferred inflows of resources	<u>32,625</u>
<b>NET POSITION</b>	
Net investment in capital assets	10,611,968
Restricted for capital projects	579,109
Unrestricted	3,377,931
Total net position	<u><u>\$ 14,569,008</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2020**

**Exhibit 7**

	<u><b>Major Enterprise Fund</b></u> <u><b>Water and Sewer Fund</b></u>
<b>OPERATING REVENUES</b>	
Water sales	\$ 1,657,936
Sewer charges	1,350,872
Reuse water charges	55,080
Reconnection fees and penalties	43,778
Miscellaneous	74,007
Total operating revenues	<u>3,181,673</u>
<b>OPERATING EXPENSES</b>	
Administrative	940,527
Water operations	1,098,879
Sewer treatment	611,476
Public utilities	625,073
Depreciation	599,004
Total operating expenses	<u>3,874,959</u>
Operating income (loss)	<u>(693,286)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	10,132
Interest and other charges	(19,901)
Water and sewer access charges	1,250,720
Total nonoperating revenues (expenses)	<u>1,240,951</u>
<b>Income (loss) before contributions and transfers</b>	547,665
Transfer from other funds	48,500
Transfer to other funds	<u>(224,630)</u>
<b>Change in net position</b>	371,535
<b>Total net position, beginning</b>	14,197,473
<b>Total net position, ending</b>	<u><u>\$ 14,569,008</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

**TOWN OF PITTSBORO, NORTH CAROLINA**

**Exhibit 8**

**Statement of Cash Flows**

**Proprietary Fund**

**For the Year Ended June 30, 2020**

	<u><b>Major Enterprise Fund</b></u>
	<u><b>Water and Sewer Fund</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 3,080,239
Cash paid for goods and services	(1,980,986)
Cash paid to or on behalf of employees for services	(1,127,262)
Customer deposits received	17,818
Other operating revenues	74,007
Net cash provided (used) by operating activities	<u>63,816</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contribution - access fees	1,250,720
Proceeds received from bonds/loan	54,005
Principal paid on bonds/loans	(137,200)
Interest paid on bonds/loans	(19,901)
Net transfers	(176,130)
Acquisition and construction of capital assets	(88,120)
Net cash provided (used) by capital and related financing activities	<u>883,374</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>10,132</u>
Net increase (decrease) in cash and cash equivalents	957,322
Balances, beginning	<u>3,566,368</u>
Balances, ending	<u><u>\$ 4,523,690</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	<u>\$ (693,286)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	599,004
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(25,316)
Decrease (increase) in due from other governments	(2,111)
Increase (decrease) in accounts payable and accrued liabilities	(38,339)
Decrease (increase) in prepaid items	(13,966)
Increase (decrease) in net pension liability	86,736
Increase (decrease) in customer deposits	17,818
Increase (decrease) in accrued vacation	11,849
(Increase) decrease in deferred outflows of resources for pensions	(7,905)
Increase (decrease) in deferred inflows of resources for pensions	(5,146)
Increase (decrease) in deferred inflows of resources - OPEB	1,955
Increase (decrease) in OPEB liability	132,523
Total adjustments	<u>757,102</u>
Net cash provided by operating activities	<u><u>\$ 63,816</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

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## **NOTES TO THE FINANCIAL STATEMENTS**

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**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Pittsboro (“the Town”) and its discretely presented component unit, the Town of Pittsboro ABC Board, 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 Pittsboro is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town’s financial statements in order to emphasize that it is legally separate from the Town.

**Town of Pittsboro ABC Board**

The members of the ABC Board’s governing board are appointed by the Town. In addition, the ABC Board is required by State Statute to distribute its surpluses, if any, to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at the Town of Pittsboro ABC Board, P.O. Box 642, Pittsboro, North Carolina 27312.

**B. Basis of Presentation**

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Town’s funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.



**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**I. Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

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 fund:

**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 and various other taxes and licenses. The primary expenditures are for public safety, streets, sanitation, parks and recreation and general government services.

The Town reports the following non-major governmental fund:

**Capital Projects Funds.** The Capital Projects Funds were established to account for funds that are restricted for use for a particular purpose, mainly the acquisition of equipment, construction of special projects and renovations of the Town's capital assets. The projects include the Capital Projects Fund and the Town Hall Project.

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 and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**I. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable for the fiscal year in which they are received. Uncollected taxes that were billed during this period 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 utilities franchise 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 Pittsboro because the tax is levied by Chatham 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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**I. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Appropriations are made at the departmental level and are amended as necessary by the governing board. The manager may make interdepartmental transfers (limited to 10% of the department's budget) without Board approval. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. All amendments greater than 10% of a department's budget must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

All deposits of the Town and the ABC Board 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 and ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United State or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's and ABC Board's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town and ABC Board consider al highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**I. Summary of Significant Accounting Policies (Continued)**

**3. Restricted Assets**

The unexpended loan proceeds from a loan agreement entered into by the Town are classified as restricted assets because their use is completely restricted to the purposes of purchasing police vehicles. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Any unexpended balances of grant or loan funds for the Capital Projects Funds are classified as restricted assets in the appropriate fund because their use is completely restricted to the purpose for which the grants and/or loans were intended. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintain, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

**Town of Pittsboro Restricted Cash**

Governmental Activities

General Fund

Streets	\$ 31,555
General Government	1,502,287
Public Safety	<u>179,443</u>
Total Governmental Activities	<u>1,713,286</u>

Business-type Activities

Water and Sewer Fund

Unexpended loan proceeds	54,000
Customer deposits	<u>121,724</u>
Total Business-type Activities	<u>175,724</u>

Total Restricted Cash	<u>\$ 1,889,010</u>
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**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 property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**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.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**I. Summary of Significant Accounting Policies (Continued)**

**6. Inventory and Prepaid Items**

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 Lives
Buildings and improvements	15 - 50 years
Furniture and equipment	5 - 40 years
Infrastructure	15 - 25 years
Vehicles	5 - 8 years

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

Asset Class	Estimated Useful Lives
Buildings and leasehold improvements	5 - 30 years
Store and administrative equipment	7 years

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**I. Summary of Significant Accounting Policies (Continued)**

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expenditure until then. The Town has one item that meets this criterion, pension deferrals in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that met this criterion for this category – prepaid rent, prepaid property taxes, 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

**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.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**I. Summary of Significant Accounting Policies (Continued)**

11. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of 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.

**Prepaid Items** – Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid operational expenses on goods and services which is not a spendable resource.

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

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

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

**Restricted for Public Safety** – portion of fund balance that represents funds from the equitable sharing program and loan proceeds restricted for public safety.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**I. Summary of Significant Accounting Policies (Continued)**

Restricted for General Government – portion of fund balance that represents loan proceeds restricted for general government use.

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 Pittsboro’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. 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.

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

Assigned for Capital Projects Funds – portion of fund balance assigned by the Board of Commissioners for capital expenditures.

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 appropriation; however, the budget ordinance authorizes the manager to modify the appropriation within a fund up to 10% of any department’s appropriation.

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

The Town of Pittsboro does not have a formal revenue spending policy for programs with multiple revenue sources.

The Town of Pittsboro has not adopted a minimum fund balance policy for the General Fund.

**12. Deferred 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 Pittsboro’s employer contributions are recognized when due and the Town of Pittsboro has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.



**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits.

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has not adopted a formal policy regarding custodial risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$7,700,448 and a bank balance of \$7,752,238. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$683,872 and the bank balance was \$714,083. Of the bank balance, \$250,000 was covered by federal depository insurance and \$464,083 was covered by collateral under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$300.

**2. Investments**

At June 30, 2020, the Town had \$3,713,168 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

**3. Receivables - Allowances for Doubtful Accounts**

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$2,395.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 is net of the following allowances for doubtful accounts:

General Fund:		
Taxes receivable	\$	-
Accounts receivable		-
Total General Fund		-
Water and Sewer Fund:		
Accounts receivable		<u>16,901</u>
Total	\$	<u><u>16,901</u></u>

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

**4. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,461,830	\$ -	\$ -	\$ 1,461,830
Construction in progress	521,216	785,915	-	1,307,131
Total capital assets not being depreciated	1,983,046	785,915	-	2,768,961
<b>Capital assets being depreciated:</b>				
Buildings	430,418	-	-	430,418
Furniture and equipment	1,034,111	-	-	1,034,111
Vehicles	1,148,146	157,997	95,331	1,210,812
Infrastructure	3,935,221	-	-	3,935,221
Total assets being depreciated	6,547,896	157,997	95,331	6,610,562
<b>Less accumulated depreciation for:</b>				
Buildings	197,979	9,561	-	207,540
Furniture and equipment	614,810	53,839	-	668,649
Vehicles	781,344	136,477	95,331	822,490
Infrastructure	1,850,737	172,727	-	2,023,464
Total accumulated depreciation	3,444,870	372,604	95,331	3,722,143
Total capital assets being depreciated, net	3,103,026			2,888,419
<b>Total governmental activities capital assets, net</b>	<u>\$ 5,086,071</u>			<u>\$ 5,657,380</u>

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

General government	\$ 196,842
Public safety	62,951
Transportation	85,755
Environmental protection	-
Recreation	27,056
	<u>\$ 372,604</u>

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities – Water and Sewer Fund:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 10,200	\$ -	\$ -	\$ 10,200
Construction in progress	1,432,820	38,121	-	1,470,941
Total capital assets not being depreciated	1,443,020	38,121	-	1,481,141
<b>Capital assets being depreciated:</b>				
Buildings	163,682	-	-	163,682
Other improvements	20,132,172	-	-	20,132,172
Vehicles	-	49,998	-	49,998
Equipment	2,388,045	-	13,807	2,374,238
Total assets being depreciated	22,683,899	49,998	13,807	22,720,090
<b>Less accumulated depreciation for:</b>				
Buildings	132,160	4,359	-	136,519
Other improvements	9,398,143	541,001	-	9,939,144
Vehicles	-	7,500	-	7,500
Equipment	2,079,370	46,144	13,807	2,111,707
Total accumulated depreciation	11,609,673	599,004	13,807	12,194,870
Total capital assets being depreciated, net	11,074,226			10,525,221
<b>Total governmental activities capital assets, net</b>	<b>\$12,517,246</b>			<b>\$12,006,362</b>

**Construction Commitments**

The Town has no active construction commitments as of June 30, 2020.

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets being depreciated:</b>				
Buildings and leasehold improvements	\$ 193,707	\$ -	\$ -	\$ 193,707
Store and administrative equipment	61,543	1,604	-	63,147
Total assets being depreciated	255,250	1,604	-	256,854
<b>Less accumulated depreciation:</b>				
Total accumulated depreciation	169,178	11,271	-	180,449
<b>Total ABC Board capital assets, net</b>	<b>\$ 86,072</b>			<b>\$ 76,405</b>

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

*Plan Description.* The Town 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 or Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://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.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Pittsboro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Pittsboro's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Pittsboro were \$234,163 for the year ended June 30, 2020.

*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, 2020, the Town reported a liability of \$1,050,859 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.03848%, which was an increase of 0.00286% from its proportion as of June 30, 2019.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

For the year ended June 30, 2020, the Town recognized pension expense of \$466,272. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 179,934	\$ -
Changes of assumptions	171,273	-
Net difference between projected and actual earnings on pension plan investments	25,632	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,091	17,696
Town contributions subsequent to the measurement date	234,163	-
Total	<u>\$ 625,093</u>	<u>\$ 17,696</u>

\$234,163 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$ 185,005
2022	55,550
2023	100,040
2024	32,638
2025	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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.



**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

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

*Sensitivity of the 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 2,403,506	\$ 1,050,859	\$ (73,465)

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

**b. Law Enforcement Officers Special Separation Allowance**

*1. Plan Description.*

The Town of Pittsboro administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .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.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

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

Retirees receiving benefits	1
Active plan members	12
Total	<hr/> 13 <hr/>

A separate report was not issued for the plan.

*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, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index determined at the end of each month.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

*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. For the current year, the Town paid \$16,533 in benefits. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

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

At June 30, 2020, the Town reported a total pension liability of \$475,678. The total pension liability was measured as of December 31, 2018 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$32,698.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,400	\$ 44,100
Changes of assumptions and other inputs	24,924	15,468
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ 30,324</u>	<u>\$ 59,568</u>

\$0

reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$ (5,198)
2022	(5,017)
2023	(3,988)
2024	(9,729)
2025	(5,312)
Thereafter	-

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

*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 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	<b>1% Decrease (2.26%)</b>	<b>Discount Rate (3.26%)</b>	<b>1% Increase (4.26%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 515,326	\$ 475,678	\$ 439,921

**Law Enforcement Officers' Special Separation Allowance**

Beginning balance	\$ 490,157
Service Cost	20,355
Interest on the total pension liability	17,541
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(49,873)
Changes of assumptions or other inputs	14,031
Benefit payments	(16,533)
Other changes	-
Total	<u>\$ 475,678</u>

**1% Decrease      Discount Rate**

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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

***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	\$ 466,272	\$ 32,698	\$ 498,970
Pension Liability	1,050,859	475,678	1,526,537
Proportionate share of the net pension liability	0.03848%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	179,934	5,400	185,334
Changes of assumptions	171,273	24,924	196,197
Net difference between projected and actual earnings on plan investments	25,632	-	25,632
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,091	-	14,091
Town benefit payments and plan administrative expense made subsequent to the measurement date	234,163	-	234,163
Deferred Inflows of Resources			
Differences between expected and actual experience	-	44,100	44,100
Changes of assumptions	-	15,468	15,468
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,696	-	17,696

**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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

*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. Contributions for the year ended June 30, 2020 were \$49,607, which consisted of \$35,167 from the Town and \$14,440 from the law enforcement officers.

**d. Section 401(k) Plan for General Employees**

*Plan Description.* The Town contributes to a 401(k) Plan, a defined contribution plan administered by the Prudential Insurance Company of America. The Plan provides retirement benefits to the general employees, other than law enforcement, employed by the Town.

*Funding Policy.* The Town annually determines the amount of contributions. For the year ended June 30, 2019, the Town contributed five percent (5.0%) on each general employee's salary. Also, the general employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2020 were \$111,295, which consisted of \$89,569 from the Town and \$21,726 from the general employees.

**e. Other Postemployment Benefits**

**Healthcare Benefits**

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

*Benefits Provided.* Prior to July 1, 2007, retirees qualified for benefits similar to those of employees after a minimum of five years of creditable service with the Town. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Employees hired on or after July 1, 2007 who retire with a minimum of 20 years of creditable service also have the option of purchasing coverage for themselves and dependents at the Town's group rate. Employees hired on or after July 1, 2007 who retire with less than 20 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

e. Other Postemployment Benefits (Continued)

Retired Employees' Years of Creditable Service	Date Hired	
	Pre-July 1, 2007	On or after July 1, 2007
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5 - 20 years	Full coverage paid for by City	Not eligible for coverage
20+ years	Full coverage paid for by City	Full coverage paid for by City

Membership of the HCB Plan consisted of the following at December 31, 2018, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	6	1
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	30	11
Total	36	12

**Total OPEB Liability**

The Town's total OPEB liability of \$1,268,112 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

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

Inflation	2.5 percent
Salary increases	3.5 – 7.75% percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Pre-Medicare – 7.25%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

**Changes in the Total OPEB Liability (Continued)**

**Changes in the Total OPEB Liability**

Beginning balance	\$ 1,089,292
Service Cost	100,775
Interest	42,115
Changes of benefit terms	-
Differences between expected and actual experience	(6,822)
Changes of assumptions or other inputs	56,192
Benefit payments	<u>(13,440)</u>
Total	<u><u>\$ 1,268,112</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<u>-2.50%</u>	<u>(3.50%)</u>	<u>(4.50%)</u>
Total OPEB Liability	\$ 1,425,932	\$ 1,268,111	\$ 1,129,641

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

	<u>-2.50%</u>	<u>(3.50%)</u>	<u>(4.50%)</u>
Total OPEB Liability	\$ 1,074,156	\$ 1,268,111	\$ 1,509,118



**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$139,509. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>of Resources</u>	<u>of Resources</u>
Differences between expected and actual experience	\$ -	\$ 22,695
Changes of assumptions and other inputs	60,124	41,878
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ 60,124</u>	<u>\$ 64,573</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (3,381)
2022	(3,381)
2023	(3,381)
2024	(3,381)
2025	(3,381)
Thereafter	12,456

**2. 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.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

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 is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 715,541

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 16,802	\$ 16,802
Deferred rent	450,000	450,000
Taxes Receivable, less penalties (General Fund)	-	97,656
OPEB deferrals	64,573	-
Pension deferrals	77,264	-
Total	<u>\$ 608,639</u>	<u>\$ 564,458</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 participates in three (3) self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1,000,000 per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance for another \$5,000,000 of coverage per structure.

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, town clerk and mayor are all bonded for \$50,000 each through a commercial surety bond. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

**5. Claims, Judgments and Contingent Liabilities**

The Town is contingently liable in respect to other claims in the normal course of its operations. Should the Town become liable in these matters, such liability would be satisfied by budgetary appropriation in excess of insurance coverage in a subsequent year.

**6. Long-Term Obligations**

**a. General Obligation Indebtedness**

General obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2020 are comprised of the following individual issues:

**General Obligation Bonds**

Serviced by the Water and Sewer Fund:

Water and Sewer Bonds (FHA); issued November 1, 1994; maturing serially to June 1, 2034; interest at 5.25%.

\$ 293,000

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\$ 293,000

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**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

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

<b>Year ended June 30:</b>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 17,000	\$ 15,383
2022	18,000	14,490
2023	19,000	13,545
2024	20,000	12,548
2025	21,000	11,498
2026-2030	110,000	11,550
2031-2034	88,000	-
	<u>\$ 293,000</u>	<u>\$ 79,014</u>

Notes Payable

Serviced by the General Fund:

Direct note payable with a financial institution to finance the purchase of vehicles; issued on August 10, 2018; due in annual installments of \$49,010 including interest at 3.04%; matures August 10, 2022; secured by vehicles. Split between the general and water and sewer funds. \$ 119,497

Direct note payable with a financial institution to finance the purchase of vehicles; issued on September 5, 2019; due in annual installments of \$58,102 including interest at 2.42%; matures September 5, 2023; secured by vehicles. Split between the general and water and sewer funds. 164,995

\$ 284,492

Serviced by the Water and Sewer Fund:

Direct placement ARRA Federal Revolving Loan; issued August 4, 2009; due in twenty annual installments of \$62,319 beginning on May 1<sup>st</sup> after the project has been completed for six months; non-interest bearing; maximum amount of loan is \$1,246,370; project was completed in December 2010. \$ 608,042

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

Notes Payable (Continued)

Direct note payable with a financial institution to finance the purchase of vehicles; issued on August 10, 2018; due in annual installments of \$49,010 including interest at 3.04%; matures August 10, 2022; secured by vehicles. Split between the general and water and sewer funds.

19,022

Direct placement DEQ Federal Revolving Loan; issued November 29, 2016; due in twenty annual installments of \$24,729 beginning on May 1<sup>st</sup> after the project has been completed for six months; non-interest bearing; maximum amount of loan is \$494,500.

420,325

Direct note payable with a financial institution to finance the purchase of vehicles; issued on September 5, 2019; due in annual installments of \$58,102 including interest at 2.42%; matures September 5, 2023; secured by vehicles. Split between the general and water and sewer funds.

54,005

\$ 1,101,394

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

Year ended June 30:	Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2021	\$ 78,424	\$ 7,625	\$ 104,706	\$ -
2022	80,562	5,488	105,208	-
2023	82,759	3,291	105,725	-
2024	42,747	1,034	99,519	-
2025	-	-	85,530	-
2026-2030	-	-	427,650	-
2031-2035	-	-	123,625	-
2036	-	-	49,431	-
	<u>\$ 284,492</u>	<u>\$ 17,438</u>	<u>\$ 1,101,394</u>	<u>\$ -</u>

The Town has a legal debt margin of \$44,270,597 at June 30, 2020.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

**b. Change in Long-Term Liabilities**

	Beginning			Ending	Current Portion
	Balance	Increases	Decreases	Balance	of Balance
<i>Governmental activities:</i>					
Direct Notes Payable	\$ 248,613	\$ 164,995	\$ 129,116	\$ 284,492	\$ 78,424
Net pension liability (LGERS)	515,035	119,095	-	634,130	-
Total pension liability (LEO)	490,157	-	14,479	475,678	-
Compensated absences	117,134	-	27,667	89,467	-
Total OPEB liability	718,933	46,296	-	765,229	-
Governmental activity long-term liabilities	<u>\$2,089,872</u>	<u>\$ 330,386</u>	<u>\$ 171,262</u>	<u>\$2,248,996</u>	<u>\$ 78,424</u>
<i>Business-type activities:</i>					
<u>Water and Sewer Fund</u>					
General obligation bonds	\$ 309,000	\$ -	\$ 16,000	\$ 293,000	\$ 17,000
Direct Notes Payable	1,168,589	54,005	121,200	1,101,394	104,706
Net pension liability (LGERS)	329,993	86,736	-	416,729	-
Compensated absences	52,075	11,850	-	63,925	-
Total OPEB liability	370,360	132,523	-	502,883	-
Water and Sewer Fund long-term liabilities	<u>\$2,230,017</u>	<u>\$ 285,114</u>	<u>\$ 137,200</u>	<u>\$2,377,931</u>	<u>\$ 121,706</u>
Business activity long-term liabilities	<u>\$2,230,017</u>	<u>\$ 285,114</u>	<u>\$ 137,200</u>	<u>\$2,377,931</u>	<u>\$ 121,706</u>

The ABC Board had no long-term debt at June 30, 2020.

**c. Interfund Balances and Activity**

- Transfer from the general fund to the Town Hall project fund for project expenditures \$ 83,300
- Transfer from the general fund to the Traffic Circle project fund for project expenditures \$ 13,110
- Transfer from the water and sewer capital reserve fund to the Sanford Forcemain project for project expenditures \$ 48,500
- Transfer from the water and sewer capital reserve fund to the Town Hall project for project expenditures \$ 33,300
- Transfer from the water and sewer capital reserve fund to the Traffic Circle project for project expenditures \$ 95,038
- Transfer from USEPA 319 project to General Fund to close out project \$ 47,792

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**II. Detail Notes on All Funds (Continued)**

d. Net Investment in Capital Assets

Governmental activities:

Total capital assets	\$ 5,657,380
Less: Notes payable	<u>284,492</u>
	<u>\$ 5,372,889</u>

Business-type activities:

Total capital assets	\$ 12,006,362
Less: Bonds payable	293,000
Notes payable	<u>1,101,394</u>
	<u>\$ 10,611,968</u>

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	\$ 4,265,752
Less:	
Non spendable – prepaid items	22,912
Stabilization by State Statute	694,570
Streets-Powell Bill	31,555
Public Safety	165,019
General Government	1,502,287
Appropriated Fund Balance in 2021 budget	14,425
Remaining Fund Balance	<u>\$ 1,834,984</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

The Town had no encumbrances at June 30, 2020.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**III. Jointly Governed Organization**

The Town, in conjunction with various counties and other municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member of the Council's governing board. The Town paid membership fees of \$1,795 to the Council during the year ended June 30, 2020.

**IV. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

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

**V. Significant Effects of Subsequent Events**

Subsequent events have been evaluated through January 24, 2021, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

As of the date of issuance of the Town's audit, there is a pandemic situation regarding the COVID-19 virus. The Town is monitoring the effect of this pandemic on its financial operations. At this time, management has evaluated the situation and has concluded no additional disclosures are warranted.



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## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Town of Pittsboro's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Seven Fiscal Years\***

**Schedule 1**

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pittsboro's proportion of the net pension liability (asset) (%)	0.0385%	0.0356%	0.0377%	0.0366%	0.0348%	-0.0359%	0.0355%
Pittsboro's proportion of the net pension liability (asset) (\$)	\$ 1,050,859	\$ 845,028	\$ 575,798	\$ 776,774	\$ 156,359	\$ (211,601)	\$ 427,911
Pittsboro's covered-employee payroll	\$ 2,408,038	\$ 2,166,530	\$ 2,175,276	\$ 2,030,243	\$ 1,893,809	\$ 1,821,230	\$ 1,861,303
Pittsboro's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	43.64%	39.00%	26.47%	38.26%	8.26%	-11.62%	22.99%
Plan fiduciary net position as a percentage of the total pension liability **	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amount 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 PITTSBORO, NORTH CAROLINA**  
**Town of Pittsboro's Contributions**  
**Required Supplementary Information**  
**Last Seven Fiscal Years**

**Schedule 2**

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 234,163	\$ 194,221	\$ 155,389	\$ 151,018	\$ 138,781	\$ 136,371	\$ 133,161
Contributions in relation to the contractually required contribution	<u>234,163</u>	<u>194,221</u>	<u>155,389</u>	<u>151,018</u>	<u>138,781</u>	<u>136,371</u>	<u>133,161</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pittsboro's covered-employee payroll	\$2,544,219	\$2,408,038	\$2,166,530	\$2,175,276	\$2,030,243	\$1,893,809	\$1,821,230
Contribution as a percentage of covered-employee payroll	9.20%	8.07%	7.17%	6.94%	6.84%	7.20%	7.31%

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2020**

**Schedule 3**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 490,157	\$ 493,116	\$ 439,178	\$ 441,964
Service Cost	20,355	20,931	16,024	18,353
Interest on the total pension liability	17,541	15,321	16,633	15,302
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(49,873)	(4,101)	10,929	-
Changes of assumptions or other inputs	14,031	(18,577)	26,885	(9,767)
Benefit payments	(16,533)	(16,533)	(16,533)	(26,674)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 475,678</u>	<u>\$ 490,157</u>	<u>\$ 493,116</u>	<u>\$ 439,178</u>

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

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2020**

**Schedule 4**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 475,678	\$ 490,157	\$ 493,116	\$ 439,178
Covered payroll	695,133	619,020	581,502	648,714
Total pension liability as a percentage of covered payroll	68.43%	79.18%	84.80%	67.70%

Notes to the schedules:

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

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**June 30, 2020**

**Schedule 5**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 100,775	\$ 80,451	\$ 86,762
Interest	42,115	35,111	28,681
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(6,822)	(19,811)	(2,609)
Changes of assumptions	56,191	14,053	(66,757)
Benefit payments	<u>(13,440)</u>	<u>(13,440)</u>	<u>(11,946)</u>
<b>Net change in total OPEB liability</b>	178,819	96,364	34,131
<b>Total OPEB liability - beginning</b>	<u>1,089,292</u>	<u>992,928</u>	<u>958,797</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 1,268,111</u></u>	<u><u>\$ 1,089,292</u></u>	<u><u>\$ 992,928</u></u>
 <b>Covered payroll</b>	 2,060,483	 2,060,483	 1,966,195
 <b>Total OPEB liability as a percentage of covered payroll</b>	 61.54%	 52.87%	 50.50%

**Notes to Schedule**

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

<u>Fiscal year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.56%

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## **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 6

## General Fund

## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes - current year	\$ 2,418,300	\$ 2,446,868	\$ 28,568
Taxes - prior years	20,000	21,315	1,315
Interest and penalties	6,000	6,516	516
Total	<u>2,444,300</u>	<u>2,474,699</u>	<u>30,399</u>
Other taxes and licenses:			
Local option sales tax	765,467	987,222	221,755
Hold harmless tax	250,412	310,553	60,141
Utilities / cable franchise taxes	131,800	201,652	69,852
Telecommunications tax	21,000	18,087	(2,913)
Video sales tax	27,500	27,652	152
Other taxes and licenses	68,871	116,099	47,228
Total	<u>1,265,050</u>	<u>1,661,265</u>	<u>396,215</u>
Unrestricted intergovernmental:			
ABC Board profit distribution	130,000	277,787	147,787
Total	<u>130,000</u>	<u>277,787</u>	<u>147,787</u>
Restricted intergovernmental:			
State street aid - Powell Bill	130,000	128,744	(1,256)
Chatham Park Development	175,000	163,541	(11,459)
Other	66,659	107,275	40,616
Total	<u>371,659</u>	<u>399,560</u>	<u>27,901</u>
Permits and fees:			
Zoning fees	39,375	23,974	(15,401)
Other fees	54,000	49,227	(4,773)
Recreation fees	15,450	19,870	4,420
Off-duty police officer fees	750	783	33
Total	<u>109,575</u>	<u>93,854</u>	<u>(15,721)</u>
Sales and services:			
Solid waste revenues	420,000	445,188	25,188
Recreation	7,350	8,160	810
Facilities rental	14,000	8,280	(5,720)
Other	133,000	296,459	163,459
Total	<u>574,350</u>	<u>758,087</u>	<u>183,737</u>
Investment earnings	<u>2,500</u>	<u>14,610</u>	<u>12,110</u>
Miscellaneous	<u>70,000</u>	<u>97,076</u>	<u>27,076</u>
Total revenues	<u>4,967,434</u>	<u>5,776,938</u>	<u>809,504</u>



## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 6

## General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**  
**(Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits	\$ 34,879	\$ 34,786	\$ 93
Payroll taxes	2,668	2,662	6
Travel and training	2,000	1,489	511
Postage	50	42	8
Advertising	50	124	(74)
Departmental supplies	2,500	3,884	(1,384)
Contracted services	37,500	37,623	(123)
Economic development	7,000	5,631	1,369
Dues and subscriptions	8,750	8,817	(67)
Insurance and bonds	1,575	1,573	2
Total	<u>96,972</u>	<u>96,631</u>	<u>341</u>
Administration:			
Salaries and employee benefits	342,946	319,122	23,824
Payroll taxes	19,588	19,496	92
Telephone	8,000	7,030	970
Travel and training	9,000	2,563	6,437
Maintenance - equipment	2,500	722	1,778
Postage	650	433	217
Advertising	750	291	459
Supplies	12,000	13,217	(1,217)
Dues and subscriptions	7,500	7,193	307
Insurance and bonds	5,250	3,784	1,466
Tax billing and collection	12,000	13,462	(1,462)
Park reimbursement	0	-	-
Contracted services	49,925	38,230	11,695
Capital outlay - equipment	35,000	15,716	19,284
Total	<u>505,109</u>	<u>441,259</u>	<u>63,850</u>
Planning:			
Salaries and employee benefits	119,992	116,417	3,575
Payroll taxes	7,237	5,802	1,435
Travel and training	3,500	1,397	2,103
Telephone	2,000	2,075	(75)
Postage	750	308	442
Utilities	-	480	(480)
Advertising	1,250	971	279
Departmental supplies	7,500	2,490	5,010
Dues and subscriptions	3,000	1,333	1,667
Community retirement program	-	-	-
Contracted services	23,744	9,585	14,159
Insurance and bonds	3,475	2,816	659
Capital outlay - equipment	7,000	7,000	-
Total	<u>179,448</u>	<u>150,674</u>	<u>28,774</u>

## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 6

## General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**  
**(Continued)**

	Budget	Actual	Variance Positive (Negative)
Legal:			
Dues and subscriptions	\$ 250	\$ 130	\$ 120
Travel and training	750	300	450
Professional services	113,120	98,120	15,000
Total	<u>114,120</u>	<u>98,550</u>	<u>15,570</u>
Public buildings (Engineering):			
Salaries and employee benefits	92,906	73,267	19,639
Payroll taxes	5,677	4,902	775
Telephone	2,000	1,445	555
Travel and training	1,800	61	1,739
Advertising	250	231	19
Postage	250	308	(58)
Utilities	-	480	(480)
Vehicle repairs	1,500	13	1,487
Departmental supplies	1,500	703	797
Dues and subscriptions	1,000	300	700
Contracted services	96,244	109,328	(13,084)
Miscellaneous	57,000	62,379	(5,379)
Insurance	3,375	2,816	559
Capital outlay - equipment	7,000	7,000	-
Total	<u>270,502</u>	<u>263,233</u>	<u>7,269</u>
Total general government	<u>1,166,151</u>	<u>1,050,347</u>	<u>115,804</u>
Public safety:			
Police:			
Salaries and employee benefits	1,162,571	1,094,606	67,965
Payroll taxes	63,929	64,706	(777)
Separation benefit	16,533	22,450	(5,917)
Telephone	15,000	14,134	866
Postage	500	337	163
Travel and training	15,000	2,667	12,333
Maintenance - equipment	3,000	2,649	351
Vehicle repairs	22,000	23,173	(1,173)
Automotive supplies	31,000	29,159	1,841
Departmental supplies	47,000	40,699	6,301
Advertising	150	44	106
Contracted services	30,100	22,849	7,251
Uniforms and accessories	18,000	17,102	898
Dues and subscriptions	2,800	4,154	(1,354)
Insurance and bonds	38,600	37,623	977
Investigations	5,000	800	4,200
Community policing support	7,500	6,385	1,115
Capital outlay - equipment	-	-	-
Total	<u>1,478,683</u>	<u>1,383,537</u>	<u>95,146</u>

## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 6

## General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**  
**(Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fire:			
Pittsboro Volunteer Fire and Rescue			
Department - contribution	\$ 683,783	\$ 683,783	\$ -
Total	<u>683,783</u>	<u>683,783</u>	<u>-</u>
 Total public safety	 <u>2,162,466</u>	 <u>2,067,320</u>	 <u>95,146</u>
Transportation:			
Streets and maintenance:			
Salaries and employee benefits	215,848	219,599	(3,751)
Payroll taxes	12,055	13,416	(1,361)
Travel and training	1,000	1,140	(140)
Telephone and postage	4,000	2,877	1,123
Utilities	57,000	61,582	(4,582)
Maintenance - equipment	12,000	2,309	9,691
Vehicle repairs	9,000	3,006	5,994
Automotive supplies	13,000	7,493	5,507
Maintenance and repairs - building	2,500	585	1,915
Departmental supplies	31,000	37,663	(6,663)
Contracted services	5,500	5,252	248
Dues and subscriptions	1,000	80	920
Insurance and bonds	14,000	13,725	275
Powell bill	244,000	238,094	5,906
Capital outlay - equipment	137,000	136,998	2
Total	<u>758,903</u>	<u>743,819</u>	<u>15,084</u>
Public Works:			
Utilities	18,000	12,786	5,214
Maintenance and repairs - building	15,000	6,714	8,286
Maintenance - equipment	67,300	66,238	1,062
Contracted services	13,000	18,494	(5,494)
Insurance and bonds	1,500	2,102	(602)
Departmental supplies	2,750	2,877	(127)
Capital outlay - equipment	-	-	-
Total	<u>117,550</u>	<u>109,211</u>	<u>8,339</u>
 Total transportation	 <u>876,453</u>	 <u>853,030</u>	 <u>23,423</u>

## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 6

## General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**  
**(Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational:			
Recreation:			
Salaries and employee benefits	\$ 82,395	\$ 42,044	\$ 40,351
Payroll taxes	4,888	2,528	2,360
Professional services	-	-	-
Travel and training	2,500	885	1,615
Contracted services	27,243	25,429	1,814
Telephone and postage	2,300	2,545	(245)
Utilities	7,000	7,272	(272)
Departmental supplies	5,000	4,246	754
FEMA funds	26,649	-	26,649
Building and grounds maintenance	50,000	15,588	34,412
Events and programming	10,000	9,036	964
Capital outlay	86,000	28,617	57,383
Insurance and bonds	3,900	3,198	702
Dues and subscriptions	1,000	-	1,000
Total	<u>308,875</u>	<u>141,388</u>	<u>167,487</u>
Economic and physical development:			
Salaries and employee benefits	233,855	199,916	33,939
Payroll taxes	13,601	13,525	76
Professional services	2,500	-	2,500
Travel and training	3,500	70	3,430
Telephone and postage	2,300	2,140	160
Utilities	900	480	420
Maintenance - automotive	500	83	417
Contracted services	25,973	36,067	(10,094)
Departmental supplies	6,250	2,386	3,864
Dues and subscriptions	500	375	125
Insurance and bonds	3,925	2,975	950
Capital projects	7,000	6,992	8
Total	<u>300,804</u>	<u>265,009</u>	<u>35,795</u>
Environmental protection:			
Sanitation	466,500	466,010	490
Total	<u>466,500</u>	<u>466,010</u>	<u>490</u>
Main street/downtown:			
Main Street façade/downtown improvements	105,231	105,231	-
Total	<u>105,231</u>	<u>105,231</u>	<u>-</u>

## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 6

## General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**  
**(Continued)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Debt service:			
Principal	\$ 126,673	\$ 126,672	\$ 1
Interest	6,304	6,304	-
Total	<u>132,977</u>	<u>132,976</u>	<u>1</u>
 Total expenditures	 <u>5,519,457</u>	 <u>5,081,311</u>	 <u>438,146</u>
 Revenues over (under) expenditures	 (552,023)	 695,627	 1,247,650
 Other financing sources (uses):			
Transfers from other funds	-	47,792	47,792
Transfers (to) from other funds:	(96,410)	(96,410)	-
Proceeds from loan	165,000	165,000	-
Total	<u>68,590</u>	<u>116,382</u>	<u>47,792</u>
 Fund balance appropriated	 <u>#NAME?</u>	 <u>-</u>	 <u>#NAME?</u>
 Net change in fund balance	 <u>#NAME?</u>	 812,009	 <u>#NAME?</u>
 Fund balance, beginning		 <u>3,453,743</u>	
 Fund balance, ending		 <u>\$ 4,265,752</u>	

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**

**Schedule 7**

	<b>Capital Projects Fund</b>	<b>Town Hall Project</b>	<b>PESR Culvert Project</b>	<b>Traffic Circle Project</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,048	\$ 927,463	\$ 54,651	\$ 128,148	\$ 1,117,310
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 7,048</u>	<u>\$ 927,463</u>	<u>\$ 54,651</u>	<u>\$ 128,148</u>	<u>\$ 1,117,310</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 78,822	\$ -	\$ -	\$ 78,822
Due to other funds	-	-	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ 78,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,822</u>
<b>FUND BALANCES</b>					
Designated for specific purposes	<u>7,048</u>	<u>848,641</u>	<u>54,651</u>	<u>128,148</u>	<u>1,038,488</u>
Total liabilities and fund balances	<u>\$ 7,048</u>	<u>\$ 927,463</u>	<u>\$ 54,651</u>	<u>\$ 128,148</u>	<u>\$ 1,117,310</u>

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**

**Schedule 8**

	<b>Capital Projects Fund</b>	<b>Town Hall Project</b>	<b>PESR Culvert Project</b>	<b>Traffic Circle Project</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	19	-	-	-	19
Total revenues	19	-	-	-	19
<b>EXPENDITURES</b>					
Economic and physical development	-	749,983	-	-	749,983
Transportation	-	-	35,932	-	35,932
Total expenditures	-	749,983	35,932	-	785,915
Excess (deficiency) of revenues over expenditures	19	(749,983)	(35,932)	-	(785,896)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds					
General Fund	-	116,600	-	108,148	224,748
Transfers to other funds:					
General Fund	-	-	-	-	-
Net change in fund balance	19	(633,383)	(35,932)	108,148	(561,148)
Fund balances, beginning	7,029	1,482,024	90,583	20,000	1,599,636
Fund balances, ending	<u>\$ 7,048</u>	<u>\$ 848,641</u>	<u>\$ 54,651</u>	<u>\$ 128,148</u>	<u>\$ 1,038,488</u>

## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 9

## Capital Projects Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ 15	\$ 19	\$ 4
Total revenues	15	19	4
<b>Other Financing Sources (Uses)</b>			
Transfer to General Fund	-	-	-
Net change in fund balance	<u>\$ 15</u>	19	<u>\$ 4</u>
Fund balance, beginning		<u>7,029</u>	
Fund balance, ending		<u>\$ 7,048</u>	



## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 10

## Capital Projects Fund - Town Hall Project

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

## From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Town contribution	\$2,971,935	\$2,855,335	116,600	\$2,971,935	\$ -
Total revenues	2,971,935	2,855,335	116,600	2,971,935	-
<b>Expenditures:</b>					
Land purchase	900,000	900,000	-	900,000	-
Site assessments	61,450	7,875	13,055	20,930	40,520
Closing costs	8,830	8,830	2,105	10,935	(2,105)
Design services	1,656,630	298,257	723,983	1,022,240	634,390
Demolition	157,707	157,706	-	157,706	1
LEED services	63,400	-	-	-	63,400
Water and Sewer design services	33,300	-	-	-	33,300
Solar PV analysis	2,900	-	-	-	2,900
USDA Application services	17,000	-	-	-	17,000
Contingency	70,718	643	10,840	11,483	59,235
Total expenditures	2,971,935	1,373,311	749,983	2,123,294	848,641
Revenues over (under) expenditures	-	1,482,024	(633,383)	848,641	848,641
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
General Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	\$ -	\$1,482,024	(633,383)	\$ 848,641	\$ 848,641
Fund balance, beginning			1,482,024		
Fund balance, ending			\$ 848,641		

## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 11

## Capital Projects Fund - PESR Culvert Project

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

## From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Town contribution	\$ 147,318	\$ 147,318	\$ -	\$ 147,318	\$ -
Total revenues	147,318	147,318	-	147,318	-
<b>Expenditures:</b>					
Survey and design services	147,318	56,735	35,932	92,667	54,651
Total expenditures	147,318	56,735	35,932	92,667	54,651
Revenues over (under) expenditures	-	90,583	(35,932)	54,651	54,651
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
General Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 90,583</u>	(35,932)	<u>\$ 54,651</u>	<u>\$ 54,651</u>
Fund balance, beginning			<u>90,583</u>		
Fund balance, ending			<u>\$ 54,651</u>		

## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 12

## Capital Projects Fund - Traffic Circle Project

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

## From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Town contribution	\$ 128,148	\$ 20,000	\$ 108,148	\$ 128,148	\$ -
Total revenues	128,148	20,000	108,148	128,148	-
<b>Expenditures:</b>					
Waterman upsizing	95,038	-	-	-	95,038
Safety handrails	13,110	-	-	-	13,110
Utility burial	20,000	-	-	-	20,000
Total expenditures	128,148	-	-	-	128,148
Revenues over (under) expenditures	-	20,000	108,148	128,148	128,148
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
General Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 20,000</u>	108,148	<u>\$ 128,148</u>	<u>\$ 128,148</u>
Fund balance, beginning			<u>20,000</u>		
Fund balance, ending			<u>\$ 128,148</u>		

## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 13

## Water and Sewer Fund

## Schedule of Revenues and Expenditures

## Budget and Actual (Non - GAAP)

## For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Water sales	\$ 1,593,261	\$ 1,657,936	\$ 64,675
Sewer charges	1,358,899	1,350,872	(8,027)
Reuse water charges	60,000	55,080	(4,920)
Reconnection fees and penalties	50,000	43,778	(6,222)
Miscellaneous	36,000	74,007	38,007
Total operating revenues	3,098,160	3,181,673	83,513
Nonoperating revenues:			
Interest earnings	1,000	7,544	6,544
Total revenues	3,099,160	3,189,217	90,057
<b>Expenditures:</b>			
Administrative			
Salaries and employee benefits	439,995	364,895	75,100
Payroll taxes	25,379	21,274	4,105
Professional services/Jordan Lake allocation	289,034	289,034	-
Travel and training	750	1,919	(1,169)
Telephone and postage	14,000	16,210	(2,210)
Utilities	700	480	220
Departmental supplies	4,500	1,882	2,618
Vehicle and equipment maintenance	500	425	75
Dues and subscriptions	3,000	3,542	(542)
Insurance	5,625	4,285	1,340
Contracted services	45,000	63,791	(18,791)
Miscellaneous	1,000	-	1,000
Total	829,483	767,737	61,746
Water operations:			
Salaries and employee benefits	429,434	434,041	(4,607)
Payroll taxes	24,355	23,725	630
Professional services/Pilot testing	261,268	92,324	168,944
Telephone and postage	14,200	11,217	2,983
Travel and training	6,500	6,055	445
Supplies	61,200	46,503	14,697
Advertising	300	46	254
Dues and subscriptions	1,300	763	537
Insurance	16,150	14,309	1,841
Chemicals	220,000	281,782	(61,782)
Contracted services	128,000	75,243	52,757
Building and grounds maintenance	50,000	20,848	29,152
Vehicle and equipment maintenance	31,300	12,924	18,376
Utilities	69,000	75,239	(6,239)
Other operating expenditures	4,000	1,860	2,140
Total	1,317,007	1,096,879	220,128

## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 13

## Water and Sewer Fund

## Schedule of Revenues and Expenditures

## Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2020

(Continued)

	Budget	Actual	Variance Positive (Negative)
Sewer treatment:			
Salaries and employee benefits	\$ 285,711	\$ 297,581	\$ (11,870)
Payroll taxes	16,679	15,397	1,282
Telephone and postage	3,450	4,617	(1,167)
Travel and training	4,000	907	3,093
Supplies	28,150	21,160	6,990
Dues and subscriptions	2,000	1,582	418
Insurance	12,700	11,698	1,002
Chemicals	40,000	32,751	7,249
Contracted services	117,000	95,711	21,289
Vehicle and equipment maintenance	24,077	21,746	2,331
Buildings and grounds maintenance	35,000	33,101	1,899
Utilities	67,000	64,307	2,693
Other operating expenditures	9,000	8,917	83
Total	644,767	609,475	35,292
Public utilities:			
Salaries and employee benefits	342,546	334,301	8,245
Payroll taxes	19,164	18,904	260
Telephone and postage	6,000	5,297	703
Travel and training	4,000	1,790	2,210
Supplies	115,500	125,813	(10,313)
Advertising	300	108	192
Dues and subscriptions	4,000	986	3,014
Insurance	13,150	11,293	1,857
Contracted services	40,000	24,422	15,578
Vehicle and equipment maintenance	106,000	59,546	46,454
Other operating expenditures	3,500	2,319	1,181
Total	654,160	584,779	69,381
Debt service:			
Interest and other charges	18,758	19,901	(1,143)
Principal	139,642	137,198	2,444
Total	158,400	157,099	1,301
Capital outlay:			
Administrative - equipment	\$ 135,540	\$ 1,155	\$ 134,385
Administrative - system improvement	35,000	14,561	20,439
Water operations - equipment	38,000	2,000	36,000
Sewer treatment - equipment	27,000	2,000	25,000
Public utilities - building	197,298	20,025	177,273
Public utilities - equipment	30,795	20,268	10,527
Total	463,633	60,009	403,624
Total expenditures	4,067,450	3,275,978	791,472

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2020**  
**(Continued)**

**Schedule 13**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues over (under) expenditures	\$ (968,290)	\$ (86,761)	\$ 881,529
Other financing sources (uses):			
Transfers from other funds	923,640	48,500	(875,140)
Transfers to other funds	(176,838)	(224,630)	(47,792)
Proceeds from loan	54,000	54,000	-
Total	<u>800,802</u>	<u>(122,130)</u>	<u>(922,932)</u>
Fund balance appropriated	<u>167,488</u>	<u>-</u>	<u>167,488</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(208,891)	<u>\$ (208,891)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources under expenditures and other uses		<u>\$ (208,891)</u>	
Reconciling items:			
Payment of debt principal		137,198	
Principal additions		(54,000)	
Capital outlay		60,009	
(Increase) in accrued vacation pay		(11,850)	
(Increase) in net pension liability		(86,736)	
Increase in deferred outflows of resources - pensions		7,905	
Decrease in deferred inflows of resources - pensions		5,146	
(Increase) in OPEB liability		(132,523)	
(Increase) in deferred inflows of resources - OPEB		(1,955)	
Depreciation		(599,004)	
Investment earnings in Water and Sewer Capital Reserve Fund and Fund 70		2,588	
Water and sewer access charges		1,250,720	
Other		2,928	
Total reconciling items		<u>580,426</u>	
Change in net position		<u>\$ 371,535</u>	

## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 14

## Water and Sewer Capital Reserve Fund

## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ 500	\$ 1,421	\$ 921
Total revenues	500	1,421	921
<b>Other financing sources (uses):</b>			
Transfer to other funds	-	-	-
Total other sources	-	-	-
Fund balance appropriated	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ 500	1,421	\$ 921
Fund balance, beginning		527,688	
Fund balance, ending		\$ 529,109	

**TOWN OF PITTSBORO, NORTH CAROLINA**

**Schedule 15**

**Capital Projects Fund - Haw River Intake Project**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**From Inception and For the Year Ended June 30, 2020**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>					
Design	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Total expenditures	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
Water and Sewer Fund	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 50,000</u>	<u>-</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Fund balance, beginning			<u>50,000</u>		
Fund balance, ending			<u>\$ 50,000</u>		



**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Water and Sewer System Development Reserve Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

**Schedule 16**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ 1,000	\$ 1,167	\$ 167
Water SDF charges	200,000	672,574	472,574
Waste water SDF charges	200,000	578,146	378,146
	<u>401,000</u>	<u>1,251,887</u>	<u>850,887</u>
Total revenues	<u>401,000</u>	<u>1,251,887</u>	<u>850,887</u>
<b>Expenditures:</b>			
Water / Waste Water improvements	401,000	-	401,000
Total expenditures	401,000	-	401,000
<b>Other financing sources (uses):</b>			
Transfer to other funds	(424,574)	-	424,574
Total other sources	(424,574)	-	424,574
Fund balance appropriated	424,574	-	(424,574)
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	1,251,887	<u>\$ 1,251,887</u>
Fund balance, beginning		<u>81,338</u>	
Fund balance, ending		<u>\$ 1,333,225</u>	

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Capital Projects Fund - Sanitary Sewer Infiltration and Inflow Project**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Year Ended June 30, 2020**

**Schedule 17**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
DEQ loan proceeds	\$ 494,500	\$ 494,500	\$ -	\$ 494,500	\$ -
Town contribution	53,356	31,623	-	31,623	(21,733)
Total revenues	547,856	526,123	-	526,123	(21,733)
<b>Expenditures:</b>					
Construction	413,916	376,023	-	376,023	37,893
Technical services	97,760	36,188	-	36,188	61,572
Contingency	19,115	-	-	-	19,115
Closing costs	9,890	9,890	-	9,890	-
Other	7,175	6,920	-	6,920	255
Total expenditures	547,856	429,021	-	429,021	118,835
Revenues over (under) expenditures	-	97,102	-	97,102	97,102
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
Water and Sewer Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 97,102</u>	-	<u>\$ 97,102</u>	<u>\$ 97,102</u>
Fund balance, beginning			<u>97,102</u>		
Fund balance, ending			<u>\$ 97,102</u>		

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Capital Projects Fund - Sanford Forcemain Project**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Year Ended June 30, 2020**

**Schedule 18**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Town contribution	\$1,759,125	\$1,710,625	48,500	\$1,759,125	\$ -
Total revenues	1,759,125	1,710,625	48,500	1,759,125	-
<b>Expenditures:</b>					
Surveying/design & permitting	1,278,000	1,177,560	38,121	1,215,681	62,319
Bidding and negotiating	5,500	-	-	-	5,500
Construction contract admin	130,000	6,825	-	6,825	123,175
Construction observation	247,100	-	-	-	247,100
Geotechnical investigation	38,500	36,850	-	36,850	1,650
CWSRF administration	15,000	-	-	-	15,000
Application Fees	28,125	-	-	-	28,125
As-Built survey	16,900	-	-	-	16,900
Total expenditures	1,759,125	1,221,235	38,121	1,259,356	499,769
Revenues over (under) expenditures	-	489,390	10,379	499,769	499,769
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
Water and Sewer Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	\$ -	\$ 489,390	10,379	\$ 499,769	\$ 499,769
Fund balance, beginning			489,390		
Fund balance, ending			\$ 499,769		

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Capital Projects Fund - Wastewater Asset Inventory and Assessment Project**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Year Ended June 30, 2020**

**Schedule 19**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
DEQ grant	\$ 150,000	\$ 149,226	\$ -	\$ 149,226	\$ (774)
Town contribution	30,250	30,000	-	30,000	(250)
Total revenues	180,250	179,226	-	179,226	(1,024)
<b>Expenditures:</b>					
Sewer collection improvements	78,200	80,190	-	80,190	(1,990)
Asset prioritization tool in GIS	30,000	24,736	-	24,736	5,264
Cost planning and CIP tool	27,000	40,536	-	40,536	(13,536)
Enhanced CIP development	24,000	24,000	-	24,000	-
Work order process and improvement	18,800	5,264	-	5,264	13,536
Grant fee	2,250	2,250	-	2,250	-
Total expenditures	180,250	176,976	-	176,976	3,274
Revenues over (under) expenditures	-	2,250	-	2,250	2,250
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
Water and Sewer Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	\$ -	\$ 2,250	-	\$ 2,250	\$ 2,250
Fund balance, beginning			2,250		
Fund balance, ending			\$ 2,250		

## TOWN OF PITTSBORO, NORTH CAROLINA

## Schedule 20

## Capital Projects Fund - Hearne Road Project

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

## From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Town contribution	\$ 284,840	\$ 284,840	\$ -	\$ 284,840	\$ -
Total revenues	284,840	284,840	-	284,840	-
<b>Expenditures:</b>					
Construction	225,000	-	-	-	225,000
Construction administration	29,130	-	-	-	29,130
Bid administration	4,075	-	-	-	4,075
Design	26,635	12,700	-	12,700	13,935
Total expenditures	284,840	12,700	-	12,700	272,140
Revenues over (under) expenditures	-	272,140	-	272,140	272,140
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
Water and Sewer Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	\$ -	\$ 272,140	-	\$ 272,140	\$ 272,140
Fund balance, beginning			272,140		
Fund balance, ending			\$ 272,140		

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Capital Projects Fund - Water Asset Inventory and Assessment Project**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Year Ended June 30, 2020**

**Schedule 21**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Town contribution	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -
DEQ grant	150,000	-	-	-	(150,000)
Total revenues	180,000	30,000	-	30,000	(150,000)
<b>Expenditures:</b>					
Improvements/assessment	177,750	-	-	-	177,750
Grant fee	2,250	2,250	-	2,250.00	-
Total expenditures	180,000	2,250	-	2,250	177,750
Revenues over (under) expenditures	-	27,750	-	27,750	27,750
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
Water and Sewer Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 27,750</u>	-	<u>\$ 27,750</u>	<u>\$ 27,750</u>
Fund balance, beginning			<u>27,750</u>		
Fund balance, ending			<u>\$ 27,750</u>		

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## **OTHER SCHEDULES**

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**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2020**

**Schedule 22**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 2,473,042	\$ 2,438,902	\$ 34,140
2018-2019	43,018		40,719	2,299
2017-2018	4,086	-	2,756	1,330
2016-2017	1,316	-	207	1,109
2015-2016	1,127	-	146	981
2014-2015	923	-	128	795
2013-2014	16,671	-	826	15,845
2012-2013	18,059	-	958	17,101
2011-2012	19,790	-	619	19,171
2010-2011	4,843	-	442	4,401
2009-2010	315	-	115	200
2008-2009	216	-	-	216
2007-2008	68	-	-	68
	<u>\$ 110,432</u>	<u>\$ 2,473,042</u>	<u>\$ 2,485,818</u>	97,656

Less: allowance for uncollectible accounts:

General Fund

-

Ad valorem taxes receivable - net

\$ 97,656

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 2,474,699

Reconciling items:

Interest collected

(6,516)

Public service utilities

-

Discounts allowed

-

Other

17,635

Subtotal

11,119

Total collections and credits

\$ 2,485,818



**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Analysis of Current Tax Levy**  
**Town-Wide Levy**  
**For the Fiscal Year Ended June 30, 2020**

**Schedule 23**

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 576,257,125	0.4333	\$ 2,497,095	\$ 2,273,926	\$ 223,169
Discoveries - current and prior years	\$ -	0.4333	-	-	-
Releases	(5,551,119)	0.4333	(24,053)	(24,053)	-
Total Property Valuation	<u>\$ 570,706,006</u>				
Net levy			2,473,042	2,249,873	223,169
Uncollected taxes at June 30, 2020			(34,140)	(34,140)	-
Current year's taxes collected			<u>\$ 2,438,902</u>	<u>\$ 2,215,733</u>	<u>\$ 223,169</u>
Current levy collection percentage			<u>98.62%</u>	<u>98.48%</u>	<u>100.00%</u>

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Assessed Value of All Taxable Property**  
**(UNAUDITED)**

**Schedule 24**

<u>Fiscal Period</u>	<u>Tax Rate per \$100</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Total</u>
2009 - 2010	\$ 0.3020	\$ 384,236,871	\$ 26,241,722	\$ 6,033,894	416,512,487
2010 - 2011 *	0.3020	389,129,971	20,991,493	5,843,106	415,964,570
2011 - 2012	0.3020	400,659,937	25,025,000	5,630,625	431,315,562
2012 - 2013	0.3673	400,057,011	25,549,226	5,929,783	431,536,020
2013 - 2014	0.4033	462,524,849	23,647,126	5,783,435	491,955,410
2014 - 2015	0.4333	464,070,194	23,409,673	5,531,918	493,011,785
2015 - 2016	0.4333	455,685,691	19,486,252	5,958,098	481,130,041
2016 - 2017	0.4333	409,582,541	70,621,319	6,129,809	486,333,669
2017 - 2018	0.4333	488,124,070	48,528,911	6,619,413	543,272,394
2018 - 2019	0.4333	494,920,378	49,776,829	13,547,427	558,244,634
2019 - 2020	0.4333	512,817,659	51,225,065	6,663,282	570,706,006

Property is assessed at 100% of estimated sound value.

\* Revaluation

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Tax Levies and Tax Collections**  
**(UNAUDITED)**

**Schedule 25**

<u>Fiscal Period</u>	<u>Tax Levy</u>	<u>Collected Current</u>	<u>Percent Collected</u>	<u>Collected Prior Levies</u>	<u>Total Collected</u>	<u>Balances Delinquent</u>
2009 - 2010	\$1,268,850	\$ 1,246,111	98.21%	\$ 30,799	\$ 1,276,910	\$ 50,237
2010 - 2011	1,268,283	1,236,575	97.50%	20,592	1,257,167	72,176
2011 - 2012	1,310,756	1,247,429	95.17%	25,590	1,273,019	80,442
2012 - 2013	1,574,600	1,529,237	97.12%	49,568	1,578,805	82,599
2013 - 2014	1,927,978	1,887,582	97.90%	34,645	1,922,227	82,943
2014 - 2015	1,788,605	1,748,489	97.76%	28,135	1,776,624	97,295
2015 - 2016	2,052,235	2,038,198	99.32%	40,116	2,078,314	82,929
2016 - 2017	2,106,800	2,086,740	99.05%	30,736	2,117,476	66,053
2017 - 2018	2,354,766	2,345,654	99.61%	21,842	2,367,496	88,783
2018 - 2019	2,440,675	2,397,657	98.24%	20,259	2,417,916	110,432
2019 - 2020	2,473,042	2,438,902	98.62%	46,916	2,485,818	97,656

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Revenues Other Than Property Taxes**  
**(UNAUDITED)**

**Schedule 26**

<u>Fiscal Period</u>	<u>Licenses and Permits</u>	<u>Interest</u>	<u>Revenues from Other Agencies</u>	<u>Other</u>	<u>Gross Revenues from Utilities</u>
2009 - 2010	\$ 10,990	\$ 10,928	\$ 2,040,286	\$ 484,446	\$ 2,556,046
2010 - 2011	27,863	9,290	2,340,927	645,533	2,876,531
2011 - 2012	16,231	8,749	688,758	1,250,308	2,814,937
2012 - 2013	18,534	6,289	965,528	1,595,157	2,624,810
2013 - 2014	61,413	4,828	963,700	1,293,227	2,881,948
2014 - 2015	119,006	3,548	1,215,396	771,437	3,390,942
2015 - 2016	27,793	2,312	1,267,141	960,898	2,784,697
2016 - 2017	201,876	2,367	1,399,530	1,506,236	2,933,170
2017 - 2018	101,133	2,192	1,497,494	1,004,422	3,019,279
2018 - 2019	79,936	4,465	1,605,616	1,011,343	3,019,279
2019 - 2020	93,854	24,761	2,338,612	855,163	4,432,393

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Expenditures for Selected Functions**  
**(UNAUDITED)**

**Schedule 27**

Fiscal Period	General Government	Public Safety	Streets and Sanitation	Cultural and Recreation	Economic and Physical Development	Debt Service	Utilities	
							Operating	Debt Service
2009 - 2010	\$ 777,465	\$ 1,273,180	\$ 762,229	\$ 80,058	\$ -	\$ -	\$ 2,134,276	\$ 268,811
2010 - 2011	828,158	1,376,215	744,591	87,539	-	-	2,300,593	359,096
2011 - 2012	918,763	1,387,625	523,461	84,587	-	-	2,165,485	406,365
2012 - 2013	940,246	1,444,785	691,799	88,740	-	-	2,218,671	452,362
2013 - 2014	765,887	1,369,288	751,058	103,548	-	-	2,218,912	491,350
2014 - 2015	890,893	1,551,766	763,518	209,035	94,614	36,434	2,224,071	475,285
2015 - 2016	904,393	1,612,821	899,793	300,939	263,435	50,380	2,979,079	396,948
2016 - 2017	912,404	1,708,071	882,945	262,643	311,841	137,431	2,924,057	21,932
2017 - 2018	782,910	1,833,503	885,174	242,140	317,873	140,688	2,960,501	190,886
2018 - 2019	891,953	2,049,114	961,942	229,002	256,083	104,647	3,256,985	163,550
2019 - 2020	1,050,347	2,067,320	1,319,040	141,388	265,009	132,976	3,874,959	157,099

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## COMPLIANCE SECTION

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# SHARPE PATEL PLLC

## Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor  
and Members of the Board of Commissioners  
Town of Pittsboro  
Pittsboro, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Pittsboro, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Pittsboro's basic financial statements, and have issued our report thereon dated January 24, 2021.

#### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Pittsboro 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Sharpe Patel PLLC". The script is cursive and fluid.

Raleigh, North Carolina  
January 24, 2021



## SECTION I - SUMMARY OF AUDITOR'S RESULTS

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2020**  
**(Continued)**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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None reported.

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2020**

**No findings in the prior year.**