

**Town of Sedalia
Sedalia, North Carolina
For the year ended
June 30, 2020**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

Governance

Howard J. Morgan, Mayor

Valerie M. Jones, Mayor Pro-Tem

Town Council

Ophelia F. Jones

Clarence A. Meachem

Shinita F. Wrenwick, Finance Director

Town Clerk

Camela P. Dungee

Town of Sedalia, North Carolina
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June 30, 2020

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EDDIE CARRICK, CPA, PC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To Honorable Mayor and Town Council
Town of Sedalia
Sedalia, 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 Sedalia, 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.

Auditor's 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 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 opinion.

Opinion

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 Sedalia, 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 of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 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 Sedalia, North Carolina's basic financial statements. The individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

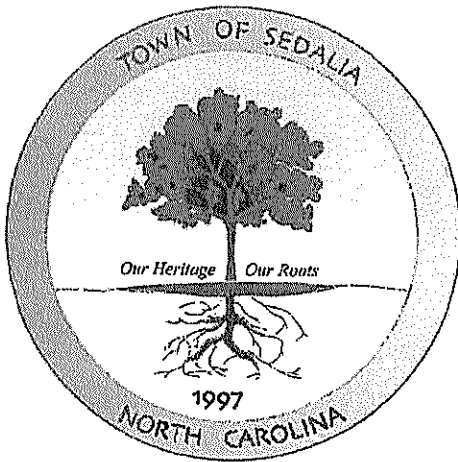
Emphasis of Matter

As discussed in Note IV to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Eddie Carrick CPA, PC

A handwritten signature in cursive script that reads "Eddie Carrick CPA, PC".

Lexington, North Carolina
May 6, 2021



TOWN OF SEDALIA

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P. O. Box C
Sedalia, NC 27342
Office: (336) 449-1132
Fax: (336) 245-1455 Fax

Mayor:
Howard Morgan

Council Members:
Valerie Jones, Mayor Pro Tem
Ophelia Jones
Clarence Meachem
Shinita Wrenwick, Finance Officer

Management's Discussion and Analysis

As management of the Town of Sedalia, we offer the readers of the Town of Sedalia's financial statements this narrative overview and analysis of the financial activities of the Town of Sedalia for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial highlights

- The assets of the Town of Sedalia exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$701,813 (net position).
- The Town's total net position increased by \$61,421 primarily due to increases in the governmental-type activities net position.
- As of the close of the current fiscal year, the Town of Sedalia's governmental fund reported combined ending fund balance of \$518,175 with a net increase of \$71,667 in fund balance. Approximately 22.60 percent of this total amount, or \$116,976, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$401,196, or 214 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as introduction to the Town of Sedalia's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. 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 Sedalia.

Basic Financial Statements

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

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town of Sedalia'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 of Sedalia's basic services such as public safety and general administration. Property taxes finance most of these activities. The business-type activities are those that municipalities generally charge fees for. In the case of the Town of Sedalia its purpose is to account for funds that are restricted as to use for water and sewer purposes.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Sedalia, 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 General Statutes or the Town's budget ordinance. All of the funds of the Town of Sedalia are reported under governmental funds. All of the funds of the Town of Sedalia 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* which provides a short term spending focus.

Management Discussion and Analysis
Town of Sedalia

As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Town of Sedalia adopts an annual budget for the 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 to obtain funds from identified sources to finance the 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 in 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 differences or variance between the final budget and 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 reporting activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Sedalia has only one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Sedalia uses enterprise funds to account for its water activity and operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

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.

Management Discussion and Analysis
Town of Sedalia

Town of Sedalia's Net Position (Figure 1)
June 30, 2020 and June 30, 2019

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Current and other assets	\$ 557,976	\$ 477,408	\$ 15,680	\$ 15,561	\$ 573,655	\$ 492,969
Capital assets	145,763	158,380	-	-	145,763	158,380
Total assets	<u>703,739</u>	<u>635,788</u>	<u>15,680</u>	<u>15,561</u>	<u>719,418</u>	<u>651,349</u>
Long-term Liabilities	-	-	-	-	-	-
Other Liabilities	17,609	10,956	-	-	17,609	10,956
Total liabilities	<u>17,609</u>	<u>10,956</u>	<u>-</u>	<u>-</u>	<u>17,609</u>	<u>10,956</u>
Net position:						
Net investment in						
capital assets	145,763	158,380	-	-	145,763	158,380
Restricted for:						
Stabilization by State Statute	18,513	18,607	-	-	18,513	18,607
Restricted net position for streets	96,556	82,390	-	-	96,556	82,390
Unrestricted	425,301	365,455	15,680	15,561	440,981	381,016
Total net position	<u>\$ 686,133</u>	<u>\$ 624,832</u>	<u>\$ 15,680</u>	<u>\$ 15,561</u>	<u>\$ 701,813</u>	<u>\$ 640,393</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 Sedalia exceeded liabilities and deferred inflows by \$701,813 as of June 30, 2020. The Town's net position increased by \$61,421 for the fiscal year ended June 30, 2020. However, the largest portion (21%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Sedalia uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Sedalia's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Sedalia's net position, \$115,069, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$440,981 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental assets:

- Conservative approach to spending by governance

Management Discussion and Analysis
Town of Sedalia

Town of Sedalia's Changes in Net Position (Figure 2)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ -	\$ 400	\$ -	\$ -	\$ -	\$ 400
Operating grants & contributions	-	-	-	-	-	-
General revenues:						
Property taxes	150,786	145,926	-	-	150,786	145,926
Sales & other taxes	47,103	46,118	-	-	47,103	46,118
Intergovernmental revenues	46,030	71,819	-	-	46,030	71,819
Investment earnings	2,489	3,078	119	148	2,608	3,226
Miscellaneous income	14,841	5,556	-	-	14,841	5,556
Total revenues	261,249	272,897	119	148	261,368	273,045
Expenses:						
General government	108,300	152,083	-	-	108,300	152,083
Streets & highways	15,969	20,337	-	-	15,969	20,337
Public safety	16,700	13,344	-	-	16,700	13,344
Environmental protection	53,262	47,212	-	-	53,262	47,212
Cultural and recreation	5,718	1,735	-	-	5,718	1,735
Debt Service	-	-	-	-	-	-
Total expenses	199,948	234,711	-	-	199,948	234,711
Increase (decrease)	61,302	38,186	119	148	61,421	38,334
Other sources (uses)	-	-	-	-	-	-
Net position July 1	624,832	586,646	15,561	15,413	640,393	602,059
Net position June 30	\$ 686,133	\$ 624,832	\$ 15,680	\$ 15,561	\$ 701,813	\$ 640,393

Governmental activities – Governmental activities increased the Town's net position by \$61,302, thereby accounting for 100% of the total increase in the net position of the Town of Sedalia. Town management has taken a conservative approach to spending. Town management acknowledges that 2020 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Business-type activities – Business-type activities increased the Town's net position by \$119.

Key elements of this increase are as follows:

- The Town received investment interest

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Sedalia's fund balance available in the General Fund was \$401,196, while total fund balance reached \$518,175. The Town currently has an available fund balance of 214% of general fund expenditures, while total fund balance represents 277% of the same amount.

At June 30, 2020, the governmental funds of the Town of Sedalia reported a combined fund balance of \$518,175 with a net increase in fund balance of \$71,667. Included in this change in fund balance is an increase in fund balance in the General Fund.

General Fund Budgetary Highlights: 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.

The town had several budget adjustments that were required during the current year.

Proprietary Funds. The Town of Sedalia's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$15,680. Total net position increased \$119, primarily due to investment earnings.

Management Discussion and Analysis
Town of Sedalia

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities and business-type activities as of June 30, 2020, totals \$145,763 (net of accumulated depreciation). These assets include buildings, land, infrastructure, and furniture and equipment.

The Town did not add any capital assets for the year.

Town of Sedalia's Capital Assets (net of depreciation) (Figure 3)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Land	\$ 18,926	\$ 18,926	\$ -	\$ -	\$ 18,926	\$ 18,926
Buildings	62,857	69,545	-	-	62,857	69,545
Furniture, fixtures and equipment	8,054	8,708	-	-	8,054	8,708
Infrastructure	55,926	61,201	-	-	55,926	61,201
Total	\$ 145,763	\$ 158,380	\$ -	\$ -	\$ 145,763	\$ 158,380

Additional information regarding the Town of Sedalia's capital assets can be found in Note III.A.3 of this report.

Long-term Debt

The Town has no outstanding debt at June 30, 2020.

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 Sedalia is \$3,953,949.

Management Discussion and Analysis
Town of Sedalia

Economic Factors and Next Year's Budgets and Rates

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

- The continued commercial and residential growth in the eastern part of Guilford County which includes the Town of Sedalia.
- The Town continues to receive Powell Bill funds which will provide the funding for additional street improvements.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities – General Fund

Property taxes and local sales tax proceeds are expected to lead the increase in budgeted revenue for the fiscal year ending June 30, 2021. The town will use these increases in revenues to finance programs currently in place.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Director of Finance, Town of Sedalia, Post Office Box C, Sedalia, NC 27342.

Town of Sedalia, North Carolina
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash & cash equivalents	\$ 418,808	\$ 15,680	\$ 434,488
Receivables (net):			
Taxes	22,195	-	22,195
Others	116	-	116
Due from other governments	18,395	-	18,395
Prepaid dues & subscriptions	1,907	-	1,907
Restricted cash & cash equivalents	96,556	-	96,556
Total Current Assets	<u>557,976</u>	<u>15,680</u>	<u>573,655</u>
Non-current assets:			
Capital assets:			
Land, improvements and construction in progress	18,926	-	18,926
Other Capital assets, net of accumulated depreciation	126,837	-	126,837
Total Capital assets	<u>145,763</u>	<u>-</u>	<u>145,763</u>
Total assets	<u>703,739</u>	<u>15,680</u>	<u>719,418</u>
LIABILITIES			
Current liabilities:			
Accounts payable	17,609	-	17,609
Due to other funds	-	-	-
Total current liabilities	<u>17,609</u>	<u>-</u>	<u>17,609</u>
Long-term liabilities:			
Due in more than one year	-	-	-
Total liabilities	<u>17,609</u>	<u>-</u>	<u>17,609</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	145,763	-	145,763
Restricted for:			
Stabilization by State Statute	18,513	-	18,513
Restricted net position for streets	96,556	-	96,556
Unrestricted net position	425,301	15,680	440,981
Total net position	<u>\$ 686,133</u>	<u>\$ 15,680</u>	<u>\$ 701,813</u>

The accompanying notes are an integral part of the financial statements

Town of Sedalia, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Programs Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 108,300	\$ -	\$ -	\$ -	\$ (108,300)	\$ -	\$ (108,300)
Streets & Highways	15,969	-	-	-	(15,969)	-	(15,969)
Public safety	16,700	-	-	-	(16,700)	-	(16,700)
Environmental protection	53,262	-	-	-	(53,262)	-	(53,262)
Cultural and recreation	5,718	-	-	-	(5,718)	-	(5,718)
Debt service	-	-	-	-	-	-	-
Total governmental activities	<u>199,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(199,948)</u>	<u>-</u>	<u>(199,948)</u>
Business-type activities:							
Water & sewer	-	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 199,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(199,948)</u>	<u>-</u>	<u>(199,948)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					150,786	-	150,786
Sales and other taxes					47,103	-	47,103
Intergovernmental revenues					46,030	-	46,030
Unrestricted investment earnings					2,489	119	2,608
Miscellaneous					14,841	-	14,841
Total general revenues and transfers					<u>261,250</u>	<u>119</u>	<u>261,369</u>
Change in net position					61,302	119	61,421
Net position beginning					<u>624,832</u>	<u>15,561</u>	<u>640,393</u>
Net position ending					<u>\$ 686,133</u>	<u>\$ 15,680</u>	<u>\$ 701,813</u>

The accompanying notes are an integral part of the financial statements

Town of Sedalia, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	Major Fund General	Non-Major Building Fund	Total Governmental Funds
Assets			
Cash & cash equivalents	\$ 418,808	\$ -	\$ 418,808
Restricted cash & cash equivalents	96,556	-	96,556
Receivables (net):			
Taxes	22,195	-	22,195
Other	116	-	116
Due from other funds	-	-	-
Due from other governments	18,395	-	18,395
Prepaid expenses	1,907	-	1,907
Total assets	<u>\$ 557,976</u>	<u>\$ -</u>	<u>\$ 557,976</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 17,609	\$ -	\$ 17,609
Due to other funds	-	-	-
Total liabilities	<u>17,609</u>	<u>-</u>	<u>17,609</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	22,195	-	22,195
Prepaid taxes	-	-	-
Total deferred inflows of resources	<u>22,195</u>	<u>-</u>	<u>22,195</u>
FUND BALANCES			
Non Spendable:			
Reserved for prepaids	1,907	-	1,907
Restricted:			
Restricted by state statute	18,513	-	18,513
Restricted for streets - Power Bill	96,556	-	96,556
Assigned:			
Designated for subsequent year's expenditures	-	-	-
Unassigned	401,196	-	401,196
Total fund balance	<u>518,175</u>	<u>-</u>	<u>518,175</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 557,976</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 145,763
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	22,195
Some liabilities, including compensated absences earned, are not due and payable in the current period and therefore are not reported in the funds	-
Net position of governmental activities	<u>\$ 686,133</u>

Town of Sedalia, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	Major Fund General	Non-Major Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 148,535	\$ -	\$ 148,535
Other taxes and licenses	47,103	-	47,103
Unrestricted intergovernmental revenues	31,873	-	31,873
Restricted intergovernmental revenues	14,158	-	14,158
Permit & fees	1,325	-	1,325
Investment earnings	2,489	-	2,489
Miscellaneous	13,516	-	13,516
Total revenues	<u>258,999</u>	<u>-</u>	<u>258,999</u>
Expenditures:			
General government	100,958	-	100,958
Streets & highways	10,695	-	10,695
Public safety	16,700	-	16,700
Environmental protection	53,262	-	53,262
Cultural and recreation	5,718	-	5,718
Debt service	-	-	-
Total expenditures	<u>187,332</u>	<u>-</u>	<u>187,332</u>
Revenues over (under) expenditures	71,667	-	71,667
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues & other sources over (under) expenditures & other sources	71,667	-	71,667
Fund balance - beginning of year	<u>446,508</u>	<u>-</u>	<u>446,508</u>
Fund balance - end of year	<u>\$ 518,175</u>	<u>\$ -</u>	<u>\$ 518,175</u>

The accompanying notes are an integral part of the financial statements

Town of Sedalia, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$ 71,667
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	-
Depreciation expense is recognized as an expense in the statement of activities	(12,616)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in unavailable revenue for tax revenues	2,251
Provision for reduction in uncollectible property taxes	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items	
Principal payments on long-term debt	-
	-
Total changes in net position of governmental activities	\$ 61,302

Town of Sedalia, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	Original	Final	Actual	Variance Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 140,700	\$ 140,700	\$ 148,535	\$ 7,835
Other taxes and licenses	42,200	42,200	47,103	4,903
Unrestricted intergovernmental revenues	30,400	30,400	31,873	1,473
Restricted intergovernmental revenues	15,300	15,300	14,158	(1,142)
Permit & fees	1,200	1,200	1,325	125
Investment earnings	480	480	2,489	2,009
Miscellaneous	2,100	2,100	13,516	11,416
Total revenues	<u>232,380</u>	<u>232,380</u>	<u>258,999</u>	<u>26,619</u>
Expenditures:				
General government	133,965	132,965	100,958	32,007
Streets & highways	22,500	13,500	10,695	2,805
Public safety	18,895	28,895	16,700	12,195
Environmental protection	56,500	56,500	53,262	3,238
Cultural & recreation	8,000	8,000	5,718	2,282
Contingency reserve	-	-	-	-
Debt Service	-	-	-	-
Total expenditures	<u>239,860</u>	<u>239,860</u>	<u>187,332</u>	<u>52,528</u>
Revenues over (under) expenditures	<u>(7,480)</u>	<u>(7,480)</u>	<u>71,667</u>	<u>79,147</u>
Other sources (uses)	-	-	-	-
Revenues and other financing sources over (under) expenditures	(7,480)	(7,480)	71,667	<u>\$ 71,667</u>
Fund balance appropriated	<u>7,480</u>	<u>7,480</u>		
	<u>\$ -</u>	<u>\$ -</u>		
Fund balance, beginning of year			<u>446,508</u>	
Fund balance, end of year			<u>\$ 518,175</u>	

The accompanying notes are an integral part of the financial statements

Town of Sedalia, North Carolina
Statement of Fund Net Position
Proprietary Fund Type - Water & Sewer Fund
June 30, 2020

	Water Fund
ASSETS	
Current Assets:	
Cash & cash equivalents	\$ 15,680
Accrued investment income	-
Accounts receivable (net)	-
Due from other funds	-
Prepaid insurance	-
Restricted cash & cash equivalents	-
Total Current Assets	15,680
Noncurrent Assets:	
Capital assets	-
Total noncurrent assets	-
Total assets	15,680
DEFERRED OUTFLOW OF RESOURCES	
Deferred charge on refunding	-
Total deferred outflows of resources	-
LIABILITIES	
Current liabilities:	
Accounts payable & accrued expenses	-
Total current liabilities	-
Noncurrent liabilities:	
Compensated absences	-
Total noncurrent liabilities	-
Total liabilities	-
NET POSITION	
Net investment in capital assets	-
Unrestricted	15,680
Total net position	15,680
Net position of business-type activities	\$ 15,680

The accompanying notes are an integral part of the financial statements

Town of Sedalia, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund Type - Enterprise Fund
For the Year Ended June 30, 2020

	Water & Sewer Fund
Nonoperating revenues(expenses):	
Investment earnings	\$ 119
Miscellaneous income	-
Check Supplies	-
	-
Total nonoperating revenues (expenses)	119
Net income (loss)	\$ 119
Total Net position beginning of year	15,561
Total Net position end of year	\$ 15,680

The accompanying notes are an integral part of the financial statements

Town of Sedalia, North Carolina
Statement of Cash Flows
Proprietary Fund Type - Enterprise Fund
For the Year Ended June 30, 2020

	Water & Sewer Fund
<u>Cash flows from operating activities:</u>	
Net Cash provided (Used) By Operating Activities	\$ -
<u>Cash flows from capital & related financing activities:</u>	
Contributed capital	-
Net Cash Used By Capital and Related Financing Activities	-
<u>Cash flows from investing activities:</u>	
Interest earnings	119
Net Cash Used By Capital and Related Financing Activities	119
Net Increase (Decrease) In Cash	119
Cash - Beginning of Year, July 1	15,561
Cash - End of Year, June 30	\$ 15,680

The accompanying notes are an integral part of the financial statements

Town of Sedalia, North Carolina

NOTES TO FINANCIAL STATEMENTS
As of or for the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Sedalia, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Description of Unit and Reporting entity

The Town of Sedalia was incorporated on August 28, 1997. It is located in the eastern part of Guilford County, North Carolina.

The governing body of the Town is the Town Council which has five (5) members. The Town Council is elected on a nonpartisan basis with results determined on a plurality basis. The Mayor is chosen by the Town Council.

Generally accepted accounting principles require that these financial statements present the primary government (i.e. the Town) and any component units. Component units are defined as legally separate organizations for which the elected officials of the Town are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete.

The Town of Sedalia has no component units as defined above.

B. Basis of presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and 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.

Notes to the Financial Statements (continued)

B. Basis of presentation (continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially the same values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in other funds. The primary revenue sources are local option sales taxes and ad valorem taxes. The primary expenditures are for general government and sanitation services.

The Town has no non-major governmental funds.

The Town reports the following major enterprise fund:

Water and Sewer Fund – Currently, the Water & Sewer Fund has no operating assets; however, maintenance of the Fund is necessary to properly account for the portion of the sales and use tax distribution that is restricted as to use. State statute restricts the use of a certain portion of the proceeds to water and sewer capital outlay purposes and/or retirement of debt incurred for those purposes.

The Town has given consideration to providing water and sewer services to its residents at some point in the future; therefore, the Town Council has decided not to request exemption from the sales tax restrictions.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses 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, including 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.

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 financial sources.

The Town considers all revenues available if they are collected within 90 days after year end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2015 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. 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 may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

As permitted by generally accepted accounting principles, the town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

Notes to the Financial Statements (continued)

D. Budgetary data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances, if applicable, are adopted for the Capital Projects Fund and the Enterprise Fund Capital Projects Funds. These appropriations continue until the project is completed. 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 object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the Town Council. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the Town Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The 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 with maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices

The Town does not have a formal investment or credit risk policy

The Town does not have a formal policy on custodial credit risk.

2. Cash and Cash Equivalents

The Town pools money from its 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. For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

Notes to the Financial Statements (continued)

3. Restricted Assets

The Powell Bill fund is classified as restricted cash because it can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4

Town of Sedalia's Restricted Cash

Governmental Activities			
General Fund	Powell Bill funds		\$ 96,556
Total governmental activities			96,556
Business-type Activities			
Water Fund	Customer deposits		-
Total Business-type Activities			-
Total Restricted Cash			\$ 96,556

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. The levy is based on the assessed valuation of property located in the Town as of January 1, 2019. 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. The Town has an arrangement with Guilford County for the billing and collecting of the Town's property taxes.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This account is estimated by analyzing the percentage of receivables that were written off in prior years and other relevant data.

6. Inventory and Prepaid Items

The Town's General Fund inventory consists of an immaterial amount of expendable supplies that are recorded as expenditures as purchased rather than when used.

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

Notes to the Financial Statements (continued)

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is currently \$200 for all types of assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life - Years</u>
Buildings	30
Infrastructure	10-15
Building improvements	6-15
Furniture and Equipment	6-10
Computer Equipment	5

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no item that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Any 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 premium or discount. Bond issuance cost, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

Notes to the Financial Statements (continued)

10. Compensated Absences

At June 30, 2020 the Town has two part-time employees. Therefore, there are no obligations for vacation or sick pay.

In the event there are obligations for compensated absences, an expense and a liability for the compensated absences and the salary-related payments would be recorded as the leave is earned.

11. Net Position/ Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted and unrestricted. Restricted net position represent 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.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Reserved for Prepaid Expenses – portion of fund balance that has been expended for the benefit of future periods.

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

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

Notes to the Financial Statements (continued)

11. Net Position/ Fund Balances (continued)

prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Sedalia's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Assigned fund balance – portion of fund balance that Town of Sedalia intends to use for specific purposes.

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

The Town of Sedalia has not adopted a minimum fund balance policy for the general fund.

F. Inter-fund Transactions

Inter-fund transactions are either for services provided or advance/transfers. Services that are equivalent in value are reported as revenues and expenditures/expenses. Reimbursements for costs incurred by one fund are charged to the end-user or beneficiary fund. Advances/transfers between funds are made for specific purposes as needed and can be designated as temporary or permanent. Transfers within governmental activities and business-type activities are eliminated upon consolidation.

G. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability:

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

There are no known violations of finance-related legal and contractual provisions at June 30, 2020.

B. Excess of Expenditures Over Appropriations

All Funds

Expenditures did not exceed appropriations at the departmental level for any of the Town's funds for the year ended June 30, 2020.

Notes to the Financial Statements (continued)

C. Deficit Fund Balance or Net Position of Individual Funds

There were no deficit fund balances or net assets in the individual funds as of June 30, 2020.

III. Detail Notes on All Funds:

A. Assets:

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town in the Town'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 in the Town's name. The amount of the pledged collateral is based on an approval 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. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists to undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2020, the Town's deposits had a carrying amount of \$530,944 and a bank balance of \$531,143. The bank balance was covered by \$250,000 of federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash totaled \$100.

The Town does not have a formal policy on custodial credit risk.

2. Receivable - Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 0
Enterprise Fund	<u>0</u>
Total	<u>\$ 0</u>

Notes to the Financial Statements (continued)

3. Capital assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,926	\$ -	\$ -	\$ 18,926
Total capital assets not being depreciated:	<u>18,926</u>	<u>-</u>	<u>-</u>	<u>18,926</u>
Capital assets being depreciated:				
Buildings	188,992			188,992
Furniture, fixtures, and equipment	23,441	-	-	23,441
Infrastructure	112,959			112,959
Total capital assets being depreciated:	<u>325,392</u>	<u>-</u>	<u>-</u>	<u>325,392</u>
Less, accumulated depreciation for:				
Buildings	119,447	6,688	-	126,135
Furniture, fixtures, and equipment	14,734	654	-	15,388
Infrastructure	51,758	5,274	-	57,032
Total accumulated depreciation	<u>185,939</u>	<u>12,616</u>	<u>-</u>	<u>198,555</u>
Total capital assets being depreciated, net	<u>139,453</u>			<u>126,837</u>
Governmental activity capital assets, net	<u><u>\$ 158,379</u></u>			<u><u>\$ 145,763</u></u>

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

General governments	\$ 7,342
Streets & Highways	<u>\$ 5,274</u>
Total depreciation expense	<u><u>\$ 12,616</u></u>

B. Liabilities:

1. Supplemental Retirement Plan :

The Town established a NC 457 supplemental retirement plan for one employee. The Town contributes each month an amount equal to five percent of the employee's salary, and all amounts contributed are vested immediately. The employee may also make voluntary contributions to the plan.

The Town made contributions of \$1,471 for the reporting year. No amounts were forfeited.

Notes to the Financial Statements (continued)

2. Deferred Outflows and Inflows of Resources

There were no deferred outflows of resources at year end.

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

	General Fund
Ad valorem taxes receivable, net	\$ 22,195
	<u>\$ 22,195</u>

3. Commitments

At June 30, 2020, the Town had no material contractual commitments other than for normal contracted services.

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years.

The Town has adopted a flood damage prevention ordinance and flood prone areas within the jurisdiction of the town have been identified. Flood insurance is available to the Town and its residents; however the Town has determined that coverage is not needed at the present time.

In accordance with G.S. 159-20, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$50,000 and the Tax Collector is bonded for \$10,000.

5. Claims and Judgments

At June 30, 2020, there were no pending or threatened litigation, claims or assessments against the Town.

6. Lease Obligations

The Town has no material long-term lease obligations.

Notes to the Financial Statements (continued)

7. Long-Term Debt

The Town has no long-term debt as of June 30, 2020

At June 30, 2020, the Town had no authorized but unissued bonds. The town has a legal debt margin of \$3,953,949.

C. Interfund Receivables and Payables/ Transfers

There were no interfund receivables or payables at June 30, 2020.

D. Fund Balance

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

<u>Total fund balance - General Fund</u>	\$ 518,175
Less:	
Reserved for Prepaid	1,907
Stabilization by State Statute	18,513
Reserved for streets - Powell Bill	96,556
Working Capital/Fund Balance Policy	<u>-</u>
Remaining Fund Balance	<u><u>\$ 401,196</u></u>

There are no outstanding encumbrances at year-end.

Notes to the Financial Statements (continued)

IV. Significant Effects of Subsequent Events

In preparing these financial statements, the Town of Sedalia has evaluated events for potential recognition or disclosure through May 6, 2021, the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Town and its ability to carry out its activities which could impact its financial results.

Town of Sedalia, North Carolina
General Fund
Statement 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>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
REVENUES:				
Ad valorem taxes				
Current year		\$ 135,918		\$ 136,397
Prior year		9,733		8,405
Penalties and interest, net		2,883		2,060
Total	<u>\$ 140,700</u>	<u>148,535</u>	<u>\$ 7,835</u>	<u>146,862</u>
Other taxes & licenses:				
Local option sales tax		47,103		46,118
Privilege licenses		-		-
	<u>42,200</u>	<u>47,103</u>	<u>4,903</u>	<u>46,118</u>
Unrestricted intergovernmental revenues:				
Utility franchise & excise tax		28,626		29,218
Beer & wine tax		2,761		2,783
Solid waste disposal tax		486		479
Total	<u>30,400</u>	<u>31,873</u>	<u>1,473</u>	<u>32,480</u>
Restricted intergovernmental revenues:				
Revitalization grant		-		25,000
Power Bill allocation		14,158		14,339
Total	<u>15,300</u>	<u>14,158</u>	<u>(1,142)</u>	<u>39,339</u>
Permits and fees	<u>1,200</u>	<u>1,325</u>	<u>125</u>	<u>400</u>
Sales and services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment earnings	<u>480</u>	<u>2,489</u>	<u>2,009</u>	<u>3,078</u>
Other revenues:				
ABC distributions		2,357		1,162
Sales tax refunds		579		692
Miscellaneous		10,580		3,703
Total	<u>2,100</u>	<u>13,516</u>	<u>11,416</u>	<u>5,557</u>
Total revenues	<u>232,380</u>	<u>258,999</u>	<u>26,619</u>	<u>273,834</u>

Town of Sedalia, North Carolina
General Fund
Statement 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>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
EXPENDITURES (continued):				
General Government:				
Governing body				
Salaries and wages		\$ 14,293		\$ 14,294
Payroll taxes		1,093		1,094
Travel & training		5,128		15,619
Contracted services- Board of elections		437		-
Insurance & bonds-general		975		975
Dues & subscriptions		325		1,325
Council retreat		-		-
Miscellaneous		-		380
Capital outlays		-		5,361
Total	<u>\$ 33,925</u>	<u>22,252</u>	<u>\$ 11,673</u>	<u>39,051</u>
Administration:				
Professional Services:				
Legal		7,306		5,911
Accounting		-		395
Salaries and wages-Town Clerk & assistant		35,797		36,370
Payroll taxes		2,855		2,880
Retirement benefit expense		1,471		711
Office supplies & expense		3,229		2,943
Travel and training		238		143
Telephone		861		567
Internet/broadband service		1,699		1,062
Website const. & maint.		485		1,245
Postage		916		172
Equipment rental -postal meter		644		837
Printing & copying		-		-
Maintenance & repairs - equipment		75		604
Equipment rental- copier		1,772		2,145
Legal advertising		276		364
Planning board & fees		814		1,351
Surveying and mapping		-		-
Calling Post Information service		240		220
Demolition of substandard housing		-		6,083
Insurance and bonds		1,232		2,508
Dues and subscriptions		1,452		1,394
Security monitoring		736		552
Miscellaneous		371		882
Capital outlay		-		2,298
Total	<u>69,180</u>	<u>62,467</u>	<u>6,713</u>	<u>71,637</u>

Town of Sedalia, North Carolina
General Fund
Statement 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>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
EXPENDITURES (continued):				
Finance:				
Professional Services:				
Audit		\$ -		\$ 7,100
Property tax billings/collections		738		1,993
Other accounting services		6,334		5,739
Travel & training		-		-
Office Supplies		191		173
Maint. & repair -equipment		-		-
Bank service charges		41		-
Insurance & bonds		100		100
Miscellaneous		-		(3)
Capital outlay		-		-
Total	<u>\$ 16,360</u>	<u>7,404</u>	<u>\$ 8,956</u>	<u>15,102</u>
Public buildings and works:				
Electricity		1,803		1,981
Fuel oil/gas		-		-
Water & sewer		-		-
Repairs & maintenance- buildings & grounds		5,790		22,132
Repairs & maintenance- equipment		-		197
Departmental supplies		674		129
Beautification committee		-		-
Insurance & bonds		250		298
Miscellaneous		318		253
Capital outlays		-		-
Total	<u>13,500</u>	<u>8,835</u>	<u>4,665</u>	<u>24,990</u>
Total General Government	<u>132,965</u>	<u>100,958</u>	<u>32,007</u>	<u>150,780</u>
Street & highway:				
Street lighting		10,691		11,998
Repairs & maintenance - patching holes		-		2,600
Engineering & surveying		-		-
Miscellaneous		4		-
Capital outlay - street improvements		-		-
Total street and highways	<u>13,500</u>	<u>10,695</u>	<u>2,805</u>	<u>14,598</u>

Town of Sedalia, North Carolina

General Fund

Statement 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>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
EXPENDITURES (continued):				
Public Safety:				
Contracted services- fire code inspections		\$ 512		\$ 113
Animal control		1,629		725
Contracted services- code enforcement		14,560		12,506
Capital outlays		-		3,095
Total public safety	<u>\$ 28,895</u>	<u>16,700</u>	<u>\$ 12,195</u>	<u>16,439</u>
Transportation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Environmental protection-sanitation:				
Trash pick-up	<u>56,500</u>	<u>53,262</u>	<u>3,238</u>	<u>47,212</u>
Cultural	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Recreational:				
Stedalia Founder's Day Celebration and other special events		4,348		1,735
Bike path development plan		300		-
Miscellaneous		1,070		-
Total Cultural & Recreational	<u>8,000</u>	<u>5,718</u>	<u>2,282</u>	<u>1,735</u>
Contingency reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:				
Principal retirement & interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>239,860</u>	 <u>187,332</u>	 <u>52,528</u>	 <u>230,764</u>
Excess of Revenues over (under) expenditures	<u>(7,480)</u>	<u>71,667</u>	<u>(79,147)</u>	<u>43,070</u>
Other Financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues & other Sources Over (Under) Expenditures & other uses	<u>(7,480)</u>	<u>71,667</u>	<u>(79,147)</u>	<u>43,070</u>
Fund Balance Appropriated	7,480	-	7,480	-
Fund balances - beginning of year		<u>446,508</u>		<u>403,438</u>
Fund balances - end of year		<u>\$ 518,175</u>		<u>\$ 446,508</u>

Town of Sedalia, North Carolina
Proprietary Fund Type - Water Fund
Schedule of Revenue 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)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
Revenues:				
Operating revenues		\$ -		\$ -
	\$ -	-	\$ -	-
Non-operating Revenues:				
Interest on investments	-	119	119	148
Total revenues	-	119	119	148
Expenditures:				
Check supplies		-		-
Bank service charges		-		-
Water feasibility study		-		-
Contingency reserve		-		-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	119	119	148
Other Financing Sources (uses)	-	-	-	-
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	-	<u>\$ 119</u>	<u>\$ 119</u>	<u>\$ 148</u>
Retained Earnings Appropriated	-	-	-	-
	<u>\$ -</u>			

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

	2020	2019
Excess Revenues and Other Sources Over (Under) Expenditures	\$ 119	\$ 148
Budgetary Appropriations	-	-
Change in net position	<u>\$ 119</u>	<u>\$ 148</u>

Town of Sedalia, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-20		\$ 144,102	\$ 135,918	\$ 8,184
2018-19	\$ 8,210	1,490	5,337	4,363
2017-18	4,513	-	2,084	2,429
2016-17	2,895	-	1,040	1,855
2015-16	2,286	-	815	1,471
2014-15	1,737	-	691	1,046
2013-14	303	-	(804)	1,107
2012-13	-	-	(729)	729
2011-12	-	-	(697)	697
2010-11	-	-	(314)	314
2009-10	-	-	-	-
	<u>\$ 19,944</u>	<u>\$ 1,490</u>	<u>\$ 143,341</u>	22,195

Less - allowance for doubtful Ad Valorem taxes receivable -

Ad Valorem taxes receivable (net) \$ 22,195

Reconciliation with revenues:

Ad Valorem Tax - General Fund	\$ 148,535
Other adjustments	<u>(5,194)</u>

Total Collections & Credits \$ 143,341

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

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current years rate	\$ 52,400,727	0.2750	\$ 144,102	\$ 130,227	\$ 13,875
Penalties	-		-	-	-
Total	<u>52,400,727</u>		<u>144,102</u>	<u>130,227</u>	<u>13,875</u>
Discoveries:	-	0.2750	-	-	-
Abatements	-	0.2750	-	-	-
Total property valuation	<u>\$ 52,400,727</u>				
Net levy			144,102	130,227	13,875
Uncollected taxes at June 30, 2020			<u>(8,184)</u>	<u>(8,184)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 135,918</u>	<u>\$ 122,043</u>	<u>\$ 13,875</u>
Percent current year collected			<u>94.32%</u>	<u>93.72%</u>	<u>100.00%</u>