

***TOWN OF SAWMILLS, NORTH CAROLINA***

Financial Statements, Management's Discussion and Analysis,  
Supplemental Schedules, and Independent Auditors' Report  
For the Year Ended June 30, 2020

**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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**TOWN OF SAWMILLS, NORTH CAROLINA**

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June 30, 2020**

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**Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sawmills, 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'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. 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 the 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, each major fund, and the aggregate remaining fund information of the Town of Sawmills, North Carolina, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset), on pages 3-11 and 43-44, respectively, 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 Town of Sawmills, North Carolina's basic financial statements. The individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Lowmick Church & Co., L.L.P.*

Morganton, North Carolina  
October 5, 2020

## Management's Discussion and Analysis

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

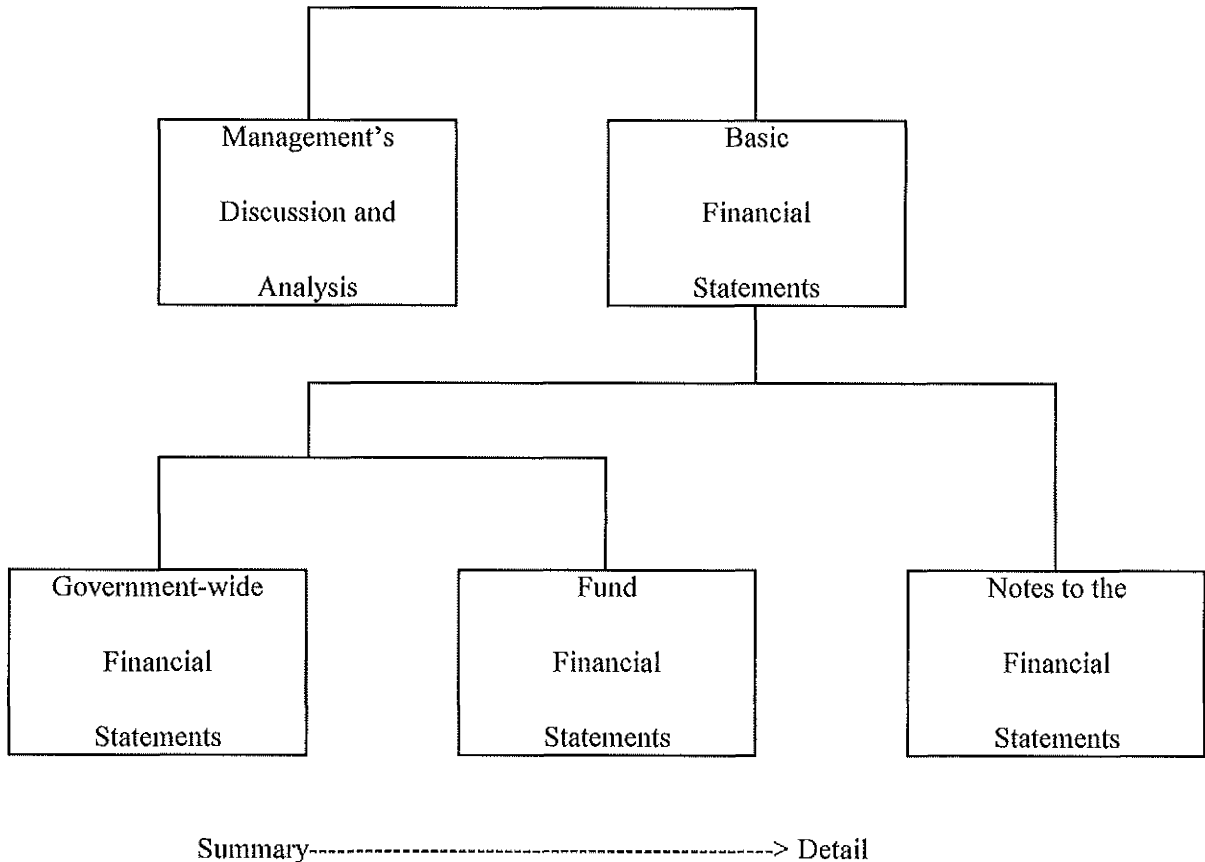
- The Town of Sawmills' assets exceeded its liabilities at the close of the fiscal year by \$18,991,250 (net position).
- The government's total net position increased by \$649,855
- As of the close of the current fiscal year, the Town of Sawmills' governmental funds reported an ending fund balance of \$6,950,547, an increase of \$507,200 in comparison with the prior year. Approximately 87 percent of this total amount, or \$6,029,924, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$6,029,924, or 250.94 percent of total General Fund expenditures for the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Sawmills' 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 Sawmills.

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

The next section of the basic financial statements is the notes. The Notes to the Financial Statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town of Sawmills' 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 of Sawmills' financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. 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 planning and community development, parks and recreation, and general administration. Property taxes, State sales tax, and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services. 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 of Sawmills' 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 Sawmills, 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 the Town of Sawmills 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 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 Sawmills 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 provide and how to pay for them. It also authorizes the Town of Sawmills 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 - The Town of Sawmills has the following type of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Sawmills uses enterprise funds 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.

**Interdependence with Other Entities** - The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

**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 follow Exhibit 10 of this report.

### Government-Wide Financial Analysis

Town of Sawmills' Net Position						
Figure 2						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets:</b>						
Current and other assets	\$7,084,229	\$6,543,554	\$ 4,866,205	\$4,623,003	\$11,950,433	\$11,166,556
Capital assets	2,379,008	2,666,036	5,514,260	4,778,554	7,893,269	7,444,591
Deferred outflows of resources	<u>88,586</u>	<u>107,245</u>	<u>29,529</u>	<u>35,998</u>	<u>118,115</u>	<u>143,243</u>
Total assets and deferred outflows	<u>\$9,551,823</u>	<u>\$9,316,835</u>	<u>\$10,409,995</u>	<u>\$9,437,555</u>	<u>\$19,961,818</u>	<u>\$18,754,390</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	\$ 169,682	\$ 161,449	\$ 514,743	\$ 117,371	\$ 684,425	\$ 278,820
Other liabilities	73,044	30,289	212,455	101,294	285,499	131,583
Deferred inflows of resources	<u>483</u>	<u>1,756</u>	<u>161</u>	<u>835</u>	<u>644</u>	<u>2,591</u>
Total liabilities and deferred inflows	<u>\$ 243,209</u>	<u>\$ 193,494</u>	<u>\$ 727,359</u>	<u>\$ 219,500</u>	<u>\$ 970,568</u>	<u>\$ 412,994</u>
<b>Net position:</b>						
Net investment in capital assets	\$2,379,008	\$2,666,036	\$ 5,055,453	\$4,713,867	\$ 7,434,461	\$ 7,379,903
Restricted	546,623	435,654	-	-	546,623	435,654
Unrestricted	<u>6,382,983</u>	<u>6,021,651</u>	<u>4,627,183</u>	<u>4,504,187</u>	<u>11,010,166</u>	<u>10,525,838</u>
Total net position	<u>\$9,308,614</u>	<u>\$9,123,341</u>	<u>\$ 9,682,636</u>	<u>\$9,218,054</u>	<u>\$18,991,250</u>	<u>\$18,341,395</u>

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 Sawmills exceeded liabilities by \$18,991,250 as of June 30, 2020. The Town's net position increased by \$649,855 for the fiscal year ended June 30, 2020. A large portion of net position (39%) 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 Sawmills uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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's net position (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,010,166 is unrestricted.

**Town of Sawmills  
Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 218,604	\$ 217,559	\$ 983,754	\$ 981,574	\$ 1,202,358	\$ 1,199,133
Operating grants and contributions	144,539	146,007	-	-	144,539	146,007
Capital grants and contributions	-	-	-	79,040	-	79,040
<b>General revenues:</b>						
Property taxes	526,101	515,865	-	-	526,101	515,865
Other taxes	1,265,388	1,208,835	-	-	1,265,388	1,208,835
Grants and contributions not restricted to specific programs	177,674	180,638	-	-	177,674	180,638
Other	<u>133,397</u>	<u>6,780</u>	<u>31,043</u>	<u>24,225</u>	<u>164,440</u>	<u>31,005</u>
<b>Total revenues</b>	<u>2,465,703</u>	<u>2,275,684</u>	<u>1,014,797</u>	<u>1,084,839</u>	<u>3,480,500</u>	<u>3,360,523</u>
<b>Expenses:</b>						
General government	740,621	631,614	-	-	740,621	631,614
Transportation	397,255	562,352	-	-	397,255	562,352
Environmental protection	309,827	253,190	-	-	309,827	253,190
Economic development	83,357	88,325	-	-	83,357	88,325
Culture and recreation	329,370	303,646	-	-	329,370	303,646
Water and sewer	-	-	<u>970,216</u>	<u>751,224</u>	<u>970,216</u>	<u>751,224</u>
<b>Total expenses</b>	<u>1,860,430</u>	<u>1,839,127</u>	<u>970,216</u>	<u>751,224</u>	<u>2,830,646</u>	<u>2,590,351</u>
Increase in net position before transfers	605,273	436,557	44,582	333,616	649,855	770,173
Transfers	<u>(420,000)</u>	<u>-</u>	<u>420,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Increase in net position</b>	<u>185,273</u>	<u>436,557</u>	<u>464,582</u>	<u>333,616</u>	<u>649,855</u>	<u>770,173</u>
<b>Net position - July 1</b>	<u>9,123,341</u>	<u>8,686,784</u>	<u>9,218,054</u>	<u>8,884,438</u>	<u>18,341,395</u>	<u>17,571,222</u>
<b>Net position - June 30</b>	<u>\$ 9,308,614</u>	<u>\$ 9,123,341</u>	<u>\$9,682,636</u>	<u>\$9,218,054</u>	<u>\$18,991,250</u>	<u>\$18,341,395</u>

**Governmental Activities** - Governmental activities increased the Town of Sawmills' net position by \$185,273. Key elements of this increase are as follows:

- The Town ended the year 24% under budget for the General Fund expenditures.
- Slight increase in property tax dollars and sales tax revenue.

**Business-type Activities** - Business-type activities increased the Town of Sawmills' net position by \$464,582.

**Financial Analysis of the Town of Sawmills' Funds**

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

**Governmental Funds** - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Sawmills' financing requirements. Specifically, the unassigned 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 Sawmills. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$6,026,180, while total fund balance reached \$6,572,803. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. The unassigned fund balance represents 251 percent of total General Fund expenditures.

At June 30, 2020, the governmental funds of the Town reported a fund balance of \$6,950,547, an 8 percent increase from last year.

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

**Proprietary Funds** - The Town of Sawmills' 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 \$4,627,183. The total growth in net position for the Water and Sewer Fund was \$464,582. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Sawmills' business-type activities.

#### **Capital Asset and Debt Administration**

**Capital Assets** - The Town of Sawmills' investment in capital assets for its governmental and business-type activities, as of June 30, 2020, totals \$7,893,268 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following items:

General Fund:

- New server and computers
- New ADA playground equipment installed at Baird Municipal Park

Utility Fund:

- Replaced waterlines on Mission Road and Russell Drive
- Installation of Automated Metering Infrastructure (AMI)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 225,239	\$ 225,239	\$ 5,436	\$ 5,436	\$ 230,675	\$ 230,675
Construction in process	-	-	887,977	-	887,977	-
Buildings	609,211	609,211	-	-	609,211	609,211
Improvements (other than buildings)	537,535	537,535	-	-	537,535	537,535
Machinery and equipment	408,130	408,130	191,753	191,753	599,883	599,883
Vehicles	615,349	1,341,962	100,169	100,169	715,518	1,442,131
Water distribution system	-	-	2,699,811	2,699,811	2,699,811	2,699,811
Sewer lines	-	-	4,430,369	4,430,369	4,430,369	4,430,369
Parks	3,065,896	2,907,513	-	-	3,065,896	2,907,513
Office equipment	47,650	47,650	-	-	47,650	47,650
<b>Total</b>	<b>5,509,010</b>	<b>6,077,240</b>	<b>8,315,515</b>	<b>7,427,538</b>	<b>13,824,525</b>	<b>13,504,778</b>
Accumulated depreciation	<u>(3,130,002)</u>	<u>(3,411,204)</u>	<u>(2,801,255)</u>	<u>(2,648,984)</u>	<u>(5,931,257)</u>	<u>(6,060,188)</u>
Capital assets, net	<u>\$ 2,379,008</u>	<u>\$ 2,666,036</u>	<u>\$ 5,514,260</u>	<u>\$ 4,778,554</u>	<u>\$ 7,893,268</u>	<u>\$ 7,444,590</u>

Additional information on the Town's capital assets can be found in Note III of this report.

**Long-Term Debt** - As of June 30, 2020, the Town of Sawmills had no bonded debt outstanding. The Town's debt of \$458,807 represents a loan for water line construction and a water meter replacement project. The Town's total debt increased by \$394,120 during the past year.

**Town of Sawmills' Outstanding Debt  
Outstanding Liabilities**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct placement notes payable	\$ -	\$ -	\$458,807	\$ 64,687	\$458,807	\$ 64,687
Compensated absences	32,658	32,809	10,261	9,804	42,919	42,613
Pension related debt (LGERS)	<u>137,024</u>	<u>128,640</u>	<u>45,675</u>	<u>42,880</u>	<u>182,699</u>	<u>171,520</u>
<b>Total</b>	<u>\$169,682</u>	<u>\$161,449</u>	<u>\$514,743</u>	<u>\$117,371</u>	<u>\$684,425</u>	<u>\$278,820</u>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Sawmills is \$19,737,273. The Town of Sawmills has no bonds authorized, but un-issued, as of June 30, 2020.

Additional information regarding the Town of Sawmills' long-term debt can be found in Note III of this report.

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

The Town of Sawmills' overall budget for FY 2020-2021 totals \$2,930,769, reflecting an overall decrease of \$993,489, or 25.32% from the previous FY. The vast majority of this decrease can be attributed to the Town placing a temporary hold on major capital projects and other various budgetary restrictions that were put in place due to the uncertainty that COVID-19 brings to the 2020-2021 FY.

The proposed budget includes:

- No tax increases;
- 2.5% increase in Water/Sewer rates;
- \$2.00 increase in sanitation fees;
- No appropriations from fund balance, despite drastic reductions in revenues due to COVID-19;
- maintains current levels of services to citizens

Below is a brief budgetary summary of the various funds for the Town:

#### **General Fund:**

The proposed ad valorem tax rate for FY 2020-2021 is to remain at \$.20 cents per \$100 valuation with a budgeted collection rate of 91.89%. Each penny of the Town's property tax rate generates approximately \$25,999 on 100% collection.

The General Fund currently remains debt free. The Town of Sawmills attempts to pay for capital outlay items from actual revenue sources, and/or reserves, rather than issuing bonds or borrowing funds and paying interest on debt. The Town will not need an appropriation of General Fund unrestricted reserves in order to balance the budget.

Anticipated State collected local revenues have been calculated utilizing data supplied by the North Carolina League of Municipalities and local economic data, along with trends seen among other cities and counties around the region as we attempt to best prepare for the uncertainty ahead.

Some highlights in the General Fund Departmental budgets include:

- maintaining employee benefits at current levels;
- 3% COLA and up to a 2% merit increase for employees;
- continued participation in the Caldwell County Sales Tax Reinvestment Program in the amount of \$194,000

General Fund revenues and expenditures are balanced at \$1,889,838. This amount represents a decrease of \$631,169, or 25.04%, from the previous 2019-2020 Fiscal Year Budget. The vast majority of this decrease can be attributed to budgetary restrictions implemented due to the uncertainty that COVID-19 brings to the 2020-2021 FY.

**Enterprise Fund:**

Due to the increased cost of service and the desire to maintain our infrastructure, the Town Council and staff annually review water and sewer rates. To ensure these reviews are unbiased and impartial, it is a good practice to conduct a water and sewer rate study every 5-7 years. In February of 2019, the NC Rural Water Association conducted a water and sewer rate study for the Town and the 20/21 FY recommended rate increase will be the first year of implementation of this study. This recommendation balances both the need to continue providing the highest quality of service possible, with the desire to provide the most economical cost to our customers.

In light of the need to maintain Enterprise Fund reserves to address anticipated system improvements, maintain solvency, and meet unanticipated emergencies, both the staff and the Town Council are urged to maintain adequate financial planning for the future. Therefore, it is recommended that the Town continue to follow the recommended 5-year plan set forth by the NC Rural Water Association in the 2019 rate study for the Town of Sawmills.

The NCRWA also highly recommended that the Town revise the current water rate structure. Representatives conducting the water rate study believed that it would be extremely difficult for the Town to secure grant funding in the future with the current format. This is an issue that will be addressed by the staff during the 20/21 FY and a recommendation made to Council that could ultimately impact the rate structure for the 21/22 FY.

During the 19/20 FY the Town established a CIP in the amount of \$1.2 million to replace failing water meters. To cover the cost of the meters, \$480,000 of this amount was transferred from fund balance, \$400,000 was paid through debt service to be repaid over 59 months at 2.5%, and the remaining \$320,000 was transferred from the utility fund.

Revenues for the Enterprise Fund for FY 2020-2021 are approximately \$1,040,931, reflecting a decrease of \$362,319, or 25.82%, from the 2019-2020 FY.

**Water Rates:**

Water Base Rate: \$21.12  
\$21.12 min charge per month up to 2,000 gal  
\$6.15 per 1,000 gal from 1,000 - 10,000 gal  
\$7.18 per 1,000 gal from 10,001 - 20,000 gal  
\$4.61 per 1,000 gal from 20,001 - 30,000 gal  
\$3.59 per 1,000 gals after 30,000 gal

**Sewer Rates:**

Sewer Base Rate: \$28.83  
\$28.83 min charge per month up to 2,000 gals  
\$7.79 per additional 1,000 gals

**Requests for Information**

This report is designed to provide an overview of the Town of Sawmills' 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 following:

Town Manager  
Town of Sawmills  
Highway 321-A  
Sawmills, N. C. 28630  
(828) 396-7903  
townofsawmills.com

**TOWN OF SAWMILLS, NORTH CAROLINA**

**Exhibit 1**

**Statement of Net Position  
June 30, 2020**

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 6,473,251	\$ 4,532,350	\$ 11,005,601
Restricted cash and cash equivalents	339,406	77,764	417,170
Taxes receivable, net	60,638	-	60,638
Accounts receivable, water (net)	-	118,347	118,347
Accounts receivable, other (net)	35,276	-	35,276
Due from other governmental agencies	175,658	54,940	230,598
Inventories	-	82,803	82,803
Total current assets	7,084,229	4,866,205	11,950,433
Noncurrent assets:			
Capital assets:			
Land, non-depreciable assets and construction in progress	225,239	893,413	1,118,652
Other capital assets, net of depreciation	2,153,769	4,620,847	6,774,616
Total capital assets	2,379,008	5,514,260	7,893,269
Total noncurrent assets	2,379,008	5,514,260	7,893,269
Total assets	\$ 9,463,237	\$ 10,380,466	\$ 19,843,703
<b><u>Deferred Outflows of Resources</u></b>			
Deferred outflows of resources-pension	\$ 88,586	\$ 29,529	\$ 118,115
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	73,044	134,691	207,735
Utility deposits	-	77,764	77,764
Long-term liabilities:			
Due within one year	-	82,056	82,056
Due in more than one year	169,682	432,687	602,369
Total liabilities	242,726	727,198	969,924
<b><u>Deferred Inflows of Resources</u></b>			
Pension deferrals	483	161	644
<b><u>Net Position</u></b>			
Net investment in capital assets	2,379,008	5,055,453	7,434,461
Restricted for stabilization by state statute	207,217	-	207,217
Restricted for streets	339,406	-	339,406
Unrestricted	6,382,983	4,627,183	11,010,166
Total net position	\$ 9,308,614	\$ 9,682,636	\$ 18,991,250

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

**TOWN OF SAWMILLS, NORTH CAROLINA**

Exhibit 2

**Statement of Activities  
For the Year Ended June 30, 2020**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Governmental activities:</b>							
General government	\$ 740,621	\$ -	\$ -	\$ -	\$ (740,621)	\$ -	\$ (740,621)
Transportation	397,255	-	144,539	-	(252,716)	-	(252,716)
Environmental protection	309,827	217,774	-	-	(92,053)	-	(92,053)
Cultural and recreational	329,370	-	-	-	(329,370)	-	(329,370)
Economic and physical development	83,357	830	-	-	(82,527)	-	(82,527)
<b>Total governmental activities</b>	<u>1,860,430</u>	<u>218,604</u>	<u>144,539</u>	<u>-</u>	<u>(1,497,287)</u>	<u>-</u>	<u>(1,497,287)</u>
<b>Business-type activities:</b>							
Water and sewer	970,216	983,754	-	-	-	13,539	13,539
<b>Total business-type activities</b>	<u>970,216</u>	<u>983,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,539</u>	<u>13,539</u>
<b>Total</b>	<u>\$ 2,830,646</u>	<u>\$ 1,202,358</u>	<u>\$ 144,539</u>	<u>\$ -</u>	<u>(1,497,287)</u>	<u>13,539</u>	<u>(1,483,748)</u>
<b>General revenues:</b>							
Ad valorem taxes					526,101	-	526,101
Local option sales tax					1,265,388	-	1,265,388
Unrestricted intergovernmental revenues					177,674	-	177,674
Unrestricted investment earnings					8,371	5,573	13,944
Miscellaneous					125,026	25,470	150,496
Transfers					(420,000)	420,000	-
<b>Total general revenues and transfers</b>					<u>1,682,560</u>	<u>451,043</u>	<u>2,133,603</u>
<b>Change in net position</b>					<u>185,273</u>	<u>464,582</u>	<u>649,855</u>
<b>Net position, beginning</b>					<u>9,123,341</u>	<u>9,218,054</u>	<u>18,341,395</u>
<b>Net position, ending</b>					<u>\$ 9,308,614</u>	<u>\$ 9,682,636</u>	<u>\$ 18,991,250</u>

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



**TOWN OF SAWMILLS, NORTH CAROLINA**

**Exhibit 3**

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

	<b>Major Fund</b>	<b>Non-Major Funds</b>		<b>Total Governmental Funds</b>
<b><u>Assets</u></b>	<b><u>General Fund</u></b>	<b><u>Covid Cares Fund</u></b>	<b><u>Capital Project Fund</u></b>	<b><u>Total Governmental Funds</u></b>
Cash and cash equivalents	\$ 6,099,251	\$ -	\$ 374,000	\$ 6,473,251
Restricted cash	339,406	-	-	339,406
Taxes receivable, net	60,638	-	-	60,638
Accounts receivable, other	35,276	-	-	35,276
Due from other governmental agencies	171,914	3,744	-	175,658
<b>Total assets</b>	<b>\$ 6,706,485</b>	<b>\$ 3,744</b>	<b>\$ 374,000</b>	<b>\$ 7,084,229</b>
<b><u>Liabilities, Deferred Inflows and Fund Balances</u></b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 73,044	\$ -	\$ -	\$ 73,044
<b>Total liabilities</b>	<b>73,044</b>	<b>-</b>	<b>-</b>	<b>73,044</b>
<b>Deferred inflows of resources:</b>				
Property taxes receivable	60,638	-	-	60,638
<b>Total deferred inflows of resources</b>	<b>60,638</b>	<b>-</b>	<b>-</b>	<b>60,638</b>
<b>Fund balances:</b>				
<b>Restricted:</b>				
Stabilization by state statute	207,217	-	-	207,217
Streets	339,406	-	-	339,406
<b>Assigned:</b>				
Environmental protection	-	-	374,000	374,000
Unassigned	6,026,180	3,744	-	6,029,924
<b>Total fund balances</b>	<b>6,572,803</b>	<b>3,744</b>	<b>374,000</b>	<b>6,950,547</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 6,706,485</b>	<b>\$ 3,744</b>	<b>\$ 374,000</b>	<b>\$ 7,084,229</b>

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

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**TOWN OF SAWMILLS, NORTH CAROLINA**

**Exhibit 4**

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2020**

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Total governmental fund balances	\$6,950,547
Amounts reported for governmental activities in the statement of net assets are different because:	
Net pension liability	(137,024)
Deferred outflows of resources related to the pensions are not reported in the funds	88,586
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,379,008
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore are not reported in the funds	(32,658)
Deferred inflows of resources related to the pensions are not reported in the funds	(483)
Liabilities for earned revenues considered deferred inflows of resources in fund statements	<u>60,638</u>
Net position of governmental activities	<u><u>\$9,308,614</u></u>

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

**TOWN OF SAWMILLS, NORTH CAROLINA**

Exhibit 5

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

	<u>Major Fund</u>	<u>Non-Major Funds</u>		
	<u>General Fund</u>	<u>Covid Cares Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 516,822	\$ -	\$ -	\$ 516,822
Local option sales taxes	1,265,388	-	-	1,265,388
Unrestricted intergovernmental revenues	177,674	-	-	177,674
Restricted intergovernmental revenues	144,539	36,297	-	180,836
Permits and fees	830	-	-	830
Sales and services	217,774	-	-	217,774
Investment earnings	8,371	-	-	8,371
Miscellaneous	286,978	-	-	286,979
Total revenues	<u>2,618,375</u>	<u>36,297</u>	<u>-</u>	<u>2,654,673</u>
<b>Expenditures:</b>				
Current:				
General government	660,045	34,100	-	694,145
Transportation	374,224	-	-	374,224
Environmental protection	273,195	-	-	273,195
Cultural and recreational	302,552	-	-	302,552
Economic and physical development	83,357	-	-	83,357
Total expenditures	<u>1,693,373</u>	<u>34,100</u>	<u>-</u>	<u>1,727,473</u>
Revenues over (under) expenditures	<u>925,002</u>	<u>2,197</u>	<u>-</u>	<u>927,201</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers - in	-	1,547	288,000	289,547
Operating transfers - out	(709,547)	-	-	(709,547)
Total other financing sources (uses)	<u>(709,547)</u>	<u>1,547</u>	<u>288,000</u>	<u>(420,000)</u>
Net change in fund balances	215,455	3,744	288,000	507,200
Fund balances, beginning of year	<u>6,357,348</u>	<u>-</u>	<u>86,000</u>	<u>6,443,348</u>
Fund balances, end of year	<u>\$ 6,572,803</u>	<u>\$ 3,744</u>	<u>\$ 374,000</u>	<u>\$ 6,950,547</u>

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

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**TOWN OF SAWMILLS, NORTH CAROLINA**

**Exhibit 6**

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

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

Net changes in fund balances - total governmental funds	\$ 507,200
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 depreciation exceeded capital outlay in the current period.	(141,438)
Disposal of capital assets reported on the statement of activities	(145,590)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	35,619
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	(9,279)
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.	
Pension expense	(61,390)
Compensated absences	<u>151</u>
Total changes in net position of governmental activities	<u>\$ 185,273</u>

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

**TOWN OF SAWMILLS, NORTH CAROLINA**

Exhibit 7

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 484,100	\$ 484,600	\$ 516,822	\$ 32,222
Local option sales taxes	1,063,000	1,085,000	1,265,388	180,388
Unrestricted intergovernmental revenues	203,358	175,000	177,674	2,674
Restricted intergovernmental revenues	142,000	142,000	144,539	2,539
Permits and fees	750	750	830	80
Sales and services	200,000	206,358	217,774	11,416
Investment earnings	4,100	4,100	8,371	4,271
Miscellaneous	3,700	291,200	286,978	(4,222)
Total revenues	<u>2,101,008</u>	<u>2,389,008</u>	<u>2,618,375</u>	<u>229,367</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	787,208	787,208	660,045	127,163
Transportation	528,400	528,400	374,224	154,176
Environmental protection	285,000	285,000	273,195	11,805
Cultural and recreational	376,550	376,550	302,552	73,998
Economic and physical development	123,850	123,850	83,357	40,493
Total expenditures	<u>2,101,008</u>	<u>2,101,008</u>	<u>1,693,373</u>	<u>407,635</u>
Revenues over (under) expenditures	<u>-</u>	<u>288,000</u>	<u>925,002</u>	<u>637,002</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	-	420,000	-	(420,000)
Operating transfers - in (out)	<u>-</u>	<u>(708,000)</u>	<u>(709,547)</u>	<u>(1,547)</u>
Total other financing sources (uses)	<u>-</u>	<u>(288,000)</u>	<u>(709,547)</u>	<u>(421,547)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	215,455	<u>\$ 215,455</u>
Fund balances, beginning of year			<u>6,357,348</u>	
Fund balances, end of year			<u>\$ 6,572,803</u>	

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

**TOWN OF SAWMILLS, NORTH CAROLINA**

**Exhibit 8**

**Statement of Net Position  
Proprietary Fund  
June 30, 2020**

	<b>Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b><u>Assets</u></b>	
Current assets:	
Cash and cash equivalents	\$ 4,532,350
Accounts receivable - water, net	118,347
Due from other governments	54,940
Restricted cash and cash equivalents	77,764
Inventories	82,803
Total current assets	4,866,204
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	893,413
Other capital assets, net of depreciation	4,620,847
Capital assets (net)	5,514,260
Total noncurrent assets	5,514,260
Total assets	\$ 10,380,465
<b><u>Deferred Outflows of Resources</u></b>	\$ 29,529
<b><u>Liabilities</u></b>	
Current liabilities:	
Accounts payable and accrued liabilities	134,691
Current portion of long-term obligations	82,056
Liabilities payable out of restricted assets:	
Utility deposits	77,764
Total current liabilities	294,511
Noncurrent liabilities:	
Compensated absences payable	10,261
Net pension liability	45,675
General obligation notes payable - noncurrent	376,751
Total noncurrent liabilities	432,686
Total liabilities	727,197
<b><u>Deferred Inflows of Resources</u></b>	
Pension deferrals	161
Net position:	
Net investment in capital assets	5,055,453
Unrestricted	4,627,183
Total net position	\$ 9,682,636

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

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**TOWN OF SAWMILLS, NORTH CAROLINA**

Exhibit 9

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

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	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 957,044
Taps and connections	6,867
Other operating revenues	19,843
Total operating revenues	<u>983,754</u>
<b>Operating Expenses:</b>	
Water distribution	634,953
Sewer collection	182,992
Depreciation	152,271
Total operating expenses	<u>970,216</u>
Operating income (loss)	<u>13,539</u>
<b>Nonoperating Revenues (Expenses):</b>	
Interest on investments	5,573
Other	25,470
Total nonoperating revenues (expenses)	<u>31,043</u>
Change in net position before transfers	44,582
Transfers in	<u>420,000</u>
Changes in net position	464,582
Net position, beginning of year	<u>9,218,054</u>
Net position, end of year	<u>\$ 9,682,636</u>

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

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TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 10  
Page 1 of 2

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2020

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	<u>Enterprise Fund</u> Water and Sewer <u>Fund</u>
<b>Cash Flows From Operating Activities:</b>	
Cash received from customers	\$ 971,296
Cash paid for goods and services	(676,812)
Cash paid to employees for services	(70,825)
Customer deposits received	<u>3,436</u>
Net cash provided (used) by operating activities	<u>227,095</u>
<b>Cash Flows From Capital Related Financing Activities:</b>	
Acquisition and construction of capital assets	(887,977)
Proceeds from disposition of fixed assets	400,000
Principal paid on general obligation notes payable	(5,880)
Other	25,470
Transfers in	<u>420,000</u>
Net cash provided (used) by capital and related financing activities	<u>(48,387)</u>
<b>Cash Flows From Investing Activities:</b>	
Interest on investments	<u>5,573</u>
Net increase (decrease) in cash and cash equivalents	184,281
Cash and cash equivalents - beginning of year	<u>4,425,833</u>
Cash and cash equivalents - end of year	<u>\$ 4,610,114</u>

cont.



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TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 10, cont.  
Page 2 of 2

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2020

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	<u>Enterprise Fund</u> Water and Sewer <u>Fund</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 13,539
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	152,271
Change in assets and liabilities:	
(Increase) decrease in receivables	(60,565)
Increase (decrease) in inventory	1,644
(Increase) decrease in deferred outflows of resources - pensions	6,469
Increase (decrease) in deferred inflows of resources - pensions	(674)
Increase (decrease) in net pension liability	2,795
Increase (decrease) in accounts payable and accrued expenses	107,723
Increase (decrease) in customer deposits	3,436
Increase (decrease) in compensated absences payable	457
Total adjustments	<u>213,556</u>
Net cash provided (used) by operating activities	<u>\$ 227,095</u>

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

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## TOWN OF SAWMILLS, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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#### I. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

The Town of Sawmills is a municipal corporation which is governed by an elected mayor and a five member council.

##### 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 are generally 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 expense 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, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

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## TOWN OF SAWMILLS, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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The Town reports the following major governmental fund:

General Fund - The General 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 and State-shared revenues. The primary expenditures are for street maintenance and construction, and sanitation services, and general governmental services.

The Town reports the following non-major governmental funds:

Capital Project Fund - This fund is used to account for capital project funds set aside by the Town.

COVID Cares Fund - This fund is used to account for Federal grant income and expenditures relating to the COVID-19 pandemic.

The Town reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations.

#### C. Measurement Focus and Basis of Accounting

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

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

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

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 water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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## TOWN OF SAWMILLS, NORTH CAROLINA

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### Notes to the Financial Statements For the Year Ended June 30, 2020

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

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue.

Sales taxes are considered a shared revenue for the Town of Sawmills because the tax is levied by Caldwell County and then remitted to, and distributed by, the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. Grant revenues which 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 are 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 the Capital Projects Funds. 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. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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.

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## TOWN OF SAWMILLS, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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

##### **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 as determined by quoted market prices. The securities of the NCCMT - Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

##### **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 (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

##### **Restricted Cash**

Powell Bill Funds are classified as restricted cash 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 164-41.4.

##### **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, 2017. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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## TOWN OF SAWMILLS, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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#### 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 was written off in prior years.

#### Inventory and Prepaid Items

The inventories of the Town are maintained for all enterprise fund (Water and Sewer Fund) supplies. They are valued at the lower of cost (first-in, first-out) or market. The cost of these inventories is expensed when consumed rather than when purchased.

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

#### Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired after July 1, 2003, consist of the road network and water and sewer system assets and are reported at cost. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets' lives, are not capitalized.

Capital assets are depreciated on a straight-line basis over the following useful lives to the cost of the assets:

	<u>Years</u>
General governmental infrastructure - roads	45
Water and sewer infrastructure	30-45
Buildings	45
Furniture and office equipment	7
Equipment and vehicles	5-7
Computers/software	3

#### Deferred Outflows/Inflows of Resources

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

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## TOWN OF SAWMILLS, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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#### **Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, 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 discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

The Town's long-term debt for water and sewer system improvements is carried within the Enterprise Fund. The debt service requirements for that debt are being met by service revenues, but the taxing power of the Town is pledged to make these payments if water and sewer revenues should ever be insufficient.

#### **Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

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## TOWN OF SAWMILLS, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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#### 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, or laws or regulations of other governments or imposed by law through State statute.

##### Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**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.

**Inventories** - the portion of the fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

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

**Committed Fund Balance** - the portion of the fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Sawmills' governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

**Subsequent Year's Expenditures** - the portion of the fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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



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## TOWN OF SAWMILLS, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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

#### **Defined Benefit Cost-Sharing Plan**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Sawmills' employer contributions are recognized when due, and the Town of Sawmills 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.

#### **F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **II. Stewardship, Compliance and Accountability**

None.

### **III. Detail Notes on All Funds**

#### **A. Assets**

##### **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 unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's 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

**TOWN OF SAWMILLS, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2020**

stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$11,348,796 and a bank balance of \$11,260,824. Of the bank balance, \$500,000 was covered by federal depository insurance and \$10,760,824 was covered by collateral held under the Pooling Method.

**Investments**

At June 30, 2020, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2019</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust - Cash Portfolio	Fair Value Level 1	\$73,975	N/A	AAAm
Total		<u>\$73,975</u>		

**Receivables - Allowances for Doubtful Accounts**

The receivables shown in Exhibit 1 at June 30, 2020 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 35,276	\$68,638	\$175,658	\$279,572
Allowance for doubtful accounts	-	(8,000)	-	(8,000)
Total - governmental activities	<u>\$ 35,276</u>	<u>\$60,638</u>	<u>\$175,658</u>	<u>\$271,572</u>
<b>Business-type Activities:</b>				
Water and sewer	\$120,847	\$ -	\$ -	\$120,847
Allowance for doubtful accounts	(2,500)	-	-	(2,500)
Total - business-type activities	<u>\$118,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$118,347</u>

**TOWN OF SAWMILLS, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2020**

Due from other governments consists of the following:

Local option sales tax	\$110,032
Utility franchise tax	40,731
Other	<u>24,895</u>
	<u>\$175,658</u>

**Capital Assets**

A summary of changes in the Town's governmental capital assets follows:

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	<u>\$ 225,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,239</u>
Capital assets being depreciated:				
Buildings	609,211	-	-	609,211
Improvements (other than buildings)	537,535	-	-	537,535
Machinery and equipment	408,130	-	-	408,130
Office equipment	47,650	-	-	47,650
Parks	2,907,513	158,383	-	3,065,896
Vehicles	<u>1,341,962</u>	<u>-</u>	<u>726,613</u>	<u>615,349</u>
Total capital assets being depreciated	<u>5,852,001</u>	<u>158,383</u>	<u>726,613</u>	<u>5,283,771</u>
Less accumulated depreciation for:				
Buildings	223,873	16,809	-	240,682
Other improvements	77,565	13,331	-	90,896
Machinery and equipment	294,038	34,986	-	329,024
Office equipment	72,311	16,834	-	89,145
Parks	1,680,698	175,189	-	1,855,887
Vehicles	<u>1,062,719</u>	<u>42,672</u>	<u>581,023</u>	<u>524,368</u>
Total accumulated depreciation	<u>3,411,204</u>	<u>\$299,821</u>	<u>\$581,023</u>	<u>3,130,002</u>
Total capital assets being depreciated, net	<u>2,440,798</u>			<u>2,153,769</u>
Governmental activity capital assets, net	<u>\$2,666,036</u>			<u>\$2,379,008</u>

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

<b>Governmental Activities:</b>	
General government	\$ 54,957
Environmental protection	36,632
Cultural and recreational	185,201
Transportation	<u>23,031</u>
Total depreciation expense	<u>\$299,821</u>

**TOWN OF SAWMILLS, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2020**

**Proprietary Capital Assets**

The capital assets of the Proprietary Fund of the Town at June 30, 2020 are as follows:

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
<b>Business-type Activities:</b>				
<b>Water and Sewer Fund:</b>				
Capital assets not being depreciated:				
Land	\$ 5,436	\$ -	\$ -	\$ 5,436
Construction in process	<u>-</u>	<u>887,977</u>	<u>-</u>	<u>887,977</u>
Total capital assets not being depreciated	<u>5,436</u>	<u>887,977</u>	<u>-</u>	<u>893,413</u>
Capital assets being depreciated:				
Water distribution system	2,699,811	-	-	2,699,811
Sewer lines	4,430,369	-	-	4,430,369
Equipment	191,753	-	-	191,753
Vehicles	<u>100,169</u>	<u>-</u>	<u>-</u>	<u>100,169</u>
Total capital assets being depreciated	<u>7,422,102</u>	<u>-</u>	<u>-</u>	<u>7,422,102</u>
Less accumulated depreciation for:				
Water distribution system	1,141,382	51,357	-	1,192,739
Sewer lines	1,235,776	89,412	-	1,325,188
Equipment	181,130	3,925	-	185,055
Vehicles	<u>90,696</u>	<u>7,577</u>	<u>-</u>	<u>98,273</u>
Total accumulated depreciation	<u>2,648,984</u>	<u>\$152,271</u>	<u>\$ -</u>	<u>2,801,255</u>
Total capital assets being depreciated, net	<u>4,773,118</u>			<u>4,620,847</u>
 Water and Sewer Fund capital assets, net	 <u>\$4,778,554</u>			 <u>\$5,514,260</u>

**B. Liabilities**

**Payables**

Payables at the government-wide level at June 30, 2020 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	<u>\$ 59,311</u>	<u>\$2,807</u>	<u>\$10,926</u>	<u>\$ 73,044</u>
Business-type activities:				
Water and sewer	<u>\$133,556</u>	<u>\$1,135</u>	<u>\$ -</u>	<u>\$134,691</u>

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## TOWN OF SAWMILLS, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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#### Pension Plan and Postemployment Obligations

##### Local Government Employees' Retirement System

*Plan Description.* The Town of Sawmills 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, and one appointed by the State House of Representatives and the State Treasurer and the 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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.

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## TOWN OF SAWMILLS, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Sawmills 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 Sawmills' contractually required contribution rate for the year ended June 30, 2020, was 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Sawmills were \$47,492 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 \$182,699 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, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension 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, 2019, the Town's proportion was 0.00669%, which was a decrease of 0.00054% from its proportion measured as of June 30, 2018.

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**TOWN OF SAWMILLS, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2020**

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For the year ended June 30, 2020, the Town recognized pension expense of \$81,799. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 31,283	\$ -
Change in assumptions	29,777	-
Net difference between projected and actual earnings on pension plan investments	4,456	-
Changes in proportion, and differences between, the Town contributions and proportionate share of contributions	5,107	644
Town contributions subsequent to the measurement date	<u>47,492</u>	<u>-</u>
Total	<u>\$118,115</u>	<u>\$ 644</u>

\$47,492, reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, will be recognized as an increase of the net pension asset in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2021	\$34,405
2022	11,905
2023	18,756
2024	<u>4,914</u>
	<u>\$69,980</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 percent, net of pension plan investment expense, including inflation

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## TOWN OF SAWMILLS, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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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 from January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	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	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.



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**TOWN OF SAWMILLS, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2020**

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*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 liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability 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:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	<u>\$417,865</u>	<u>\$182,699</u>	<u>\$(12,772)</u>

*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.

**Other Post-Employment Benefits**

The Town has not elected to provide other post-employment benefits to employees.

**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 (the Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service, and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000, or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

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**TOWN OF SAWMILLS, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2020**

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**Deferred Outflows and Inflows of Resources**

The Town has deferred outflows of resources comprised of the following:

Contributions to pension plan in current fiscal year	\$ 47,492
Differences between expected and actual experience	31,283
Change in assumptions	29,777
Net difference between projected and actual earning on pension investments	4,456
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>5,107</u>
Total	<u>\$118,115</u>

The balance in deferred inflows of resources at year end is as follows:

Differences between expected and actual experience	\$ -
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	644
Taxes receivables (General Fund)	<u>60,638</u>
Total	<u>\$61,282</u>

**Risk Management**

The Town of Sawmills is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance coverage for risks of loss, including property insurance of up to \$4,264,313; liability coverage of up to \$2,000,000; and worker's compensation up to the statutory limits. There have been no significant reductions in insurance coverage from the previous year, and settled claims resulting from risks have not exceeded coverage commercial insurance coverage in the last five fiscal years.

The Town does not carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

**TOWN OF SAWMILLS, NORTH CAROLINA**

**Notes to the Financial Statements  
For the Year Ended June 30, 2020**

**Long-Term Obligations**

**Notes Payable**

Notes payable at June 30, 2020 are comprised of the following individual agreements:

Federal revolving direct placement loan for waterline capital project, annual payments of \$5,881 with no interest, through May 2030, secured by waterline	\$ 58,807
Bank note payable for water meter replacement, annual payments of \$85,975, including interest at 2.45%, through November 2024, secured by equipment	<u>400,000</u>
	458,807
Less current maturities	<u>82,056</u>
Long term portion	<u>\$376,751</u>

Annual debt service requirements to maturity for the Town's notes payable are as follows:

	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 82,056	\$ 9,800
2022	83,922	7,934
2023	85,834	6,022
2024	87,793	4,063
2025	89,800	2,056
2026-2030	<u>29,402</u>	<u>-</u>
Total proprietary funds	<u>\$458,807</u>	<u>\$29,875</u>

A summary of changes in long-term obligations follows:

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Current Portion</u>
Governmental activities:					
Net pension liability	\$128,640	\$ 8,384	\$ -	\$137,024	\$ -
Accrued vacation pay	<u>32,809</u>	<u>-</u>	<u>151</u>	<u>32,658</u>	<u>-</u>
Total	<u>\$161,449</u>	<u>\$ 8,384</u>	<u>\$ 151</u>	<u>\$169,682</u>	<u>\$ -</u>
Business-type activities:					
Direct placement notes payable	\$ 64,687	\$400,000	\$5,880	\$458,807	\$82,056
Net pension liability	42,880	2,795	-	45,675	-
Accrued vacation pay	<u>9,804</u>	<u>457</u>	<u>-</u>	<u>10,261</u>	<u>-</u>
Total	<u>\$117,371</u>	<u>\$403,252</u>	<u>\$5,880</u>	<u>\$514,743</u>	<u>\$82,056</u>

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## TOWN OF SAWMILLS, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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Compensated absences typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2019 Town of Sawmills had a legal debt margin of \$19,737,273.

#### **Fund Balance**

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

Total fund balance-General Fund	\$ 6,572,803
Less:	
Stabilization by State Statute	207,217
Streets-Powell Bill	<u>339,406</u>
Remaining Fund Balance	<u>\$6,026,180</u>

The Town of Sawmills has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to, or greater than, 33% of budgeted expenditures.

#### **C. Interfund Transfers**

Transfers to/from other funds at June 30, 2020, consist of the following:

From the General Fund to the Water and Sewer Capital Projects Fund to fund water meter project \$420,000

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

#### **IV. Jointly Governed Organization**

The Town, in conjunction with four counties and twenty-three other municipalities, established the Western Piedmont Council of Governments (the Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$3,630 for membership fees during the fiscal year ended June 30, 2020.

#### **V. Summary Disclosure of Significant Contingencies**

##### **Federal and State Assisted Programs**

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

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## TOWN OF SAWMILLS, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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#### VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through October 5, 2020, the date on which the financial statements were available to be issued and concluded that the following subsequent event has occurred that would require recognition in the financial statements or disclosure in the financial statements:

#### COVID-19 Pandemic

The spread of the Coronavirus Disease (COVID-19) has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses and communities. As a result, domestic and international equity markets have experienced significant fluctuations. The impact on the Town of Sawmills, North Carolina is not reflected in the financial statements for the year ended June 30, 2020, since the full impact of COVID-19 is unknown and cannot be reasonably estimated as of October 5, 2020.

**TOWN OF SAWMILLS, NORTH CAROLINA**

Schedule 1

**Schedule of the Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Seven 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>
Sawmills' proportion of the net pension liability (asset) (%)	0.00695%	0.00723%	0.00695%	0.00704%	0.00734%	0.00844%	0.00790%
Sawmills' proportion of the net pension liability (asset) (\$)	\$ 182,699	\$ 171,520	\$ 106,177	\$ 149,412	\$ 32,941	\$ (49,775)	\$ 95,225
Sawmills' covered payroll	\$ 521,350	\$ 518,568	\$ 502,251	\$ 460,700	\$ 451,472	\$ 470,232	\$ 449,906
Sawmills' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.04%	33.26%	21.14%	32.43%	7.30%	(10.59%)	21.17%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.45%	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.

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TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 2

Schedule of Contributions  
Required Supplementary Information  
Last Seven Fiscal Years  
Local Government Employees' Retirement System

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 47,492	\$ 40,405	\$ 38,893	\$ 36,413	\$ 30,729	\$ 31,919	\$ 33,245
Contributions in relation to the contractually required contribution	<u>47,492</u>	<u>40,405</u>	<u>38,893</u>	<u>36,413</u>	<u>30,729</u>	<u>31,919</u>	<u>33,245</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 530,639</u>	<u>\$ 521,350</u>	<u>\$ 518,568</u>	<u>\$ 502,251</u>	<u>\$ 460,700</u>	<u>\$ 451,472</u>	<u>\$ 470,232</u>
Contributions as a percentage of covered-employee payroll	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

**TOWN OF SAWMILLS, NORTH CAROLINA**

Schedule 3  
Page 1 of 3

**General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2020  
With Comparative Actual Amounts For the Year Ended June 30, 2019**

	<u>2020</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2019 Actual</u>
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ 479,350	\$ 511,660		\$ 530,106
Penalties and interest	5,250	5,161		9,879
	<u>484,600</u>	<u>516,822</u>	\$ 32,222	<u>539,985</u>
Other taxes and licenses:				
Local option sales tax	<u>1,085,000</u>	<u>1,265,388</u>	<u>180,388</u>	<u>1,208,835</u>
Unrestricted intergovernmental revenues:				
Franchise tax	<u>175,000</u>	<u>177,674</u>	<u>2,674</u>	<u>180,638</u>
Restricted intergovernmental revenues:				
"State Street-Aid" allocation and other grants	<u>142,000</u>	<u>144,539</u>	<u>2,539</u>	<u>146,007</u>
Permits and fees:				
Zoning permits	<u>750</u>	<u>830</u>	<u>80</u>	<u>605</u>
Sales and services:				
Refuse collections	<u>206,358</u>	<u>217,774</u>	<u>11,416</u>	<u>216,954</u>
Investment earnings	<u>4,100</u>	<u>8,371</u>	<u>4,271</u>	<u>4,337</u>
Miscellaneous revenues	<u>291,200</u>	<u>286,978</u>	<u>(4,222)</u>	<u>2,442</u>
<b>Total revenues</b>	<u>2,389,008</u>	<u>2,618,375</u>	<u>229,367</u>	<u>2,299,803</u>
<b>Expenditures:</b>				
General government:				
Governing body:				
Salaries and employee benefits	15,350	13,887		14,587
Election cost	7,000	4,788		-
Other operating expenditures	<u>28,100</u>	<u>16,176</u>		<u>17,019</u>
<b>Total governing body</b>	<u>50,450</u>	<u>34,850</u>	<u>15,600</u>	<u>31,606</u>

cont.



**TOWN OF SAWMILLS, NORTH CAROLINA**

Schedule 3, cont.

Page 2 of 3

**General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2020  
With Comparative Actual Amounts For the Year Ended June 30, 2019**

	2019		Variance Positive (Negative)	2018 Actual
	Budget	Actual		
<b>Expenditures (continued):</b>				
Administrative:				
Salaries and employee benefits	\$ 198,500	\$ 190,390		\$ 177,564
Other operating expenditures	254,258	155,297		139,061
Interlocal agreement	194,000	194,000		194,000
Total administrative	<u>646,758</u>	<u>539,687</u>	\$ 107,071	<u>510,626</u>
Finance:				
Salaries and employee benefits	83,000	84,032		75,383
Other operating expenditures	7,000	1,476		2,299
Total finance	<u>90,000</u>	<u>85,508</u>	4,492	<u>77,682</u>
Total general government	<u>787,208</u>	<u>660,045</u>	127,163	<u>619,914</u>
Transportation:				
Salaries and employee benefits	327,000	263,422		220,534
Other operating expenditures	191,400	110,802		272,300
Capital outlay	10,000	-		42,633
Total transportation	<u>528,400</u>	<u>374,224</u>	154,176	<u>535,467</u>
Environmental protection:				
Sanitation:				
Salaries and employee benefits	-	-		71,150
Other operating expenditures	198,400	186,027		43,184
Capital outlay	-	-		69,419
Total sanitation	<u>198,400</u>	<u>186,027</u>	12,373	<u>183,753</u>
Recycling:				
Contracted services	86,600	87,168	(568)	66,535
Total environmental protection	<u>285,000</u>	<u>273,195</u>	11,805	<u>250,288</u>

cont.

**TOWN OF SAWMILLS, NORTH CAROLINA**

Schedule 3, cont.

Page 3 of 3

**General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2020  
With Comparative Actual Amounts For the Year Ended June 30, 2019**

	2020		Variance	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	2019
			<u>(Negative)</u>	<u>Actual</u>
<b>Expenditures (continued):</b>				
Economic and physical development:				
Planning and zoning:				
Other operating expenditures	\$ 123,850	\$ 83,357	\$ 40,493	\$ 88,325
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits	112,500	101,223		96,884
Other operating expenditures	<u>264,050</u>	<u>201,329</u>		<u>516,861</u>
Total cultural and recreational	<u>376,550</u>	<u>302,552</u>	<u>73,998</u>	<u>613,745</u>
 Total expenditures	 <u>2,101,008</u>	 <u>1,693,374</u>	 <u>407,634</u>	 <u>2,107,739</u>
 <b>Other Financing Sources (Uses):</b>				
Operating transfers in (out):				
Capital project fund	(420,000)	(420,000)	-	-
Covid cares fund	-	(1,547)	(1,547)	-
Capital reserve fund	(288,000)	(288,000)	-	-
Fund balance appropriated	<u>420,000</u>	<u>-</u>	<u>(420,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(288,000)</u>	<u>(709,547)</u>	<u>(421,547)</u>	<u>-</u>
 Excess of revenues and other sources over expenditures and other uses	 <u>\$ -</u>	 215,455	 <u>\$ 215,455</u>	 192,065
 Fund balance, beginning of year		 <u>6,357,348</u>		 <u>6,165,284</u>
 Fund balance, end of year		 <u>\$6,572,803</u>		 <u>\$ 6,357,348</u>

**TOWN OF SAWMILLS, NORTH CAROLINA**

Schedule 4

**Covid Cares Fund  
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) -  
Budget and Actual  
From Inception and For the Year Ended June 30, 2020**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Grants	\$ 36,500	\$ -	\$ 36,297	\$ 36,297	\$ 203
Total revenues	<u>36,500</u>	<u>-</u>	<u>36,297</u>	<u>36,297</u>	<u>203</u>
<b>Expenditures:</b>					
General government	<u>36,500</u>	<u>-</u>	<u>34,100</u>	<u>34,100</u>	<u>2,400</u>
Total expenditures	<u>36,500</u>	<u>-</u>	<u>34,100</u>	<u>34,100</u>	<u>2,400</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>2,197</u>	<u>2,197</u>	<u>2,197</u>
<b>Other Financing Sources (Uses):</b>					
Transfers	<u>-</u>	<u>-</u>	<u>1,547</u>	<u>1,547</u>	<u>1,547</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,547</u>	<u>1,547</u>	<u>1,547</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,744</u>	<u>\$ 3,744</u>	<u>\$ 3,744</u>

**TOWN OF SAWMILLS, NORTH CAROLINA**

Schedule 5

**Capital Project Fund**  
**Schedule of Revenues, Expenditures and Other Financing Sources (Uses) -**  
**Budget and Actual**  
**From Inception and For the Year Ended June 30, 2020**

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Year</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>					
<b>Expenditures:</b>					
Vehicle	\$ 408,000	\$ 60,000	\$ -	\$ 60,000	\$ 348,000
Total expenditures	<u>408,000</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>348,000</u>
Revenues over (under) expenditures	<u>(408,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>	<u>348,000</u>
<b>Other Financing Sources (Uses):</b>					
Transfers	<u>408,000</u>	<u>146,000</u>	<u>288,000</u>	<u>434,000</u>	<u>26,000</u>
Total other financing sources (uses)	<u>408,000</u>	<u>146,000</u>	<u>288,000</u>	<u>434,000</u>	<u>26,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 86,000</u>	<u>\$ 288,000</u>	<u>\$ 374,000</u>	<u>\$ 374,000</u>

**TOWN OF SAWMILLS, NORTH CAROLINA**

Schedule 6  
Page 1 of 2

**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2020**  
**With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Positive (Negative)	2019
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
Operating revenues:				
Charges for services		\$ 957,044		\$ 952,087
Taps and connections		6,867		6,000
Other operating revenues		<u>19,843</u>		<u>23,487</u>
Total operating revenues	\$ 878,500	<u>983,754</u>	\$ 105,254	<u>981,574</u>
Non-operating revenues:				
Interest on investments		5,573		2,987
Grant income		-		79,040
Other income		<u>25,470</u>		<u>21,238</u>
Total non-operating revenues	<u>109,000</u>	<u>31,043</u>	<u>(77,957)</u>	<u>103,266</u>
Total revenues	<u>987,500</u>	<u>1,014,798</u>	<u>27,298</u>	<u>1,084,839</u>
<b>Expenditures:</b>				
Water distribution:				
Water purchases		214,323		206,115
Salaries and employee benefits		98,595		81,777
Other operating expenditures		331,080		111,949
Capital outlay		38,660		81,989
Principal retirement		<u>5,881</u>		<u>5,881</u>
Total water distribution	1,166,500	<u>688,540</u>	477,960	<u>487,711</u>
Sewer collection:				
Sewer charges		105,393		106,054
Salaries and employee benefits		49,832		47,189
Other operating expenditures		27,768		42,222
Capital outlay		-		<u>26,837</u>
Account Description				
Total sewer collection	<u>235,750</u>	<u>182,992</u>	<u>52,758</u>	<u>222,303</u>
Total expenditures	<u>1,402,250</u>	<u>871,532</u>	<u>530,718</u>	<u>710,014</u>

cont.

**TOWN OF SAWMILLS, NORTH CAROLINA**

Schedule 6, cont.

Page 2 of 2

**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2020**  
**With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance	
	Budget	Actual	Positive (Negative)	2019 Actual
Revenues over (under) expenditures	\$ (414,750)	\$ 143,266	\$ 558,016	\$ 374,825
<b>Other Financing Sources:</b>				
Transfer from general fund	-	420,000	420,000	-
Appropriated net assets	414,750	-	(414,750)	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 563,266	\$ 563,266	\$ 374,825
<b>Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Revenues over (under) expenditures		\$ 563,266		\$ 374,825
Reconciling items:				
Payment on debt principal		5,881		5,881
Increase (decrease) in accrued compensated absences		456		717
(Increase) decrease in deferred outflows of resources - pensions		6,469		(13,425)
Increase (decrease) in net pension liability		2,795		16,336
Increase (decrease) in deferred inflows of resources - pensions		(674)		(702)
Capital outlay		38,660		108,826
Depreciation		(152,271)		(158,840)
Net income (loss)		\$ 464,582		\$ 333,618

**TOWN OF SAWMILLS, NORTH CAROLINA**

Schedule 7

**Schedule of Ad Valorem Taxes Receivable  
June 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019 - 2020	\$ -	\$ 524,902	\$ 508,004	\$ 16,898
2018 - 2019	18,611	-	8,352	10,259
2017 - 2018	17,564	-	9,731	7,833
2016 - 2017	8,119	-	2,539	5,580
2015 - 2016	5,744	-	749	4,995
2014 - 2015	4,597	-	989	3,608
2013 - 2014	5,582	-	687	4,895
2012 - 2013	6,139	-	368	5,771
2011 - 2012	5,561	-	198	5,363
2010 - 2011	3,992	-	556	3,436
2009 - 2010	2,008	-	2,008	-
	<u>\$ 77,917</u>	<u>\$ 524,902</u>	<u>\$ 534,181</u>	68,638
Less allowance for uncollectible accounts:				
General fund				<u>8,000</u>
Ad valorem taxes receivable - net				<u>\$ 60,638</u>
Reconcilement with revenues:				
Taxes - Ad Valorem, General				\$ 516,822
Penalties and interest collected				(5,161)
Collection fees				14,693
Discounts and miscellaneous adjustments				5,820
Amount written off				2,008
				<u>\$ 534,181</u>

**TOWN OF SAWMILLS, NORTH CAROLINA**

Schedule 8

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

	<u>Town Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxes at current year rate	\$ 262,451,000	0.20	\$ 524,902	\$ 449,323	\$ 75,579
Total	<u>262,451,000</u>		<u>524,902</u>	<u>449,323</u>	<u>75,579</u>
Discoveries	-		-	-	-
Abatements	-		-	-	-
Total property valuation	<u>\$ 262,451,000</u>				
Net levy			524,902	449,323	75,579
Uncollected taxes at June 30, 2020			<u>16,898</u>	<u>16,898</u>	-
Current year's tax collected			<u>\$ 508,004</u>	<u>\$ 432,425</u>	<u>\$ 75,579</u>
Current levy collection percentage			<u>96.78%</u>	<u>96.24%</u>	<u>100.00%</u>