

FINANCIAL STATEMENTS
TOWN OF ROPER
ROPER, NORTH CAROLINA
JUNE 30, 2020

TOWN COUNCIL

Marquitta "Denise" Blount - Mayor

Daniel Reynolds- Mayor Pro Tem

Charles Sharpe

Raemona Jackson

Rona Norman

TOWN CLERK

Stacy Chesson

TOWN OF ROPER
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JUNE 30, 2020

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Independent Auditors' Report

To the Honorable Mayor
And Members of the Town Council
Town of Roper, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Roper, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Roper'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 opinions on these financial statements based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Roper, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 7 through 16, the Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Asset and Contributions, on pages 44 and 45, 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 Roper, North Carolina. The budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards 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 29, 2021 on our consideration of the Town of Roper's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Roper's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

January 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis FY 2020

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

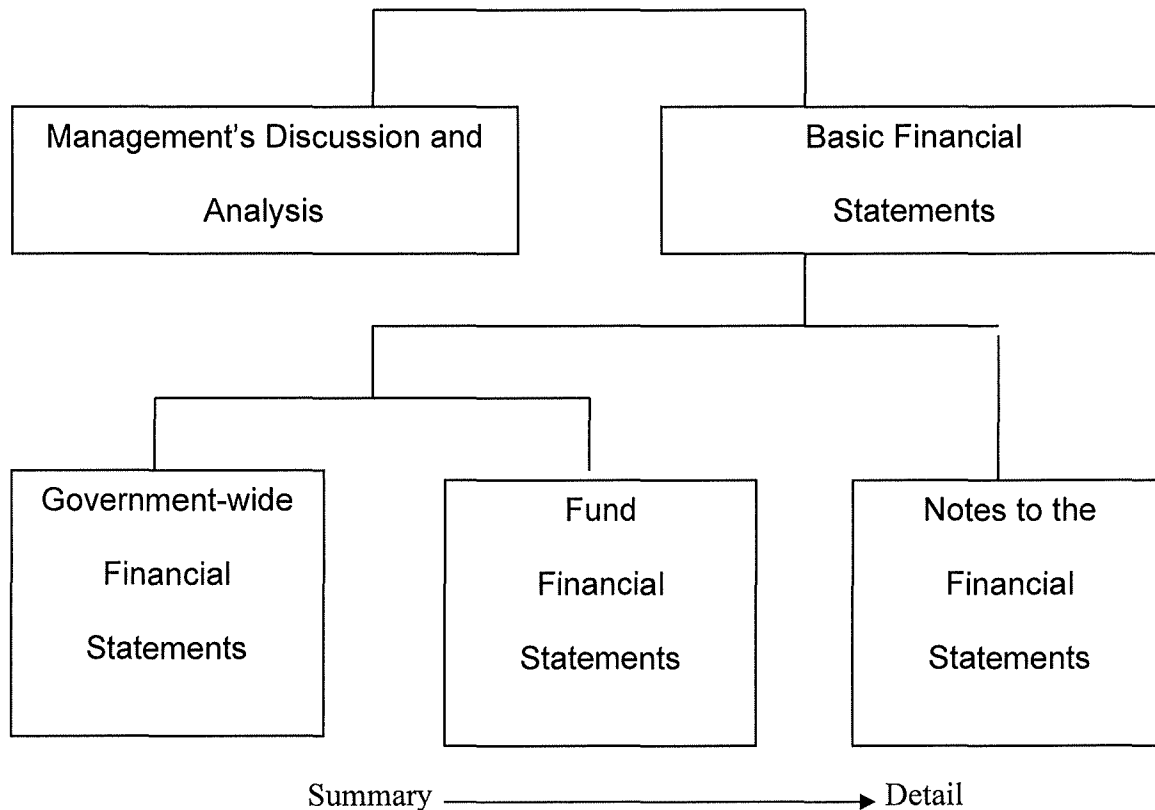
- The assets of the Town of Roper *exceeded* its liabilities at the close of the fiscal year by \$5,938,635 (*net position*).
- The government's total net position *increased* by \$2,070,996 due to an *increase* in the *business-type* activities net position of \$2,010,330 and a \$60,666 *increase* in *governmental* activities net position.
- As of the close of the current fiscal year, the Town of Roper's governmental funds reported combined ending fund balance of \$321,276 an *increase* of \$116,558 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Roper's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Roper.

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'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'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's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer offered by the Town of Roper.

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Roper, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Roper 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's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Roper adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to

Town of Roper

provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. 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 – Town of Roper has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Roper uses the enterprise fund to account for its water and sewer activity. These funds are 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 are on pages 27 to 42 of this report.

Management Discussion and Analysis-FY 2020
Town of Roper

Government-Wide Financial Analysis
The Town of Roper's Net position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 436,825	\$ 314,898	\$ 324,737	\$ 237,421	\$ 761,562	\$ 552,319
Other assets	1,252	8,392	-	-	1,252	8,392
Capital assets	864,966	894,446	5,502,099	3,110,870	6,367,065	4,005,316
Total assets	1,303,043	1,217,736	5,826,836	3,348,291	7,129,879	4,566,027
Deferred outflow of resources	20,887	23,635	-	-	20,887	23,635
Deposits held	-	-	-	-	-	-
Other liabilities	67,916	43,938	1,142,463	674,248	1,210,379	718,186
Total liabilities	67,916	43,938	1,142,463	674,248	1,210,379	718,186
Deferred inflow of resources	1,752	3,837	-	-	1,752	3,837
Net position:						
Invested in capital assets, net of related debt	864,966	894,446	4,572,656	3,110,870	5,437,622	4,005,316
Restricted	58,218	31,885	-	-	58,218	31,885
Unrestricted	331,078	267,265	111,717	(436,827)	442,795	(169,562)
Total net position	\$ 1,254,262	\$ 1,193,596	\$ 4,684,373	\$ 2,674,043	\$ 5,938,635	\$ 3,867,639

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Roper exceeded liabilities by \$5,938,635 as of June 30, 2020. The Town's net position *increased* by \$2,070,996 for the fiscal year ended June 30, 2020. However, \$5,437,622 reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Roper uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Roper'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 Roper's net position, \$58,218 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$442,795 is unrestricted.

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

- Holding tax and utility rates steady,
- Obtaining capital grants
- Locating additional sources of revenues

Management Discussion and Analysis-FY 2020
Town of Roper

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

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 63,202	\$ 64,479	\$ 172,386	\$ 211,074	\$ 235,588	\$ 275,553
Operating grants and contributions	19,230	19,396	-	-	19,230	19,396
Capital grants and contributions	-	-	2,111,899	97,808	2,111,899	97,808
General revenues:					-	-
Property taxes	131,553	169,513	-	-	131,553	169,513
Other taxes	132,635	105,819	-	-	132,635	105,819
Other	88,589	109,347	-	-	88,589	109,347
Total revenues	435,209	468,554	2,284,285	308,882	2,719,494	777,436
Expenses:						
General government	188,240	165,440	-	-	188,240	165,440
Public safety	5,000	70	-	-	5,000	70
Transportation	100,186	129,657	-	-	100,186	129,657
Economic Development	9,191	6,824	-	-	9,191	6,824
Environmental Protection	59,400	59,400	-	-	59,400	59,400
Culture and recreation	12,526	2,505	-	-	12,526	2,505
Interest on Long-term Debt	-	1,161	-	-	-	1,161
Water and sewer	-	-	273,955	304,658	273,955	304,658
Total expenses	374,543	365,057	273,955	304,658	648,498	669,715
Transfers	-	-	-	-	-	-
Change in net position	60,666	103,497	2,010,330	4,224	2,070,996	107,721
Net position, beginning	1,193,596	1,090,099	2,674,043	2,669,819	3,867,639	3,759,918
Net position, ending	\$ 1,254,262	\$ 1,193,596	\$ 4,684,373	\$ 2,674,043	\$ 5,938,635	\$ 3,867,639

Governmental activities: Governmental activities increased the Town's net position by \$60,666.

Business-type activities: Business-type activities increased the Town of Roper's net position by \$2,010,330.

Financial Analysis of the Town Funds

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

Governmental Funds. The focus of the Town of Roper's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information

Management Discussion and Analysis-FY 2020

Town of Roper

is useful in assessing the Town's financing requirements. Specifically, unassigned 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 Roper. At the end of the current fiscal year, unassigned fund balance of the General Fund of \$263,058 while total fund balance was \$321,276.

At June 30, 2020, the governmental funds of Roper reported a combined fund balance \$321,276 a \$116,558 increase over last year.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$111,717. The increase in net position for the Water and Sewer Fund was \$2,010,330. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Roper's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$5,437,622 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Management Discussion and Analysis-FY 2020
Town of Roper

**Town of Roper's
Capital Assets**

Figure 4

(net of depreciation)

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2020	2019	2020	2019	2020	2019
Land	\$ 158,307	\$ 158,307	\$ 43,900	\$ 43,900	\$ 202,207	\$ 202,207
Construction in Progress	-	-	3,191,742	693,854	3,191,742	693,854
Buildings and systems	364,110	378,513	2,265,374	2,371,527	2,629,484	2,750,040
Improvements	291,284	306,114	-	-	291,284	306,114
Machinery and equipment	15,161	19,774	1,083	1,589	16,244	21,363
Infrastructure	17,482	19,423	-	-	17,482	19,423
Vehicles and motorized equipment	18,622	12,315	-	-	18,622	12,315
Total	\$ 864,966	\$ 894,446	\$ 5,502,099	\$ 3,110,870	\$ 6,367,065	\$ 4,005,316

Additional information on the Town's capital assets can be found in note III.A.4 of the Basic Financial Statements.

Long-term Debt.

As of June 30, 2020, the Town of Roper has an outstanding direct placement agreement in the amount of \$929,443 for WWTP improvements.

Economic Factors and Next Year's Budgets and Rates

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

- High unemployment. Unemployment in the Washington County area continues to be higher than both the State and National averages as of June 30, 2020.
- Housing development which has been stagnant for years shows little signs of increasing next year.
- The Town has added no service or retail sector jobs

Management Discussion and Analysis-FY 2020

Town of Roper

- The Town held the real property rate flat for fiscal year 2020.
- Water, sewer, and sanitation rates were increased for fiscal year 2020 and these increases are being used to improve the wastewater treatment plant.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The tax rate will remain steady with revenues.

Business – type Activities: The water and sewer basic rates will hold steady. The contracting of the water operations is now with Washington County and the sewer operation contract is now with Harrell Environmental Services LLC.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Roper, PO Box 217, Roper, NC 27970-0217.

BASIC FINANCIAL STATEMENTS

Town of Roper
Statement of Net Position
June 30, 2020

Exhibit 1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 292,293	\$ 124,015	\$ 416,308
Restricted cash	28,174	69,212	97,386
Taxes receivables (net)	86,314	-	86,314
Accounts receivable (net) - trade	8,984	25,642	34,626
Due from other governments	21,060	105,868	126,928
Internal balances	-	-	-
Total current assets	<u>436,825</u>	<u>324,737</u>	<u>761,562</u>
Noncurrent assets:			
Notes receivable	1,252	-	1,252
Capital assets:			
Land and construction in progress	158,307	3,235,642	3,393,949
Other capital assets, net of depreciation	<u>706,659</u>	<u>2,266,457</u>	<u>2,973,116</u>
Total capital assets	<u>864,966</u>	<u>5,502,099</u>	<u>6,367,065</u>
Total noncurrent assets	<u>866,218</u>	<u>5,502,099</u>	<u>6,368,317</u>
Total assets	<u>1,303,043</u>	<u>5,826,836</u>	<u>7,129,879</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	6,687	-	6,687
Pension deferrals	<u>14,200</u>	<u>-</u>	<u>14,200</u>
Total deferred outflows of resources	<u>20,887</u>	<u>-</u>	<u>20,887</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	29,235	143,808	173,043
Payable from restricted assets	-	69,212	69,212
Current portion of long-term liabilities	<u>1,814</u>	<u>47,967</u>	<u>49,781</u>
Total current liabilities	<u>31,049</u>	<u>260,987</u>	<u>292,036</u>
Long-term liabilities:			
Net pension liability	36,867	-	36,867
Due in more than one year	-	881,476	881,476
Total liabilities	<u>67,916</u>	<u>1,142,463</u>	<u>1,210,379</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	1,752	-	1,752
Prepaid taxes	-	-	-
Total deferred inflows of resources	<u>1,752</u>	<u>-</u>	<u>1,752</u>
NET POSITION			
Net investment in capital assets	864,966	4,572,656	5,437,622
Restricted for:			
Streets	28,174	-	28,174
Stabilization by State Statute	<u>30,044</u>	<u>-</u>	<u>30,044</u>
Unrestricted	<u>331,078</u>	<u>111,717</u>	<u>442,795</u>
Total net position	<u>\$ 1,254,262</u>	<u>\$ 4,684,373</u>	<u>\$ 5,938,635</u>

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

Town of Roper
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 188,240	\$ -	\$ -	\$ -	\$ (188,240)	\$ -	\$ (188,240)	
Economic and physical development	9,191	-	-	-	(9,191)	-	(9,191)	
Public safety	5,000	-	-	-	(5,000)	-	(5,000)	
Transportation	100,186	-	19,230	-	(80,956)	-	(80,956)	
Environmental protection	59,400	63,202	-	-	3,802	-	3,802	
Cultural and recreation	12,526	-	-	-	(12,526)	-	(12,526)	
Interest on long-term debt	-	-	-	-	-	-	-	
Total governmental activities	374,543	63,202	19,230	-	(292,111)	-	(292,111)	
Business-type activities:								
Water and sewer	273,955	172,386	-	2,111,899	-	2,010,330	2,010,330	
Total business-type activities	273,955	172,386	-	2,111,899	-	2,010,330	2,010,330	
Total primary government	\$ 648,498	\$ 235,588	\$ 19,230	\$ 2,111,899	(292,111)	2,010,330	1,718,219	
General revenues:								
Taxes:								
Property taxes, levied for general purpose					131,553	-	131,553	
Other taxes					132,635	-	132,635	
Unrestricted investment earnings					139	-	139	
Miscellaneous					88,450	-	88,450	
Total general revenues					352,777	-	352,777	
Change in Net position					60,666	2,010,330	2,070,996	
Net position, beginning					1,193,596	2,674,043	3,867,639	
Net position, ending					\$ 1,254,262	\$ 4,684,373	\$ 5,938,635	

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

**Town of Roper
Balance Sheet
Governmental Funds
June 30, 2020**

	Major Funds	Total Governmental Funds
	General	
ASSETS		
Cash and cash equivalents	\$ 292,293	\$ 292,293
Restricted cash	28,174	28,174
Receivables, net:		
Taxes	86,314	86,314
Accounts - trade	8,984	8,984
Due from other funds	-	-
Due from other governments	21,060	21,060
Total assets	<u>\$ 436,825</u>	<u>\$ 436,825</u>
LIABILITIES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 29,235	\$ 29,235
Total liabilities	<u>29,235</u>	<u>29,235</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	86,314	86,314
Prepaid taxes	-	-
Total deferred inflows of resources	<u>86,314</u>	<u>86,314</u>
FUND BALANCES		
Fund balances:		
Restricted:		
Stabilization by State Statute	30,044	30,044
Streets	28,174	28,174
Unassigned	263,058	263,058
Total fund balances	<u>321,276</u>	<u>321,276</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 436,825</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	864,966
Deferred outflows of resources related to pensions are not reported in funds	6,687
Notes receivable	1,252
Pension related deferrals	14,200
Liabilities for earned revenues considered deferred inflows of resources in fund statements	86,314
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(1,814)
Net pension liability - LGERS	(36,867)
Deferred inflows of resources related to pensions are not reported in the funds	(1,752)
Net position of governmental activities	<u>\$ 1,254,262</u>

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

Town of Roper
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Funds		Total Governmental Funds
	General		
REVENUES			
Ad valorem taxes	\$ 142,241	\$	142,241
Other taxes and licenses	14,366		14,366
Unrestricted intergovernmental	118,269		118,269
Restricted intergovernmental	19,230		19,230
Sales and services	63,202		63,202
Other revenues	88,079		88,079
Investment earnings	139		139
Total revenues	<u>445,526</u>		<u>445,526</u>
EXPENDITURES			
General government	150,437		150,437
Economic and physical development	6,705		6,705
Public safety	5,000		5,000
Transportation	99,210		99,210
Environmental protection	59,400		59,400
Cultural and recreation	6,781		6,781
Debt service:			
Principal	-		-
Interest and other charges	-		-
Capital outlay	8,946		8,946
Total expenditures	<u>336,479</u>		<u>336,479</u>
Excess (deficiency) of revenues over expenditures	<u>109,047</u>		<u>109,047</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	-		-
Proceeds from sale of assets	7,511		7,511
Total other financing sources	<u>7,511</u>		<u>7,511</u>
Net change in fund balance	116,558		116,558
Fund balances, beginning	204,718		204,718
Fund balances, ending	<u>\$ 321,276</u>	\$	<u>321,276</u>

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

Town of Roper
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds		\$ 116,558
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		
Capitalized property	8,946	
Depreciation expense for governmental assets	<u>(38,426)</u>	(29,480)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		6,687
Collections on notes receivable		(7,140)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payment on long-term debt		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue for tax revenues		(10,688)
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		(338)
Pension expense		(14,933)
Total changes in net position of governmental activities		<u><u>\$ 60,666</u></u>

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

Town of Roper
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 143,858	\$ 138,858	\$ 142,241	\$ 3,383
Other taxes and licenses	20,000	20,000	14,366	(5,634)
Unrestricted intergovernmental	92,000	94,400	118,269	23,869
Restricted intergovernmental	19,395	19,395	19,230	(165)
Sales and services	55,000	55,000	63,202	8,202
Other revenues	92,757	89,357	88,079	(1,278)
Investment earnings	-	-	139	139
Total revenues	423,010	417,010	445,526	28,516
Expenditures:				
General government	214,500	213,400	150,437	62,963
Economic and physical development	-	7,500	6,705	795
Public safety	-	5,000	5,000	-
Transportation	129,710	120,764	99,210	21,554
Environmental protection	59,400	59,400	59,400	-
Cultural and recreation	7,500	8,000	6,781	1,219
Debt service:				
Principal	11,900	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	8,946	8,946	-
Total expenditures	423,010	423,010	336,479	86,531
Revenues over (under) expenditures	-	(6,000)	109,047	115,047
Other financing sources (uses):				
Unappropriated fund balance	-	-	-	-
Transfer from Powell Bill	-	-	-	-
Sale of property	-	6,000	7,511	1,511
Total other financing sources (uses)	-	6,000	7,511	1,511
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	116,558	\$ 116,558
Fund balances, beginning			204,718	
Fund balances, ending			\$ 321,276	

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

Exhibit 7

**Town of Roper
Statement of Fund Net Position
Proprietary Funds
June 30, 2020**

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 124,015
Restricted cash	69,212
Due from other governments	105,868
Accounts receivable, net	25,642
Total current assets	<u>324,737</u>
Capital assets:	
Land and other non-depreciable assets	3,235,642
Other capital assets, net of depreciation	2,266,457
Capital assets (net)	<u>5,502,099</u>
Total assets	<u><u>\$ 5,826,836</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 143,808
Current portion of long term liabilities	47,967
Payable from restricted assets	69,212
Total current liabilities	<u>260,987</u>
Long term liabilities	
Notes payable	881,476
Total liabilities	<u>1,142,463</u>
NET POSITION	
Net investment in capital assets	4,572,656
Unrestricted	111,717
Total net position	<u><u>\$ 4,684,373</u></u>

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

Exhibit 8

**Town of Roper
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020**

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 165,616
Other operating revenues	<u>6,770</u>
Total operating revenues	<u>172,386</u>
OPERATING EXPENSES	
Administration	9,730
Water and sewer distribution	157,566
Depreciation	<u>106,659</u>
Total operating expenses	<u>273,955</u>
Operating income (loss)	<u>(101,569)</u>
Income (loss) before contributions and transfers	(101,569)
Grant income	-
Capital contributions	<u>2,111,899</u>
Total contributions and transfers	<u>2,111,899</u>
Change in net position	2,010,330
Total net position, beginning	<u>2,674,043</u>
Total net position, ending	<u><u>\$ 4,684,373</u></u>

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

Exhibit 9

**Town of Roper
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020**

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 171,358
Cash paid for goods and services	(94,362)
Cash paid to or on behalf of employees for services	(45,684)
Net customer deposits	1,800
Net cash provided by operating activities	<u>33,112</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interfund activity	<u>-</u>
Total cash flows provided by non-capital financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(2,497,888)
Proceeds from note payable	383,272
Principal reduction	(49,975)
Capital contributions	2,111,899
Net cash used by capital and related financing activities	<u>(52,692)</u>
Net increase (decrease) in cash and cash equivalents	(19,580)
Balances, beginning	212,807
Balances, ending	<u><u>\$ 193,227</u></u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	<u>\$ (101,569)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	106,659
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(106,896)
Increase (decrease) in accounts payable	133,118
Increase (decrease) in customer deposits	1,800
Total adjustments	<u>134,681</u>
Net cash provided (used) by operating activities	<u><u>\$ 33,112</u></u>

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

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Roper (the Town) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a four-member council. These financial statements include only the Town, as there were no component units required to be included.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. 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.

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 and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund. This fund is the general operating fund of the Town. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, street maintenance and construction and sanitation services.

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.

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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 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, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the 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 shared revenue for the Town because the tax is levied by Washington County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Grant revenues that are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for capital projects. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until 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 are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and 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 States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

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 considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash within the General Fund because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.1.

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Customer deposits are classified as restricted cash with the Water and Sewer Fund because they are held by the Town before any services are supplied.

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, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1. 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.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a \$1,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value. 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. Certain items acquired before July 1, 1980 are reported at estimated historical cost using deflated replacement costs. 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 useful lives to the cost of the assets:

<u>Asset Type</u>	<u>Years</u>
Buildings	30
Infrastructure	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, contributions made to the pension plan in the 2020 fiscal year and pension deferrals. 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

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

then. The Town has three items that meet this criterion for this category –, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

8. Long-Term Obligations

In the government-wide financial statements, and in the 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.

9. Compensated Absences

The vacation policy of the Town reads that employees may earn one week of vacation after one year of employment. After two years of employment, employees may receive two weeks of vacation. If the Town does not have an Assistant Clerk, the Clerk may receive four weeks of vacation. A vacation period begins in January and ends in December. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. 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.

Employees may earn four hours of sick leave per month; not to exceed 40 hours per year. The policy does not provide for the accumulation of sick leave. Sick leave not used by December 31st of each year is forfeited.

10. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Non-spendable fund balance as of June 30, 2020 is \$0.

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

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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 unexpected Powell Bill funds.

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

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

11. Pensions

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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

None.

4. Excess of Expenditures over Appropriations

None.

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town 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 agents in the Town's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$512,720 and a bank balance of \$510,979. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder of \$260,979 was covered by collateral held under the pooling method. The Town's petty cash totaled \$974 at June 30, 2020.

2. Receivables - Allowances for Doubtful Accounts

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

	<u>June 30, 2020</u>
General Fund:	
Accounts Receivable	\$ 610
Water and Sewer Fund:	
Accounts Receivable	<u>2,041</u>
	<u>\$ 2,651</u>

3. Notes Receivable

The Town has entered into two notes receivables with citizens in the Town. One note to a citizen was for a land purchase and is due in annual payments of \$4,313. The balance of the note is \$359 and the note does not bear interest. The second note is to a local business in the sum of \$5,200. The balance of the note is \$893 and the note bears interest at 3% per annum.

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

4. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 158,307	\$ -	\$ -	\$ 158,307
Total capital assets not being depreciated	158,307	-	-	158,307
Capital assets being depreciated				
Buildings	582,195	-	-	582,195
Improvements	370,728	-	-	370,728
Infrastructure	275,351	-	-	275,351
Equipment	68,692	-	-	68,692
Vehicles	38,914	8,946	-	47,860
Total capital assets being depreciated	1,335,880	8,946	-	1,344,826
Less accumulated depreciation for				
Buildings	203,682	14,403	-	218,085
Improvements	64,614	14,830	-	79,444
Infrastructure	255,928	1,941	-	257,869
Equipment	48,918	4,613	-	53,531
Vehicles	26,599	2,639	-	29,238
Accumulated depreciation	599,741	\$ 38,426	\$ -	638,167
Total capital assets, depreciated, net	736,139			706,659
Governmental activity capital assets, net	\$ 894,446			\$ 864,966

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

General government	\$ 29,219
Public safety	-
Transportation	976
Economic development	2,486
Cultural and recreation	5,745
	<u>\$ 38,426</u>

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated				
Land	\$ 43,900	\$ -	\$ -	\$ 43,900
Construction in progress	693,854	2,497,888	-	3,191,742
Total capital assets not being depreciated	737,754	2,497,888	-	3,235,642
Capital assets being depreciated				
Plant and distribution systems	4,343,156	-	-	4,343,156
Equipment	31,496	-	-	31,496
Total capital assets being depreciated	4,374,652	-	-	4,374,652
Less accumulated depreciation for				
Plant and distribution systems	1,971,629	106,153	-	2,077,782
Equipment	29,907	506	-	30,413
Accumulated Depreciation	2,001,536	\$ 106,659	\$ -	2,108,195
Capital assets, depreciated, net	2,373,116			2,266,457
Water and Sewer Fund capital assets	<u>\$ 3,110,870</u>			<u>\$ 5,502,099</u>

4. Construction Commitments

The government has active construction projects as of June 30, 2020. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Water and sewer treatment facilities	\$ 4,122,448	\$ 642,108
Total	<u>\$ 4,122,448</u>	<u>\$ 642,108</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Roper is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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 Roper's contractually required contribution rate for the year ended June 30, 2020, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$6,336 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 \$36,867 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. 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 liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00135%, which was a increase of 0.00011% from its proportion measured as of June 30, 2019.

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

For the year ended June 30, 2020, the Town recognized pension expense of \$14,933. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,313	\$ -
Changes of assumptions	6,009	-
Net difference between projected and actual earnings on pension plan investments	899	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	979	1,752
Town contributions subsequent to the measurement date	6,687	-
Total	<u>\$ 20,887</u>	<u>\$ 1,752</u>

\$6,687 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net 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:

Year ended June 30:

2020	\$ 5,620
2021	1,856
2022	3,877
2023	1,094
2024	-
Thereafter	-
Total	<u>\$ 12,447</u>

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.

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 Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the 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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 84,323	\$ 36,867	\$ (2,577)

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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.

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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of contributions to pension plan in current year in the amount of \$6,687 and pension deferrals in the amount of \$14,200.

Deferred inflows of resources at year-end is comprised of property taxes receivable in the amount of \$86,314, pension deferrals in the amount of \$1,752.

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 self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large 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.

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

The Town carries flood insurance through the North Carolina League of Municipalities with a \$50,000 deductible.

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 included in the coverage under Government Crime. The Town Clerk is bonded for \$50,000.

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

5. Long-Term Obligations

a. Note payable

The Town entered into direct placement borrowing agreement with the State of North Carolina. The total amount owed under the agreement will be \$999,500. The agreement does not bear interest and is paid from the State Reserve Loan Fund under the requirements of NC Connect Bonds. The loan's use is restricted to wastewater treatment plan improvements. Annual principal payments are \$49,975 and are due on May 1 of each year. The agreement does not provide for principal forgiveness. The agreement has a maximum loan term of 20 years and does not require pledged collateral. As of June 30, 2020, the Town owed 929,443 under this agreement. Future maturities are as follows:

Year	Pincipal	Interest	Total
2021	\$ 47,967	\$ -	\$ 47,967
2022	48,971	-	48,971
2023	48,971	-	48,971
2024	48,971	-	48,971
2025	48,971	-	48,971
2026-2032	244,855	-	244,855
2033-2035	440,737	-	440,737
Total	<u>\$ 929,443</u>	<u>\$ -</u>	<u>\$ 929,443</u>

b. Changes in Long-Term Liabilities

Governmental Activities:	7/1/2019	Increases	Decreases	6/30/2020	Portion
Capital lease	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	1,476	338	-	1,814	1,814
Net pension liability (LGERS)	29,417	7,450	-	36,867	-
Total Governmental Activities	<u>\$ 30,893</u>	<u>\$ 7,788</u>	<u>\$ -</u>	<u>\$ 38,681</u>	<u>\$ 1,814</u>

Business-type Activities:

Direct placement agreement	<u>\$ 596,146</u>	<u>\$ 383,272</u>	<u>\$ 49,975</u>	<u>\$ 929,443</u>	<u>\$ 47,967</u>
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C. Inter-fund Balances and Activity

Inter-fund Activity

None.

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

D. 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	\$ 321,276
Less:	
Stabilization by State Statute	30,044
Streets - Powell Bill	28,174
Remaining Fund Balance (Deficit)	\$ 263,058

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Town Clerk will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, and Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance. The Town Clerk has the authority to deviate from this policy if it is in the best interest of the Town. The Town has not officially adopted a fund balance policy.

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 moneys 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 moneys.

V. Subsequent Events

The Town has evaluated events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

VI. Commitments

The Town entered into a contract for professional services for the year ending June 30, 2020. The contract is for \$375 per week as needed, not to exceed \$13,000. The contract was renewed for the same terms for another year to expire June 30, 2021.

On February 28, 2018, the Town entered into a contract for annual software support through February 27, 2020. The contract is for an annual payment of \$4,958. Future obligations are \$4,958 for the year ended June 30, 2020.

On August 8, 2018, the Town entered into a contract for cleaning services through August 7, 2020. The contract is for \$200 per month. Future obligations are \$400 for the year ended June 30, 2020.

Town of Roper, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

The Town entered into a contract in September 2017 for water testing/treatment services. The contract is for \$475 per month. The Town paid \$5,700 under this contract in 2020.

The Town entered into a contract in April 2016 for rug cleaning for a period of 5 years. The Town paid \$525 in 2019 under this contract.

In July 2018, the Town entered into a contract for wastewater treatment services for \$3,332 per month. The Town paid \$39,984 for these services in 2020.

VII. Operating Leases for Which the Town is the Lessor

The Town has entered into a lease agreement for rental of office space from April 1, 2016 through March 31, 2026. The lease requires annual payments of \$49,462. Future rent payments are \$49,462 in 2021 through 2025 and \$37,097 in 2026.

The Town also entered into a lease agreement for rental of facility space from August 15, 2019 through August 15, 2020. The lease requires payments of \$4,000 per year. Future rent payments are \$8,000 in 2021.

Required Supplementary Financial Data

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

Schedule of Proportionate Share of Net Pension Liability for Local Government Employees'
Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

Town of Roper
Town of Roper's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years *

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>
Roper's proportion of the net pension liability (asset) (%)	0.00124%	0.00124%	0.00104%	0.00150%	0.00221%	0.00243%	0.00210%
Roper's proportion of the net pension liability (asset) (\$)	\$ 36,867	\$ 29,417	\$ 15,888	\$ 31,835	\$ 9,918	\$(14,331)	\$ 25,313
Roper's covered-employee payroll	81,749	74,068	85,738	97,144	120,291	124,023	156,192
Roper's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.10%	39.72%	18.53%	32.77%	8.25%	(11.56%)	16.21%
Plan fiduciary net position as a percentage of the total pension liability**	0.00%	94.18%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Roper
Town of Roper's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 6,687	\$ 6,336	\$ 5,433	\$ 6,213	\$ 6,630	\$ 8,610	\$ 9,469
Contributions in relation to the contractually required contribution	6,687	6,336	5,433	6,213	6,630	8,610	9,469
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Roper's covered-employee payroll	\$ 74,709	\$ 81,749	\$ 74,068	\$ 85,738	\$ 97,144	\$ 120,291	\$ 124,023
Contributions as a percentage of covered-employee payroll	8.95%	7.75%	7.34%	7.25%	6.82%	7.16%	7.63%

**Town of Roper
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 134,060	\$
Penalties and interest		8,181	
Total	138,858	142,241	3,383
Other taxes:			
DMV tags and taxes		14,366	
Total	20,000	14,366	(5,634)
Unrestricted intergovernmental:			
Local option sales taxes		76,011	
Franchise tax		39,798	
Beer and wine tax		2,460	
Total	94,400	118,269	23,869
Restricted intergovernmental:			
Powell Bill allocation		19,230	
Total	19,395	19,230	(165)
Sales and services:			
Garbage pickup fees		63,202	
Total	55,000	63,202	8,202
Other revenues			
Roper Christmas		250	
Peanut Festival		-	
Miscellaneous		87,829	
Total	89,357	88,079	(1,278)
Investment earnings	-	139	139
Total revenues	417,010	445,526	28,516

**Town of Roper
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General Government			
Salaries and employee benefits		42,550	
Operating expenses		107,062	
Festivals		825	
Total general government	<u>200,900</u>	<u>150,437</u>	<u>50,463</u>
Economic and Physical Development			
Gateway building		6,705	
Total	<u>7,500</u>	<u>6,705</u>	<u>795</u>
Total economic and physical development	<u>7,500</u>	<u>6,705</u>	<u>795</u>
Public Safety			
Police			
Salaries and employee benefits		-	
Operating expenses		5,000	
Total	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total public safety	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Transportation			
Streets and Highways:			
Salaries and employee benefits		53,603	
Street lights		15,177	
Operating expenses		25,326	
Capital outlay		8,946	
Paving and materials		5,104	
Total	<u>129,710</u>	<u>108,156</u>	<u>21,554</u>
Total transportation	<u>129,710</u>	<u>108,156</u>	<u>21,554</u>

**Town of Roper
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Environmental Protection			
Sanitation			
Contract services		59,400	
Total	59,400	59,400	-
Total environmental protection	59,400	59,400	-
Cultural and Recreation			
Operating expenses		6,781	
Total	8,000	6,781	1,219
Debt Service			
Principal		-	
Interest and other charges		-	
Total	12,500	-	12,500
Capital Outlay			
Capital Outlay		-	
Total	-	-	-
Total expenditures	423,010	336,479	86,531
Revenues over (under) expenditures	(6,000)	109,047	115,047
Other financing sources (uses):			
Appropriated Fund Balance	-	-	-
Unappropriated Fund Balance	-	-	-
Sale of property	6,000	7,511	1,511
Total	6,000	7,511	1,511
Revenues and other financing sources over expenditures and other financing uses	\$ -	116,558	\$ 116,558
Fund balances, beginning		204,718	
Fund balances, ending		\$ 321,276	

Town of Roper
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)
Revenues:			
Operating revenues:			
Water charges	\$	\$ 79,239	\$
Sewer charges		86,377	
Total operating revenues	215,000	165,616	(49,384)
Other operating revenues	8,900	6,770	(2,130)
Total revenues	223,900	172,386	(51,514)
Expenditures:			
Water and Sewer administration:			
Professional fees		8,950	
Operating expenses		780	
Total administration	9,730	9,730	-
Water and Sewer treatment and distribution:			
Contract labor		45,684	
Electricity		15,593	
Analysis		10,313	
Supplies and repairs		15,783	
Other operating expenses		70,193	
Total treatment and distribution	214,170	157,566	56,604
Debt service:			
Principal	49,975	49,975	-
Total expenditures	273,875	217,271	56,604
Revenues over (under) expenditures	(49,975)	(44,885)	5,090
Other financing sources (uses):			
Appropriated Fund Balance	49,975	-	(49,975)
Total other financing sources (uses)	49,975	-	(49,975)
Revenues over expenditures and other uses	\$ -	\$ (44,885)	\$ (44,885)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ (44,885)	
Reconciling items:			
Principal reduction		49,975	
Capital contributions		2,111,899	
Depreciation		(106,659)	
Total reconciling items		2,055,215	
Net income		\$ 2,010,330	

Town of Roper
CDBG 13-I-2624 Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal 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>
Revenues:					
Grant Income					
CDBG	<u>\$ 1,048,496</u>	<u>\$ 956,728</u>	<u>\$ 131,168</u>	<u>\$ 1,087,896</u>	<u>\$ 39,400</u>
Expenditures:					
Administration	156,460	156,460	(81,318)	75,142	81,318
Construction	<u>892,036</u>	<u>800,268</u>	<u>93,850</u>	<u>894,118</u>	<u>(2,082)</u>
Total expenditures	<u>1,048,496</u>	<u>956,728</u>	<u>12,532</u>	<u>969,260</u>	<u>79,236</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,636</u>	<u>\$ 118,636</u>	<u>\$ 118,636</u>

Town of Roper
CDBG 16-I-2723 Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Grants					
CDBG	<u>\$ 1,092,000</u>	<u>\$ 75,686</u>	<u>\$ 995,994</u>	<u>\$ 1,071,680</u>	<u>\$ (20,320)</u>
Expenditures:					
Administration	109,200	38,725	38,975	77,700	31,500
Construction	<u>982,800</u>	<u>36,961</u>	<u>977,339</u>	<u>1,014,300</u>	<u>(31,500)</u>
Total expenditures	<u>1,092,000</u>	<u>75,686</u>	<u>1,016,314</u>	<u>1,092,000</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,320)</u>	<u>\$ (20,320)</u>	<u>\$ (20,320)</u>

Town of Roper
State Reserve Loan Program
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Other	\$ -	\$ -	\$ 24,370	\$ 24,370	\$ 24,370
Expenditures:					
Administration	47,490	114,401	36,362	150,763	(103,273)
Engineering	130,000	-	-	-	130,000
Construction	822,010	481,745	497,974	979,719	(157,709)
Total expenditures	999,500	596,146	534,336	1,130,482	(130,982)
Other financing sources					
State reserve loan proceeds	999,500	596,146	383,272	979,418	20,082
Revenues over expenditures	\$ -	\$ -	\$ 126,694	\$ 126,694	\$ (126,694)

OTHER SCHEDULES

**Town of Roper
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2020**

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Abatements And Adjustments	Uncollected Balance June 30, 2020
2020	\$ -	\$ 122,556	\$ (106,374)	\$ -	\$ 16,182
2019	32,725	-	(11,441)	-	21,284
2018	16,680	-	(7,629)	-	9,051
2017	10,700	-	(2,475)	-	8,225
2016	8,897	-	(1,055)	-	7,842
2015	5,522	-	(1,405)	-	4,117
2014	4,215	-	(1,188)	-	3,027
2013	4,539	-	(350)	-	4,189
2012	2,598	-	(248)	-	2,350
2011	3,649	-	(399)	-	3,250
2010	4,158	-	(584)	-	3,574
2009	2,058	-	(47)	-	2,011
2008	1,262	-	(50)	-	1,212
	<u>\$ 97,003</u>	<u>\$ 122,556</u>	<u>\$ (133,245)</u>	<u>\$ -</u>	<u>\$ 86,314</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 142,241
Reconciling items:	
Interest collected	(8,181)
Taxes written off	(815)
Total collections and credits	<u>\$ 133,245</u>

Town of Roper
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2020

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at					
Current Year Rate	\$ 15,425,660	0.82	\$ 126,490	\$ 126,490	\$ -
Less elderly exemption	(484,703)	0.82	(3,975)	(3,975)	-
Registered motor vehicles	2,072,007	0.82	16,990	-	16,990
Late charges	-	0.82	39	39	-
Total Property Valuation	<u>\$ 17,012,964</u>		<u>\$ 139,545</u>	<u>\$ 122,555</u>	<u>\$ 16,990</u>
Net levy			\$ 139,545	\$ 122,555	\$ 16,990
Uncollected taxes at June 30, 2020			<u>(16,181)</u>	<u>(16,181)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 123,364</u>	<u>\$ 106,374</u>	<u>\$ 16,990</u>
Current levy collection percentage			<u>88.40%</u>	<u>86.80%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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MILLS &

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Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Honorable Mayor
And Members of the Town Council
Town of Roper, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, business-type activities and each major fund of Town of Roper, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Roper's basic financial statements, and have issued our report thereon January 29, 2021.

Internal Control Over Financial Reporting

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

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

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

not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Roper'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*.

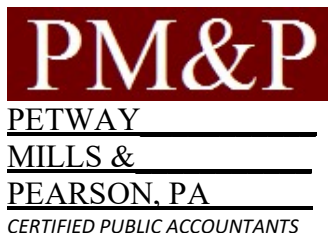
Purpose of this Report

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

January 29, 2021



C. Briggs Petway, Jr.
Phyllis M. Pearson

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Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with Uniform Guidance

To the Honorable Mayor
And Members of the Town Council
Town of Roper, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Town of Roper's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on Town of Roper's major federal program as of and for the year ended June 30, 2020. Town of Roper's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Town of Roper's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Town of Roper's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Town of Roper's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Roper complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program as of and for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Town of Roper is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Roper's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing

procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

January 29, 2021

Town of Roper
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

SECTION I. – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes _____ ☒ no

Significant deficiency (ies) identified
that are not considered to be
material weaknesses? _____ yes _____ ☒ none reported

Noncompliance material to financial
statements noted _____ yes _____ ☒ no

Federal Awards

Type of auditor's report issued on
compliance for major Federal programs: Unmodified

Internal control over major Federal Programs:

Material weakness identified ? _____ yes _____ ☒ no

Significant deficiency(ies) identified
that are not considered to be
material weaknesses _____ yes _____ ☒ none reported

Any audit findings disclosed that are
required to be reported in accordance
with Uniform Guidance _____ yes _____ ☒ no

Identification of major federal programs:

Program Name	CFDA Number
---------------------	--------------------

Community Development Block Grant	14.228
-----------------------------------	--------

Dollar Threshold used to distinguish between Type A and Type B Programs	<u>\$ 750,000</u>
--	-------------------

Auditee qualified as a low-risk auditee? _____ yes _____ ☒ no

Town of Roper
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**Town of Roper
Corrective Action Plan
For the Year Ended June 30, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

None required.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

None required.

**Town of Roper
Summary Schedule of Prior Year's Audit Findings
For the Year Ended June 30, 2020**

SECTION II. – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2019-001 Failure to timely submit the audit report and data collection form.

This finding has been resolved.

Town of Roper
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2020

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through NC Department of Environmental Quality			
Division of Water Infrastructure			
Community Development Block Grant Program	14.228	13I2624	\$ 131,168
Community Development Block Grant Program	14.228	16I2723	1,016,314
TOTAL FEDERAL AWARDS			<u>1,147,482</u>
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>N.C. Department of Environmental Quality</u>			
State Reserve Loan Program	NA	E-SRP-W-17-0061	383,272
<u>NC Department of Transportation</u>			
Powell Bill		DOT-4	<u>19,230</u>
Total NC Department of Transportation			<u>19,230</u>
TOTAL STATE AWARDS			<u>402,502</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 1,549,984</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the Town of Roper under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements in Title 2, US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Roper, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Roper.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule of Expenditures of Federal and State Awards are reported on the accrual

Indirect costs

The Town of Roper has elected not to use the 10-percent de minimus indirect cost rate allowed under Uniform Guidance.

Loans Outstanding

State of North Carolina	
State Reserve Loan Program	<u>\$ 929,443</u>