

Town of Sharpsburg
Sharpsburg, North Carolina
Financial Statements
For The Year Ended June 30, 2020

Town of Sharpsburg, North Carolina

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MAYOR

Robert Williams

MAYOR PRO-TEM

David Pride

BOARD OF COMMISSIONERS

Pakaj Patel

Linda Virgil

Beverly Davis

Randall Collie

FINANCE OFFICER

Margaret Wiecek

TOWN ADMINISTRATOR

Stevie Cox

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Independent Auditor's Report

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

Report on the Financial Statements

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 Sharpsburg, 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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statement 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.

Opinions

In our opinion, 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 Sharpsburg, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the changes in Total Pension Liability and Total Pension Liability as a percentage of covered payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

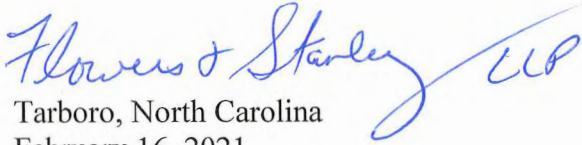
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Sharpsburg, North Carolina. The individual fund budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2021 on our consideration of the Town of Sharpsburg, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Sharpsburg's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Flowers & Stanley" followed by a stylized flourish.

Tarboro, North Carolina
February 16, 2021

Management's Discussion and Analysis
Town of Sharpsburg
June 30, 2020

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

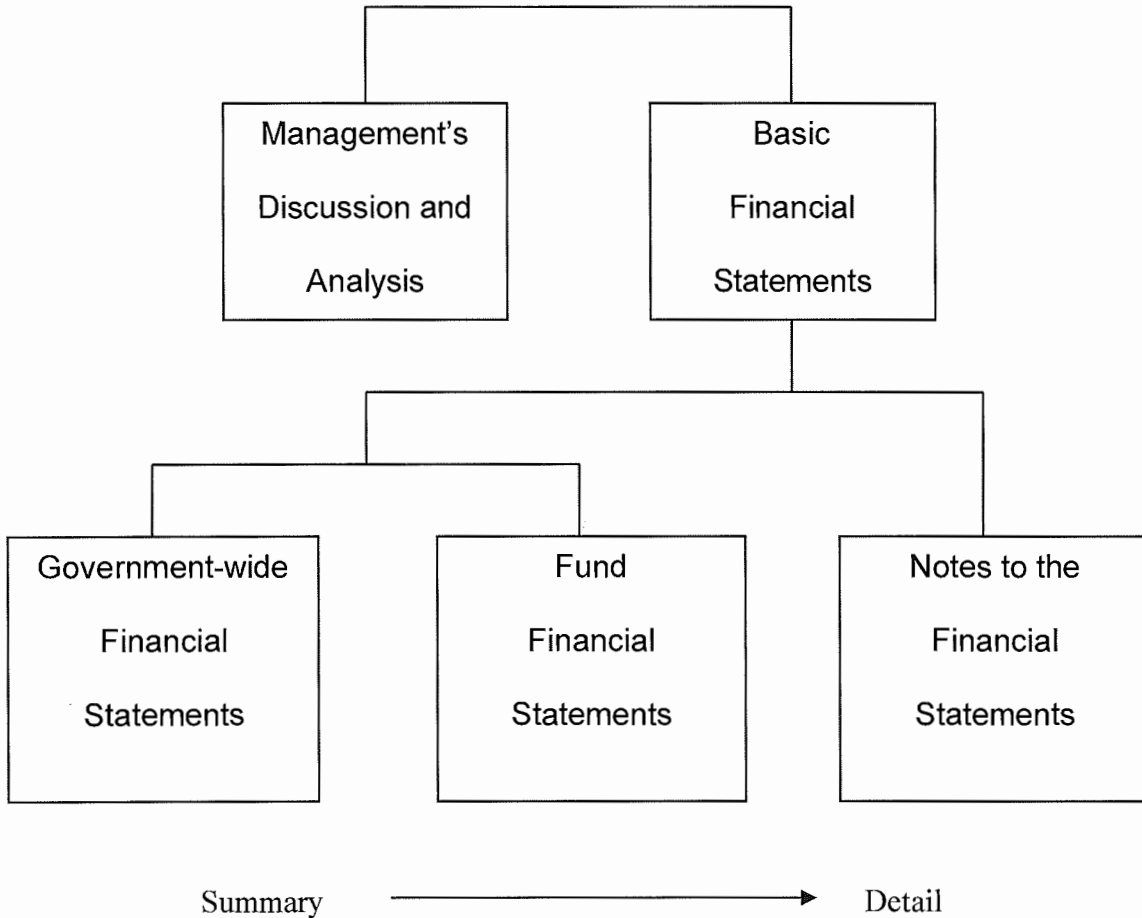
- The assets and deferred outflows of resources of the Town of Sharpsburg exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,829,553 (*net position*).
- The government's total net position increased by \$1,478,853.
- As of the close of the current fiscal year, the Town of Sharpsburg's governmental fund reported an ending fund balance of \$1,080,373 an increase of \$260,279 in comparison with the prior year. Approximately 30.8% percent of this total amount, or \$332,662, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$747,711 or 57.3 percent of total general fund expenditures for the fiscal year.
- The Town of Sharpsburg's total debt increased by \$327,470 (12.2%) during the current fiscal year.

Overview of the Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information for the Town also can be found in this section 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 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 functions such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those services for which the Town charges customers to provide. These include the water and sewer and electric services offered by the Town.

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

Fund Financial Statements

The fund financial statements (see figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Sharpsburg, 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 Town of Sharpsburg can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Management Discussion and Analysis
Town of Sharpsburg

The Town of Sharpsburg adopts an annual budget for its General fund, as is required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town of Sharpsburg, the management of the Town of Sharpsburg, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the Town has complied with the budget ordinance and whether or not the Town has 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.

Proprietary Funds – Town of Sharpsburg has two enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Sharpsburg uses enterprise funds to account for its water and sewer activity and for its electric 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 a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin immediately after exhibit 9.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Sharpsburg's progress in funding its obligation to provide pension benefits to its employees.

A Financial Analysis of the Town as a Whole

The Town of Sharpsburg's Net Position

Figure 2

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	2020	2019	2020	2019	2020	2019
Assets						
Current and						
other assets	\$ 1,261,483	\$ 1,028,824	\$ 4,002,102	\$ 3,894,131	\$ 5,263,585	\$ 4,922,955
Capital assets	500,940	530,596	9,921,391	8,388,955	10,422,331	8,919,551
Deferred outflows						
of resources	175,856	196,108	92,688	153,890	268,544	349,998
Total Assets and						
Deferred Outflows						
of Resources	\$ 1,938,279	\$ 1,755,528	\$ 14,016,181	\$ 12,436,976	\$ 15,954,460	\$ 14,192,504
Liabilities						
Current liabilities	\$ 113,658	\$ 143,829	\$ 565,379	\$ 639,839	\$ 679,037	\$ 783,668
Long-term liabilities						
outstanding	382,912	430,413	2,956,532	2,609,274	3,339,444	3,039,687
Deferred inflows						
of resources	96,560	11,987	9,866	6,462	106,426	18,449
Total Liabilities and						
Deferred Inflows						
of Resources	\$ 593,130	\$ 586,229	\$ 3,531,777	\$ 3,255,575	\$ 4,124,907	\$ 3,841,804
Net Position						
Net investment in						
capital assets	\$ 370,585	\$ 373,773	\$ 7,032,984	\$ 5,902,608	\$ 7,403,569	\$ 6,276,381
Restricted	334,820	375,750	15,514	28,831	350,334	404,581
Unrestricted	639,744	419,776	3,435,906	3,249,962	4,075,650	3,669,738
Total Net Position	\$ 1,345,149	\$ 1,169,299	\$ 10,484,404	\$ 9,181,401	\$ 11,829,553	\$ 10,350,700

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Sharpsburg exceeded liabilities by \$1,829,553 as of June 30, 2020. The Town of Sharpsburg's net position increased by \$1,478,853 for the fiscal year ended June 30, 2020. The largest portion of net position (62.6%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Sharpsburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Management Discussion and Analysis
Town of Sharpsburg

Although the Town of Sharpsburg's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Sharpsburg's net position \$350,334 (3.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,075,650 (34.5%) is unrestricted.

The Town of Sharpsburg's Changes Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 304,104	\$ 304,498	\$ 3,708,443	\$ 3,881,632	\$ 4,012,547	\$ 4,186,130
Operating Grants and Contributions	54,369	85,801	-	10,993	54,369	96,794
Capital Grants	19,080	-	1,310,908	500,000	1,329,988	500,000
General Revenues:						
Property taxes	375,109	384,475	-	-	375,109	384,475
Other taxes	-	-	-	-	-	-
Grants & contributions not restricted to specific programs	470,851	455,208	-	14,237	470,851	469,445
Other	2,703	860	13,065	-	15,768	860
Total Revenues	\$ 1,226,216	\$ 1,230,842	\$ 5,032,416	\$ 4,406,862	\$ 6,258,632	\$ 5,637,704
Expenses:						
General Government	\$ 237,498	\$ 218,155	\$ -	\$ -	\$ 237,498	\$ 218,155
Public Safety	580,537	547,558	-	-	580,537	547,558
Transportation/ Environmental Protection	503,365	471,361	-	-	503,365	471,361
Culture & Recreation	19,473	24,457	-	-	19,473	24,457
Interest on long-term debt	9,493	10,802	-	-	9,493	10,802
Water & Sewer	-	-	1,827,583	1,877,190	1,827,583	1,877,190
Electric	-	-	1,601,830	1,832,204	1,601,830	1,832,204
Other	-	-	-	-	-	-
Total Expenses	\$ 1,350,366	\$ 1,272,333	\$ 3,429,413	\$ 3,709,394	\$ 4,779,779	\$ 4,981,727
Increase (Decrease) in Net Position before Transfers	\$ (124,150)	\$ (41,491)	\$ 1,603,003	\$ 697,468	\$ 1,478,853	\$ 655,977
Transfers	300,000	195,000	(300,000)	(195,000)	-	-
Change in Net Position	\$ 175,850	\$ 153,509	\$ 1,303,003	\$ 502,468	\$ 1,478,853	\$ 655,977
Net Position, July 1	1,169,299	1,015,790	9,181,401	8,678,933	10,350,700	9,694,723
Net Position, June 30	\$ 1,345,149	\$ 1,169,299	\$ 10,484,404	\$ 9,181,401	\$ 11,829,553	\$ 10,350,700

Management Discussion and Analysis
Town of Sharpsburg

The Town's governmental activities increase in net position of \$175,850 represents a 15.0% increase from the prior year net position. The business-type activities increased in net position by \$1,303,003. The results indicate the Town, as a whole, increased its financial condition from the prior year by \$1,478,853.

Governmental activities

To aid in understanding the statement of activities, the following information may be helpful to readers and users. Firstly, one may take note that the format is significantly different than a typical statement of revenues, expenses and changes in fund balance. One may note that expenses are listed in the first column with revenues from that particular program reported to the right. The result is net revenue (expense). The reason for this format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important that one note all taxes are classified as general revenue, even if it is restricted for a specific purpose.

For the year ended June 30, 2020, the Town's governmental activities were funded as follows:

<u>Governmental Activities Sources</u>	
Taxes	24.6%
Grants/Contributions (Restricted)	4.8%
Grants/Contributions (Not Restricted)	30.9%
Charges for Services	19.9%
Interfund Transfers	19.6%
Investment Earnings	.2%

<u>Government Activities Uses</u>	
General Government	17.6%
Public Safety	43.0%
Transportation/Environmental Protection	37.3%
Cultural & Recreation	1.4%
Interest on Long-Term Debt	.7%

For the year ended June 30, 2020, total expenses for governmental activities amounted to \$1,350,366.

Governmental Activities

Governmental activities increased the Town's net position by \$175,850. The increase includes a transfer from the Electric Fund of \$300,000.

Business-type activities

Business-type activities increased the Town of Sharpsburg's net position by \$1,303,003. This amount includes capital grant receipts in the Water & Sewer and Electric Funds of \$1,310,908.

Financial Analysis of the Town's Funds

As the Town completed its 2020 fiscal year, the general fund reported a fund balance of \$1,080,373 or 31.7% increase from 2019. The combined proprietary funds reported a net position of \$10,484,404, or 14.2% increase from the prior year.

Governmental Funds. The focus of the Town of Sharpsburg'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 Sharpsburg's financing requirements. Specifically, the unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, fund balance available in the General Fund was \$747,711 while total fund balance increased to \$1,080,373. The Town currently has an unassigned fund balance of 57.3% of general fund expenditures, while total fund balance represents 82.8%. For the year ended June 30, 2020, the General Fund's total fund balance increased by \$260,279 or 31.7%

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

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric Fund and Water and Sewer Fund at the end of the fiscal year amounted to \$2,462,479 and \$973,427, respectively. The total change in net position for both funds was \$332,464 and \$970,539, respectively.

Capital Asset and Debt Administration

Capital assets. The Town of Sharpsburg’s investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$10,422,331 (net of accumulated depreciation). These assets include buildings, improvements, land, machinery and equipment, and vehicles. This represents an increase in net capital assets of \$1,502,780 or 16.8% from last year.

Town of Sharpsburg’s Capital Assets

**Figure 4
(net of depreciation)**

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 117,692	\$ 117,692	\$ 55,000	\$ 55,000	\$ 172,692	\$ 172,692
Construction in Progress	-	-	1,776,660	-	1,776,660	-
Buildings & systems	160,598	167,782	7,752,276	7,998,080	7,912,874	8,165,862
Machinery, equipment, and furniture	115,656	113,440	115,708	89,008	231,364	202,448
Vehicles	106,994	131,682	221,747	246,867	328,741	378,549
Net Capital Assets	\$ 500,940	\$ 530,596	\$ 9,921,391	\$ 8,388,955	\$ 10,422,331	\$ 8,919,551

Additional information on the Town’s capital assets and changes can be found in the Notes of the Financial Statements.

Long-term Debt.

As of June 30, 2020, the Town of Sharpsburg had total bonded debt outstanding of \$1,729,500. Of this, \$1,371,500 is backed by the full faith and credit of the Town. The remainder of the Town’s bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The Town also has additional debt in the form of installment debt, lease purchases, notes payable, and revolving loan debt with a balance outstanding of \$1,289,262. The Town’s change in long-term debt is as follows:

**Town of Sharpsburg's Outstanding Debt
General Obligation and Revenue Bonds and Installment Purchases**

Figure 5

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ -	\$ -	\$ 1,371,500	\$ 1,406,500	\$ 1,371,500	\$ 1,406,500
Installment purchases	130,355	156,823	67,485	92,424	197,840	249,247
Notes payable	-	-	116,420	121,423	116,420	121,423
Revenue bonds	-	-	358,000	366,000	358,000	366,000
Clean water revolving loan	-	-	475,330	500,000	475,330	500,000
State Reserve loan	-	-	499,672	-	499,672	-
Other	-	-	-	5,291	-	5,291
Total	\$ 130,355	\$ 156,823	\$ 2,888,407	\$ 2,491,638	\$ 3,018,762	\$ 2,648,461

Town of Sharpsburg's Outstanding Debt

The Town of Sharpsburg's total debt increased by \$370,305 or 14% from the past fiscal year. North Carolina general statutes limits 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 the government's boundaries.

Additional information regarding the Town of Sharpsburg's long-term debt can be found in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- Unemployment rates in the Tri-County area are shown below:
 - Edgecombe County – increased to 11.1%
 - Nash County – increased to 8.8%
 - Wilson County – increased to 8.6%
 - Statewide unadjusted Unemployment Rate for June 2019 was 7.5%.
- Tax rate remained at 55 cents per \$100 valuation.
- Moderately conservative revenue projections.
- Controlled spending projections.
- Water Sewer Rates remain unchanged from prior year.
- Electric Rates remain unchanged from the prior year.
- Maintain service levels.
- Fill vacant positions.
- Merit increases up to 5% were budgeted.
- Transfers to cover unallocated costs are budgeted from the Electric Fund to the General Fund

Requests for Information

This report is designed to provide a general overview of the Town's finances to show the Town's accountability for the money it receives. Questions concerning any of the information found in this report or requests for additional information should be directed to the Mayor or the Town Finance Officer; one may also call 252-446-9441; mailing address, PO Box 1759 Sharpsburg, NC 27878; or visit our website, www.sharpsburgnc.com.

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

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 816,423	\$ 2,340,172	\$ 3,156,595
Taxes receivable (net)	77,492	-	77,492
Accrued interest receivable on taxes	31,198	-	31,198
Accounts receivable (net)	159,501	1,247,920	1,407,421
Due from other governments	148,421	-	148,421
Inventories	-	90,429	90,429
Restricted cash and cash equivalents	28,448	292,366	320,814
Restricted accounts receivable	-	31,215	31,215
Total Current Assets	<u>\$ 1,261,483</u>	<u>\$ 4,002,102</u>	<u>\$ 5,263,585</u>
Noncurrent Assets:			
Capital Assets:			
Land, non-depreciable improvements, and construction in progress	\$ 117,692	\$ 1,831,660	\$ 1,949,352
Other capital assets, net of depreciation	383,248	8,089,731	8,472,979
Total Capital assets	<u>500,940</u>	<u>9,921,391</u>	<u>10,422,331</u>
Total Noncurrent Assets	<u>\$ 500,940</u>	<u>\$ 9,921,391</u>	<u>\$ 10,422,331</u>
Total Assets	<u>\$ 1,762,423</u>	<u>\$ 13,923,493</u>	<u>\$ 15,685,916</u>
Deferred Outflows of Resources			
Pension deferrals	<u>\$ 175,856</u>	<u>\$ 92,688</u>	<u>\$ 268,544</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 70,870	\$ 144,356	\$ 215,226
Current portion of long-term liabilities	41,238	112,956	154,194
Payable from restricted asset	1,550	308,067	309,617
Total Current Liabilities	<u>\$ 113,658</u>	<u>\$ 565,379</u>	<u>\$ 679,037</u>
Long-term Liabilities:			
Due in more than one year	103,810	2,800,427	2,904,237
Net pension liabilities	215,573	156,105	371,678
Total pension liabilities	<u>63,529</u>	<u>-</u>	<u>63,529</u>
Total Noncurrent Liabilities	<u>\$ 382,912</u>	<u>\$ 2,956,532</u>	<u>\$ 3,339,444</u>
Total Liabilities	<u>\$ 496,570</u>	<u>\$ 3,521,911</u>	<u>\$ 4,018,481</u>

(continued)

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

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

Exhibit 1

	Governmental Activities	Business-type Activities	Total
(continued)			
Deferred Inflows of Resources			
Pension deferrals	\$ 96,560	\$ 9,866	\$ 106,426
Net Position			
Net Investment in capital assets	\$ 370,585	\$ 7,032,984	\$ 7,403,569
Restricted for:			
Stabilization by State Statute	307,922	-	307,922
Streets - Powell Bill	25,600	-	25,600
Capital Projects	-	138	138
Pursuant to loan requirements	1,298	15,376	16,674
Unrestricted	639,744	3,435,906	4,075,650
Total Net Position	\$ 1,345,149	\$ 10,484,404	\$ 11,829,553

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

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

Exhibit 2

Functions/Programs	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	\$ 237,498	\$ 29,466	\$ -	\$ -	\$ (208,032)	\$ -	\$ (208,032)
Public Safety	580,537	-	-	19,080	(561,457)	-	(561,457)
Transportation/ Environmental Protection	503,365	274,638	54,369	-	(174,358)	-	(174,358)
Cultural and Recreation	19,473	-	-	-	(19,473)	-	(19,473)
Interest on long-term debt	9,493	-	-	-	(9,493)	-	(9,493)
Total Governmental Activities	<u>\$ 1,350,366</u>	<u>\$ 304,104</u>	<u>\$ 54,369</u>	<u>\$ 19,080</u>	<u>\$ (972,813)</u>	<u>\$ -</u>	<u>\$ (972,813)</u>
Business-type Activities:							
Water and Sewer	\$ 1,827,583	\$ 1,514,229	\$ -	\$ 1,276,988	\$ -	\$ 963,634	\$ 963,634
Electric	1,601,830	2,194,214	-	33,920	-	626,304	626,304
Total Business-type Activities	<u>\$ 3,429,413</u>	<u>\$ 3,708,443</u>	<u>\$ -</u>	<u>\$ 1,310,908</u>	<u>\$ -</u>	<u>\$ 1,589,938</u>	<u>\$ 1,589,938</u>
Total Primary Government	<u>\$ 4,779,779</u>	<u>\$ 4,012,547</u>	<u>\$ 54,369</u>	<u>\$ 1,329,988</u>	<u>\$ (972,813)</u>	<u>\$ 1,589,938</u>	<u>\$ 617,125</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					\$ 375,109	\$ -	\$ 375,109
Other taxes and licenses					-	-	-
Grants and contributions not restricted to specific programs					470,851	-	470,851
Unrestricted investment earnings					2,703	13,065	15,768
Total General Revenues not including transfers					<u>\$ 848,663</u>	<u>\$ 13,065</u>	<u>\$ 861,728</u>
Transfers					300,000	(300,000)	-
Total General Revenues and Transfers					<u>\$ 1,148,663</u>	<u>\$ (286,935)</u>	<u>\$ 861,728</u>
Change in Net Position					\$ 175,850	\$ 1,303,003	\$ 1,478,853
Net Position, beginning					1,169,299	9,181,401	10,350,700
Net Position, ending					<u>\$ 1,345,149</u>	<u>\$ 10,484,404</u>	<u>\$ 11,829,553</u>

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

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

Exhibit 3

**Major
Governmental
Fund**

General Fund

Assets:

Cash and cash equivalents	\$	816,423
Restricted cash		28,448
Receivables, net:		
Taxes		77,492
Accounts		159,501
Due from other governments		148,421
Total Assets	\$	<u>1,230,285</u>

Liabilities

Liabilities:

Accounts payable and accrued liabilities	\$	70,870
Accounts payable from restricted assets		1,550
Total Liabilities	\$	<u>72,420</u>

Deferred Inflows of Resources

Property taxes receivable	\$	<u>77,492</u>
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Fund Balances

Restricted:

Stabilization by State Statute	\$	305,764
Streets - Powell Bill		25,600
Pursuant to Loan Requirements		1,298
Unassigned		747,711
Total Fund Balances	\$	<u>1,080,373</u>

Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$	<u>1,230,285</u>
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(continued)

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

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

(continued)

Exhibit 3

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

Total Fund Balance, Governmental Funds	\$	1,080,373
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost		1,390,523
Accumulated depreciation		(889,583)
Pension related deferred outflows		175,856
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds.		
		31,198
Earned revenues considered deferred inflows or resources in fund statements		77,492
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Long-term debt included in net position (includes the addition of long-term debt and principal payments during the year).		(145,048)
Net pension liability		(215,573)
Total pension liability		(63,529)
Deferred inflows of resources related to pensions are not reported in the funds		(96,560)
Net Position of Governmental Activities	\$	1,345,149

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

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

Exhibit 4

	Major Fund
	General Fund
Revenues:	
Ad valorem taxes	\$ 380,060
Other taxes and licenses	-
Unrestricted intergovernmental	470,851
Restricted intergovernmental	73,449
Permits and fees	9,690
Sales and services	294,414
Investment earnings	2,703
Total Revenues	\$ 1,231,167
Expenditures:	
Current:	
General Government	\$ 213,406
Public Safety	583,437
Transportation and Environmental Protection	429,658
Cultural and Recreation	14,826
Debt Service:	
Principal	54,092
Interest and other charges	9,493
Total Expenditures	\$ 1,304,912
Excess (Deficiency) of Revenues Over Expenditures	\$ (73,745)
Other Financing Sources:	
Transfers from other funds	\$ 300,000
Loan Proceeds	6,400
Capital Lease Obligations	27,624
Transfers to other funds	-
Total Other Financing Sources	\$ 334,024
Net Change in Fund Balance	\$ 260,279
Fund Balances, beginning	820,094
Fund Balances, ending	\$ 1,080,373

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

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

Exhibit 5

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

Net change in fund balance - governmental funds	\$	260,279
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$	53,104	
Depreciation expense for governmental assets		(82,761)	(29,657)

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities			36,703
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Benefit payments paid for LEOSSA are not included in the Statement of Activities			13,268
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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	\$	(3,784)	
Decrease in accrued interest receivable		(1,167)	(4,951)

The issuance of long-term debt provided 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.

New long-term debt issued	\$	(34,024)	
Principal payments on long-term debt		54,092	20,068

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.

Change in compensated absences			(2,371)
Pension expense			(117,489)

Total Changes in Net Position of Governmental Activities	\$	175,850
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The notes to the financial statements are an integral part of this statement.

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

Exhibit 6

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 398,816	\$ 398,816	\$ 380,060	\$ (18,756)
Other taxes and licenses	800	800	-	(800)
Unrestricted intergovernmental	426,500	426,500	470,851	44,351
Restricted intergovernmental	55,000	55,000	73,449	18,449
Permits and fees	9,420	9,420	9,690	270
Sales and service	292,900	292,900	294,414	1,514
Investment earnings	2,000	2,000	2,703	703
Total Revenues	<u>\$ 1,185,436</u>	<u>\$ 1,185,436</u>	<u>\$ 1,231,167</u>	<u>\$ 45,731</u>
Expenditures:				
General Government	\$ 282,720	\$ 282,720	\$ 213,406	\$ 69,314
Public Safety	740,930	740,930	583,437	157,493
Transportation/ Environmental Protection	463,600	463,600	429,658	33,942
Cultural and Recreation	27,500	27,500	14,826	12,674
Debt Service	73,781	73,781	63,585	10,196
Total Expenditures	<u>\$ 1,588,531</u>	<u>\$ 1,588,531</u>	<u>\$ 1,304,912</u>	<u>\$ 283,619</u>
Revenues Over (Under) Expenditures	<u>\$ (403,095)</u>	<u>\$ (403,095)</u>	<u>\$ (73,745)</u>	<u>\$ 329,350</u>
Other Financing Sources (Uses):				
Transfers from other funds	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Debt Proceeds	-	-	34,024	34,024
Appropriated fund balance	103,095	103,095	-	(103,095)
Total Other Financing Sources (Uses)	<u>\$ 403,095</u>	<u>\$ 403,095</u>	<u>\$ 334,024</u>	<u>\$ (69,071)</u>
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,279</u>	<u>\$ 260,279</u>
Fund Balance, beginning of year, July 1			820,094	
Fund Balance, end of year, June 30			<u>\$ 1,080,373</u>	

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

Town of Sharpsburg, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

Exhibit 7

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,817,055	\$ 523,117	\$ 2,340,172
Accounts receivable - trade (net) - billed	412,283	356,564	768,847
Accounts receivable - trade (net) - unbilled	274,421	204,652	479,073
Inventory	56,207	34,222	90,429
Restricted Assets:			
Cash	192,490	99,876	292,366
Accounts receivable	-	31,215	31,215
Total Current Assets	<u>\$ 2,752,456</u>	<u>\$ 1,249,646</u>	<u>\$ 4,002,102</u>
Noncurrent Assets:			
Capital Assets:			
Land and other non-depreciable assets	\$ -	\$ 1,831,660	\$ 1,831,660
Other capital assets net of depreciation	757,740	7,331,991	8,089,731
Capital Assets (Net)	<u>\$ 757,740</u>	<u>\$ 9,163,651</u>	<u>\$ 9,921,391</u>
Total Noncurrent Assets	<u>\$ 757,740</u>	<u>\$ 9,163,651</u>	<u>\$ 9,921,391</u>
Total Assets	<u>\$ 3,510,196</u>	<u>\$ 10,413,297</u>	<u>\$ 13,923,493</u>
Deferred Outflows - Pension Deferrals	<u>\$ 30,896</u>	<u>\$ 61,792</u>	<u>\$ 92,688</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 65,257	\$ 79,099	\$ 144,356
Installment purchases payable - current	5,184	12,788	17,972
Revenue bonds - current	-	8,000	8,000
General obligation bonds payable - current	-	37,000	37,000
Capital Project Loans-current	-	49,984	49,984
Liabilities Payable from Restricted Assets:			
Accounts payable	-	31,215	31,215
Customer deposit	189,754	87,098	276,852
Total Current Liabilities	<u>\$ 260,195</u>	<u>\$ 305,184</u>	<u>\$ 565,379</u>

(continued)

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

Town of Sharpsburg, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

Exhibit 7

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Liabilities: (continued)			
Noncurrent Liabilities:			
Compensated absences	\$ 7,802	\$ 17,174	\$ 24,976
Other Noncurrent Liabilities:			
Installment purchases payable - noncurrent	111,236	54,697	165,933
Revenue bonds payable - noncurrent	-	350,000	350,000
General obligation bonds payable - noncurrent	-	1,334,500	1,334,500
Capital Project Loans-noncurrent	-	925,018	925,018
Net pension liabilities	52,035	104,070	156,105
Total Noncurrent Liabilities	\$ 171,073	\$ 2,785,459	\$ 2,956,532
 Total Liabilities	 \$ 431,268	 \$ 3,090,643	 \$ 3,521,911
 Deferred Inflows - Pension Deferrals	 \$ 3,289	 \$ 6,577	 \$ 9,866
Net Position			
Net investment in capital assets	\$ 641,320	\$ 6,391,664	\$ 7,032,984
Restricted for capital projects	-	138	138
Restricted pursuant to loan requirements	2,736	12,640	15,376
Unrestricted	2,462,479	973,427	3,435,906
Total Net Position	\$ 3,106,535	\$ 7,377,869	\$ 10,484,404

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

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

Exhibit 8

	Major Enterprise Funds		
	Electric Fund	Water & Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 2,169,402	\$ 1,484,999	\$ 3,654,401
Other operating revenues	24,812	29,230	54,042
Total Operating Revenues	<u>\$ 2,194,214</u>	<u>\$ 1,514,229</u>	<u>\$ 3,708,443</u>
Operating Expenses:			
Water and sewer operations	\$ -	\$ 1,489,635	\$ 1,489,635
Electric operations	1,481,356	-	1,481,356
Depreciation	116,406	267,070	383,476
Total Operating Expenses	<u>\$ 1,597,762</u>	<u>\$ 1,756,705</u>	<u>\$ 3,354,467</u>
Operating Income (Loss)	<u>\$ 596,452</u>	<u>\$ (242,476)</u>	<u>\$ 353,976</u>
Non-operating Revenues (Expenses):			
Investment earnings	\$ 6,160	\$ 6,905	\$ 13,065
Interest and other charges	(4,068)	(70,878)	(74,946)
Non-operating Revenues (Expenses):	<u>\$ 2,092</u>	<u>\$ (63,973)</u>	<u>\$ (61,881)</u>
Income (Loss) before Contributions and Transfers	\$ 598,544	\$ (306,449)	\$ 292,095
Capital contributions	33,920	1,276,988	1,310,908
Transfers from (to) other funds	<u>(300,000)</u>	<u>-</u>	<u>(300,000)</u>
Change in Net Position	\$ 332,464	\$ 970,539	\$ 1,303,003
Beginning Net Position	<u>2,774,071</u>	<u>6,407,330</u>	<u>9,181,401</u>
Total Net Position, ending	<u><u>\$ 3,106,535</u></u>	<u><u>\$ 7,377,869</u></u>	<u><u>\$ 10,484,404</u></u>

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

Town of Sharpsburg, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

Exhibit 9

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 2,189,227	\$ 1,470,076	\$ 3,659,303
Cash paid for goods and services	(1,245,702)	(1,249,621)	(2,495,323)
Cash paid to or on behalf of employees for services	(249,214)	(306,650)	(555,864)
Net customer deposits	13,287	11,166	24,453
Net Cash Provided (Used) By Operating Activities	\$ 707,598	\$ (75,029)	\$ 632,569
Cash Flows from Non-Capital Financing Activities:			
Transfers (to) from other funds	\$ (300,000)	\$ -	\$ (300,000)
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	\$ (62,037)	\$ (1,853,874)	\$ (1,915,911)
Principal paid on notes and bonds payable	(23,008)	(79,896)	(102,904)
Long-term debt proceeds	-	499,672	499,672
Interest paid on debt	(4,068)	(70,878)	(74,946)
Capital contributions	33,920	1,276,988	1,310,908
Net Cash Provided (Used) By Capital and Related Financing Activities	\$ (55,193)	\$ (227,988)	\$ (283,181)
Cash Flows from Investing Activities:			
Interest and dividends	\$ 6,160	\$ 6,905	\$ 13,065
Net Increase (Decrease) In Cash and Cash Equivalents	\$ 358,565	\$ (296,112)	\$ 62,453
Balances, beginning	1,650,980	919,105	2,570,085
Balances, ending	\$ 2,009,545	\$ 622,993	\$ 2,632,538

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

(continued)

Town of Sharpsburg, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

Exhibit 9

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
(continued)			
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 596,452	\$ (242,476)	\$ 353,976
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	\$ 116,406	\$ 267,070	\$ 383,476
Changes in Assets, Deferred Outflows of Resources, and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(4,987)	(44,153)	(49,140)
Inventories	2,099	1,523	3,622
Net pension assets	-	-	-
Deferred outflows of resources for pensions	30,660	30,542	61,202
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(18,904)	(89,731)	(108,635)
Customer deposits	13,287	11,166	24,453
Accrued leave	115	4,667	4,782
Deferred inflows of resources for pensions	705	2,699	3,404
Net pension liabilities	(28,235)	(16,336)	(44,571)
 Total Adjustments	 \$ 111,146	 \$ 167,447	 \$ 278,593
 Net Cash Provided by Operating Activities	 \$ 707,598	 \$ (75,029)	 \$ 632,569

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

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Sharpsburg 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 Sharpsburg is a municipal corporation that is governed by an elected mayor and a five-member board of commissioners.

B. Basis of Presentation

Government-wide Statements

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

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

Fund Financial Statements

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise funds:

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

Water and Sewer Capital Projects Fund. This fund is used to account for the Town's water system improvement capital project.

Electric Fund. This fund is used to account for the Town's electric operations.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements

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

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

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.

Governmental Fund Financial Statements

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

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

Town of Sharpsburg, North Carolina
Notes to the Financial Statements
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Sales taxes and certain intergovernmental revenues such as the beer and wine 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 Sharpsburg because the tax is levied by the County and 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. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. 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 Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund, which are consolidated with the operating funds 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 object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, there were amendments to the original budget. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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.

Town of Sharpsburg, North Carolina
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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 NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund is measured at fair value. The NCCMT-Term Portfolio bond fund has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with maturity of less than 6 months.

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

Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit is collected. Powell Bill funds are also restricted because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Sharpsburg Restricted Cash

Governmental Activities:	
General Fund: Streets - Powell Bill	\$ 27,150
USDA Loan Reserve Requirement	1,298
Total Governmental Activities	<u>\$ 28,448</u>
Business-type Activities:	
Electric Fund: Customer deposits	\$ 189,754
USDA Loan Reserve Requirement	2,736
Total Electric Fund	<u>\$ 192,490</u>
Water & Sewer Fund:	
Customer deposits	\$ 87,098
Capital Project funds	138
USDA Loan Reserve Requirement	12,640
Total Water & Sewer Fund	<u>\$ 99,876</u>
Total Business-type Activities	<u>\$ 292,366</u>
Total Restricted Cash	<u>\$ 320,814</u>

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

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, 2019.

Allowance for Doubtful Accounts

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

Inventory

The inventories of the Town's enterprise funds consist of materials and supplies held for consumption. The cost of these inventories is recorded as an expense as the inventories are consumed. The inventories of the Town are valued at cost (first-in, first-out), which approximates market value.

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 \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, have not been recorded as permitted by GASB Statement 34. 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 Lives</u>
Distribution Systems	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipments	3

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

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, pension deferrals for 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 pension deferrals.

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.

In fund financial statements, governmental fund types, the face amount of debt issued is reported as other financing sources.

Compensated Absences

The Town provides vacation pay as follows:

1 year of service	one week
2 years of service	two weeks
10 years of service	three weeks

All unused leave is accrued to the subsequent year. At June 30, 2020 compensated absences consist of \$39,669 of which \$14,693 is in the General Fund, \$17,174 is in the Water and Sewer Fund and \$7,802 is in the Electric Fund.

Net Position/Fund Balances

Net Position

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

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

Fund Balances

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

The governmental fund types classify fund balance as follows:

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally 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 any inventories and prepaids as they are classified as nonspendable.

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

Restricted Pursuant to Loan Requirements - portion of fund balance restricted per USDA loan agreements.

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

The Town has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct business of the Town in such a manner that available fund balance is at least 30% of projected expenditures. Unrestricted fund balance in excess of 30%, is available for general appropriations during the budget year as approved by the Town Board.

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

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

II. Stewardship, Compliance, and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

Contractual Provision

The Town is required to submit audited financial statements to the Local Government Commission by October 31 annually. Procedures should be established to ensure timely submission of audited financials in future years. Management agrees but believes personnel and financial constraints of small units and Covid related issues in the current year made timely compliance difficult, if not impossible. Management understands the need for timely financial data and will take steps to allow more timely filing.

Deficit Fund Balance or Net Position of Individual Funds

None

Excess of Expenditures over Appropriations

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 agent 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

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

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 agent in the Town's 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 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. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$3,325,371 and a bank balance of \$3,443,604. Of the bank balance, \$250,000 was covered by federal depository insurance and \$3,193,604 was collateralized under the Pooling Method. At June 30, 2020 the Town's petty cash fund totaled \$100.

Investments

At June 30, 2020, the Town of Sharpsburg had \$151,938 invested with the NC Capital Management Trust's (NCCMT) Government Portfolio, which carried a credit rating of AAA by Standard and Poor's. The Town has no policy regarding credit risk for investments.

Receivables - Allowance for Doubtful Accounts

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

Fund	June 30, 2020
General Fund-taxes receivable	\$ 8,610
Electric Fund	103,071
Water and Sewer Fund	86,704
Total	\$ 198,385

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

Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 117,692	\$ -	\$ -	\$ 117,692
Construction in progress	-	-	-	-
Total	<u>\$ 117,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,692</u>
Capital Assets Being Depreciated:				
Buildings and other improvements	\$ 319,760	\$ -	\$ -	\$ 319,760
Furniture and equipment	354,348	27,624	-	381,972
Vehicles	545,619	25,480	-	571,099
Total	<u>\$ 1,219,727</u>	<u>\$ 53,104</u>	<u>\$ -</u>	<u>\$ 1,272,831</u>
Less Accumulated Depreciation for:				
Buildings and other improvements	\$ 151,978	\$ 7,184	\$ -	\$ 159,162
Furniture and equipment	240,908	25,408	-	266,316
Vehicles	413,937	50,168	-	464,105
Total	<u>\$ 806,823</u>	<u>\$ 82,760</u>	<u>\$ -</u>	<u>\$ 889,583</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 412,904</u>			<u>\$ 383,248</u>
Governmental Activities Capital Assets, Net	<u>\$ 530,596</u>			<u>\$ 500,940</u>

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

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

General Government	\$ 6,541
Public Safety	23,559
Transportation	48,014
Cultural and Recreational	4,647
Total	<u>\$ 82,760</u>

Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Electric Fund:				
Capital Assets not Being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated:				
Plant and distribution systems	\$ 2,474,808	\$ -	\$ -	\$ 2,474,808
Maintenance equipment	56,185	16,517	-	72,702
Vehicles and equipment	629,890	45,520	-	675,410
Total	<u>\$ 3,160,883</u>	<u>\$ 62,037</u>	<u>\$ -</u>	<u>\$ 3,222,920</u>
Less Accumulated Depreciation for:				
Plant and distribution systems	\$ 1,820,969	\$ 73,951	\$ -	\$ 1,894,920
Maintenance equipment	55,854	655	-	56,509
Vehicles and equipment	471,951	41,800	-	513,751
Total	<u>\$ 2,348,774</u>	<u>\$ 116,406</u>	<u>\$ -</u>	<u>\$ 2,465,180</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 812,109</u>			<u>\$ 757,740</u>
Electric Fund Capital Assets, Net	<u>\$ 812,109</u>			<u>\$ 757,740</u>

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

Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities: (continued)				
Water and Sewer Fund:				
Capital Assets not				
Being Depreciated:				
Land	\$ 55,000	\$ -	\$ -	\$ 55,000
Construction in Progress	-	1,776,660	-	1,776,660
Total	<u>\$ 55,000</u>	<u>\$ 1,776,660</u>	<u>\$ -</u>	<u>\$ 1,831,660</u>
Capital Assets				
Being Depreciated:				
Plant and				
distribution systems	\$ 10,706,647	\$ 55,325	\$ -	\$ 10,761,972
Maintenance equipment	183,656	21,889	-	205,545
Vehicles and equipment	365,834	-	-	365,834
Total	<u>\$ 11,256,137</u>	<u>\$ 77,214</u>	<u>\$ -</u>	<u>\$ 11,333,351</u>
Less Accumulated				
Depreciation for:				
Plant and				
distribution systems	\$ 3,362,406	\$ 227,178	\$ -	\$ 3,589,584
Maintenance equipment	94,980	11,050	-	106,030
Vehicles and equipment	276,905	28,841	-	305,746
Total	<u>\$ 3,734,291</u>	<u>\$ 267,069</u>	<u>\$ -</u>	<u>\$ 4,001,360</u>
Total Capital Assets				
Being Depreciated, Net	<u>\$ 7,521,846</u>			<u>\$ 7,331,991</u>
Water & Sewer Fund				
Capital Assets, Net	<u>\$ 7,576,846</u>			<u>\$ 9,163,651</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 8,388,955</u>			<u>\$ 9,921,391</u>

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

III. B. Liabilities

1. Pension Plan and Postemployment Obligations

A. Local Governmental Employees' Retirement System

Plan Description

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

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 benefits increases. Increases are contingent upon actuarial gains of the plan.

Town of Sharpsburg, North Carolina
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For the Year Ended June 30, 2020

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 services as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Sharpsburg 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 Sharpsburg's contractually required contribution rate for the year ended June 30, 2020, was 9.7% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Sharpsburg were \$78,597 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.

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

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 \$371,678 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 asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.01361% which was a decrease of .00177% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$156,266. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,641	\$ -
Changes in assumptions	60,577	-
Net difference between projected and actual earnings on pension plan investments	9,066	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,805	23,490
Town contributions subsequent to the measurement date	78,597	-
Total	\$ 220,686	\$ 23,490

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

\$78,597 reported as deferred outflows of resources related to pensions resulting from Town contributions, subsequent to the measurement date, will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2021	\$ 61,941
2022	18,390
2023	33,260
2024	5,008
2025	-
Thereafter	-
	<u>\$ 118,599</u>

Actuarial Assumptions

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect mortality improvements.

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

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

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

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:

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

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

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.

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

Sensitivity of the Town's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.

The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 850,097	\$ 371,678	\$ (25,984)
	=====	=====	=====

Pension Plan Fiduciary Net Position

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

B. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Sharpsburg administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance.

At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>5</u>
Total	<u><u>6</u></u>

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

2. Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$3,927 as benefits came due for the reporting period.

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

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

At June 30, 2020, the Town reported a total pension liability of \$63,529. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$16,619.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and and actual experience	\$ 42,365	\$ 79,864
Changes in assumptions	5,493	3,072
Town benefit payments made subsequent to the measurement date	-	-
Total	\$ 47,858	\$ 82,936

\$3,927 paid as benefits came due subsequent to the measurement date and have been reported as deferred outflows of resources. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2021	\$ 4,417
2022	4,433
2023	(12,858)
2024	(15,658)
2025	(14,964)
Thereafter	(448)

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

Sensitivity of the Town's total pension liability to changes in the discount rate.

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

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 72,046	\$ 63,529	\$ 55,940
	=====	=====	=====

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2020
Beginning balance	\$ 145,818
Service cost	6,634
Interest on total pension liability	5,236
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	(93,221)
Changes of assumptions or other inputs	2,989
Benefit payments	(3,927)
Other changes	-
Ending balance of the total pension liability	\$ 63,529
	=====

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	TOTAL
Pension Expense	\$ 156,266	\$ 16,619	\$ 172,885
Pension Liability	371,678	63,529	435,207
Proportionate share of net pension liability	0.01361%	N/A	
Deferred OutFlows of Resources			
Differences between expected and actual experience	63,641	42,365	106,006
Changes of assumptions	60,577	5,493	66,070
Net difference between projected and actual earnings on plan investments	9,066	-	9,066
Changes in proportion and differences between contributions and proportionate share of contributions	8,805	-	8,805
Benefit payments and administrative costs paid subsequent to the measurement date	78,597	-	78,597
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	79,864	79,864
Changes of assumptions	-	3,072	3,072
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	23,490	-	23,490

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

5. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$13,268 for the reporting year. No amounts were forfeited.

6. Other Employment Benefits

The Town has elected to provide death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions.

For the fiscal year ended June 30, 2020, the Town made no contributions.

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

7. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

Contributions to pension plan in current fiscal year	\$ 78,597
Benefit payments made and Administrative expenses for LEOSSA	-
Differences between expected and actual experience	106,006
Changes in assumptions	66,070
Net difference between projected and actual	9,066
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,805
Charge on refunding	-
Total	<u>\$ 268,544</u> =====

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

	Statement Of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes Receivable, less penalties (General Fund)	-	77,492
Changes in assumptions	3,072	-
Differences between expected and actual experience	79,864	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,490	-
Total	<u>\$ 106,426</u> =====	<u>\$ 77,492</u> =====

8. 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's insurance is written with a local company, which provides the following types of major coverage for the amounts of retained risk noted: general liability - \$1,000,000 per occurrence; comprehensive coverage; auto liability - \$1,000,000 per occurrence; with an umbrella liability of \$1,000,000 each occurrence; worker's compensation coverage up to the statutory limits. The Commercial Property Coverage amount of \$4,618,380 with a \$1,000 deductible.

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

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

Flood coverage has been obtained in the amount of \$500,000 per occurrence. There is a \$50,000 deductible per occurrence and property located in flood zone A is excluded from the coverage.

The Finance Officer and Town Administrator are covered by \$250,000 fidelity bonds. The Town Clerk is covered by a \$100,000 Fidelity Bond, and all employees handling \$100 or more in cash are covered by \$75,000 public employee dishonesty bond.

9. Claims, Judgments, and Contingent Liabilities

At June 30, 2020 the Town was a defendant in various discrimination lawsuits. No monetary demands have been made. It is Management's opinion these legal matters will not have a material effect on the Town's financial position.

10. Long-Term Obligations

Electric Fund

On May 11, 2018, the Town borrowed from USDA Fund, used to purchase a Pole Truck for the Electric Fund. The agreement calls for 20 annual payments of \$9,114 including interest at 3.375%. The annual debt service payments as of June 30, 2020, including \$38,518, are as follows:

Year Ended June 30	Electric Fund	
	Principal	Interest
2021	\$ 5,184	\$ 3,930
2022	5,359	3,755
2023	5,540	3,575
2024	5,717	3,397
2025	5,940	3,174
2026-2030	33,656	11,914
2031-2035	37,412	8,108
2036-2039	17,612	665
Total	\$ 116,420	\$ 38,518

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

General Fund

In August 2018, the Town financed the purchase of a police vehicle in the amount of \$40,000 with the U.S. Department of Agriculture. The agreement matures in August 2024 and bears interest at 3.25% with annual payments including interest of \$6,482.

General Fund - Police Vehicles/Equipment			
Year Ended June 30	Principal	Interest	Total
2021	\$ 5,522	\$ 960	\$ 6,482
2022	5,704	778	6,482
2023	5,889	593	6,482
2024	6,081	401	6,482
2025	6,272	204	6,476
Total	<u>\$ 29,468</u>	<u>\$ 2,936</u>	<u>\$ 32,404</u>

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at present value of the future minimum lease payments as of the date of their inception.

An agreement was executed on November 17, 2015 to lease Graphics Equipment and requires 63 monthly payments of \$284.

An agreement was executed in 2017 for the lease of police radio equipment requiring 4 annual payments of \$13,439 including interest.

On February 14, 2018, the Town entered into an installment purchase/capital lease agreement with Daimler Truck Finance for the purchase of a dump truck for the Street Department. This agreement requires 7 annual payments of \$14,172 including interest beginning on February 14, 2019.

In August 2019, the Town entered into an installment purchase/capital lease agreement for the purchase of Police body cameras. This agreement called for annual payments of \$7,130 including interest.

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

The following is an analysis of assets recorded under capital lease at June 30, 2020:

	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 60,236	\$ 25,213	\$ 35,023
Vehicles	84,842	32,994	51,848
Total	<u>\$ 145,078</u>	<u>\$ 58,207</u>	<u>\$ 86,871</u>

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2020 are as follows:

Year Ended June 30	
2021	\$ 35,716
2022	18,988
2023	19,479
2024	13,035
2025	13,619
Present Value of Minimum Lease Payments	<u>\$ 100,837</u>

Water and Sewer Fund

State Revolving Loan

On November 10, 2018 the Town borrowed \$1,000,000 0% promissory note from the State Revolving Loan Fund. The State forgave principal indebtedness of \$500,000 leaving a \$500,000 promissory note balance payable over 20 years at \$25,000 per year. The note is payable as follows:

Drinking Water Revolving Loan	
Year Ended June 30	
2021	\$ 25,000
2022	25,000
2023	25,000
2024	25,000
2025	25,000
2026-2030	125,000
2031-2035	125,000
2036-2039	100,330
Total	<u>\$ 475,330</u>

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

Installment Purchase

The Town entered into an installment purchase agreement for the purchase of a Backhoe for the Water & Sewer Department. This agreement requires 7 annual payments of \$16,008 including interest @ 4.5%. Required payments are as follows:

Installment Purchase			
Year Ended June 30	Principal	Interest	Total
2021	\$ 12,788	\$ 3,220	\$ 16,008
2022	13,376	2,633	16,009
2023	13,990	2,018	16,008
2024	14,690	1,318	16,008
2025	12,641	760	13,401
Total	\$ 67,485	\$ 9,949	\$ 77,434

Revenue Bonds

On May 9, 2012, the Town issued \$412,000 in bonds to retire loans used to fund planned capital projects. The balance owed on the bonds is \$374,000 at June 30, 2020. The bonds bear interest at 2.00% for 40 years.

Water & Sewer Fund - Wastewater Project			
Year Ended June 30	Principal	Interest	Total
2021	\$ 8,000	\$ 7,160	15,160
2022	9,000	7,000	16,000
2023	9,000	6,820	15,820
2024	9,000	6,640	15,640
2025	9,000	6,460	15,460
2026 - 2030	48,000	29,540	77,540
2031 - 2035	53,000	24,540	77,540
2036 - 2040	59,000	18,980	77,980
2041 - 2045	66,000	12,800	78,800
2046 - 2050	72,000	5,980	77,980
2051 - 2054	16,000	320	16,320
Total	\$ 358,000	\$ 126,240	\$ 484,240

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

Revenue Bond Covenants

The Revenue Bond loan coverage requires that net revenues be a minimum 110% of the debt service requirement for the next fiscal year. The Town is in compliance with the Revenue Bond Covenant. The debt service coverage ratio at June 30, 2020 is as follows:

Operating revenues	\$ 1,514,229
Operating expenses *	<u>1,489,635</u>
Operating income	\$ 24,594
Non-operating revenues (expenses) **	<u>3,905</u>
Income available for debt service	<u>\$ 28,499</u>
Debt Service, principal and interest paid (Revenue Bond)	<u>\$ 15,160</u>
Debt Service coverage ratio	<u>188%</u>

* Depreciation of \$267,070 is excluded.

** Interest paid of \$70,878 is excluded.

The Town has pledged future water and sewer revenues, net of specified operating expenses to pay the revenue bonds issued in August 2012. Proceeds from the revenue bonds were used to retire a note payable used for water and sewer systems improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2051. The total principal and interest remaining to be paid on the bonds is \$484,240.

General Obligation Indebtedness

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

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

Serviced by the Water and Sewer Fund:

\$1,775,000 - Water and sewer bonds issued on
August 5, 2003, due in varying annual
Installments through June 1, 2043; interest at 4.25%

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

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30	Business-type Activities		
	Principal	Interest	Total
2021	37,000	58,289	95,289
2022	39,000	56,716	95,716
2023	40,000	55,059	95,059
2024	42,000	53,359	95,359
2025	44,000	51,574	95,574
2026 - 2030	250,000	228,119	478,119
2031 - 2035	305,500	170,510	476,010
2036 - 2040	374,000	99,875	473,875
2041 - 2044	240,000	10,302	250,302
Total	\$ 1,371,500	\$ 783,803	\$ 2,155,303

NC Connect Bond – State Reserve Loan

On March 24, 2020, the Town borrowed \$499,672 0% State Reserve Loan to help finance a Drinking Water Capital Project.

The loan is payable follows:

NC Connect Bond	
Year Ended June 30	Principal
2021	\$ 24,984
2022	24,984
2023	24,984
2024	24,984
2025	24,984
2026 - 2030	124,918
2031 - 2035	124,918
2036 - 2040	124,916
Total	\$ 499,672

At June 30, 2020, the Town of Sharpsburg had a legal debt margin of \$2,495,914.

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

Changes in Long-Term Liabilities:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental					
Activities:					
Installment purchases	\$ 156,823	\$ 27,624	\$ 54,092	\$ 130,355	\$ 41,238
Compensated absences	12,322	2,371	-	14,693	-
Net pension liability (LGERS)	164,190	51,383	-	215,573	-
Total Pension (LEO)	145,818	-	82,289	63,529	-
Total	\$ 479,153	\$ 81,378	\$ 136,381	\$ 424,150	\$ 41,238
Business-type					
Activities:					
General obligation bonds	\$ 1,406,500	\$ -	\$ 35,000	1,371,500	\$ 37,000
Installment purchases	92,424	-	24,939	67,485	12,788
Note Payable	121,423	-	5,003	116,420	5,184
Revenue bonds	366,000	-	8,000	358,000	8,000
Clean Water Revolving Loan	500,000	-	24,670	475,330	25,000
State Reserve Loan	-	499,672	-	499,672	24,986
Duke Energy CCR debt	5,291	-	5,291	-	-
Compensated absences	20,194	4,782	-	24,976	-
Net pension liability (LGERS)	200,676	-	44,571	156,105	-
Total	\$ 2,712,508	\$ 504,454	\$ 147,474	\$ 3,069,488	\$ 112,958

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

USDA loan requires minimum loan reserve amounts to be set aside for future debt service purposes. These reserves are reflected in restricted cash and net assets/ fund balance as follows:

Governmental Activities/ General Fund		\$ 1,298
Business-type Activities:		
Electric Fund	\$ 2,736	
Water & Sewer Fund	12,640	<u>15,376</u>
Total		<u>\$ 16,674</u>

C. Interfund Balances and Activities:

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

From Electric Fund to General Fund		
- for operations		<u>\$ 300,000</u>

Operating transfers are board authorized and used to cover administrative and other overhead and support expenses paid by the General Fund.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets (Net)	\$ 500,940	\$ 9,921,391
Less: long-term debt	<u>130,355</u>	<u>2,888,407</u>
Net investment in capital assets	<u>\$ 370,585</u>	<u>\$ 7,032,984</u>

E. Fund Balance

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

Total fund balance - General Fund:		\$ 1,080,373
Less:		
Stabilization by State Statute		305,764
Streets - Powell Bill		25,600
Pursuant to loan requirements		<u>1,298</u>
Remaining Fund Balance		<u>\$ 747,711</u>

The Town of Sharpsburg has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director 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.

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

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Commitments

The Town entered into a contract with NTE Carolinas, LLC to purchase electricity through December 31, 2027.

The Town has entered into management services contract with Nova Energy Consultants, at a cost of \$11,000 annually, that is subject to annual renewal until terminated.

The Town has entered into an agreement for water and sewer services with the City of Rocky Mount that is automatically renewed. The pricing of the contract is based on usage.

The Town has entered into an agreement for waste and recycling disposal that expires in January 2021. The pricing of the contract is based on usage.

The Town has entered into a natural gas acquisition agreement with the Public Energy Authority of Kentucky(PEAK). This agreement is subject to annual review until terminated.

VI. Subsequent Events

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

Town of Sharpsburg, North Carolina
Town of Sharpsburg's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Years *

Local Government Employees' Retirement System

Exhibit 10

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Sharpsburg's proportion of the net pension liability (asset) (%)	0.01361%	0.01538%	0.01361%	0.01341%	0.01613%	0.01921%	0.01649%
Sharpsburg's proportion of the net pension liability (asset) (\$)	\$ 371,678	\$ 364,866	\$ 207,923	\$ 284,605	\$ 72,391	\$ 113,290	\$ 198,888
Sharpsburg's covered-employee payroll	855,940	934,096	856,960	893,856	902,142	886,826	807,166
Sharpsburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.76%	39.06%	24.26%	31.84%	8.02%	12.77%	24.64%
Plan fiduciary net position as a percentage of the total pension liability **	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Sharpsburg, North Carolina
Town of Sharpsburg's Contributions
Required Supplementary Information
Last Seven Fiscal Years**

Local Government Employees' Retirement System

Exhibit 11

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 78,597	\$ 64,658	\$ 72,558	\$ 64,452	\$ 61,111	\$ 64,807	\$ 63,294
Contributions in relation to the to the contractually contribution	<u>78,597</u>	<u>64,658</u>	<u>72,558</u>	<u>64,452</u>	<u>61,111</u>	<u>64,807</u>	<u>63,294</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sharpsburg's covered-employee payroll	\$ 855,940	\$ 812,151	\$ 934,096	\$ 856,960	\$ 893,856	\$ 902,142	\$ 886,826
Contributions as a percentage of covered-employee payroll	9.18%	7.96%	7.77%	7.52%	6.84%	7.18%	7.14%

Town of Sharpsburg, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

Exhibit 12

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 145,818	\$ 141,392	\$ 27,938	\$ 27,138
Service Cost	6,634	11,886	8,298	4,262
Interest on the total pension liability	5,236	4,406	1,003	899
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(93,221)	(3,311)	100,931	-
Changes of assumptions or other inputs	2,989	(4,628)	7,149	(434)
Benefit payments	(3,927)	(3,927)	(3,927)	(3,927)
Other charges	-	-	-	-
Ending Balance of the Total Pension Liability	<u>\$ 63,529</u>	<u>\$ 145,818</u>	<u>\$ 141,392</u>	<u>\$ 27,938</u>

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

Town of Sharpsburg, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

Exhibit 13

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 63,529	\$ 145,818	\$ 141,392	\$ 27,938
Covered payroll	265,353	376,405	298,589	202,407
Total pension liability as a percentage of covered payroll	23.94%	38.74%	47.35%	13.80%

Notes to the schedules:

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

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Current year		\$ 364,355	
Prior years		14,263	
Penalties and interest		1,442	
Total Ad Valorem Taxes	<u>\$ 398,816</u>	<u>\$ 380,060</u>	<u>\$ (18,756)</u>
Other Taxes and Licenses:			
Privilege licenses	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ (800)</u>
Unrestricted Intergovernmental:			
Local option sales tax		\$ 366,333	
Solid waste disposal tax		1,477	
Utility franchise tax		87,351	
Beer and wine tax		8,340	
ABC revenues		7,350	
Total Unrestricted Intergovernmental	<u>\$ 426,500</u>	<u>\$ 470,851</u>	<u>\$ 44,351</u>
Restricted Intergovernmental:			
Powell Bill allocation		54,369	
Police grant		19,080	
Total Restricted Intergovernmental	<u>\$ 55,000</u>	<u>\$ 73,449</u>	<u>\$ 18,449</u>
Permits and Fees:			
Inspection fees and other		\$ 9,690	
Court costs		-	
Total Permits and Fees	<u>\$ 9,420</u>	<u>\$ 9,690</u>	<u>\$ 270</u>

(continued)

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Negative)</u>
Revenues: (continued)			
Sales & Service:			
Garbage & recycling fees		\$ 274,638	
Rents & fees		5,975	
Other		13,801	
Total Sales and Service	<u>\$ 292,900</u>	<u>\$ 294,414</u>	<u>\$ 1,514</u>
Investment Earnings	<u>\$ 2,000</u>	<u>\$ 2,703</u>	<u>\$ 703</u>
Total Revenues	<u>\$ 1,185,436</u>	<u>\$ 1,231,167</u>	<u>\$ 45,731</u>
Expenditures:			
General Government:			
Governing Board:			
Board fees		\$ 10,423	
Capital outlay		-	
Other operating expenditures		101,181	
Total Governing Board		<u>\$ 111,604</u>	
Administration:			
Salaries & employee benefits		\$ 38,181	
Operating expenditures		63,621	
Capital Outlay		-	
Total Administration		<u>\$ 101,802</u>	
Total General Government	<u>\$ 282,720</u>	<u>\$ 213,406</u>	<u>\$ 69,314</u>

Exhibit A-1

(continued)

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

Exhibit A-1

	Budget	Actual	Variance (Negative)
Expenditures: (continued)			
Public Safety:			
Police:			
Salaries & employee benefits		\$ 391,714	
Other operating expenditures		138,619	
Capital outlay		53,104	
Total Public Safety	\$ 740,930	\$ 583,437	\$ 157,493
Transportation and Environmental Protection:			
Salaries & fringe benefits		\$ 88,084	
Other operating expenditures		253,726	
Powell Bill operating expenditures		87,848	
Capital outlay		-	
Total Transportation and Environmental Protection:	\$ 463,600	\$ 429,658	\$ 33,942
Cultural and Recreational:			
Salaries and fringe benefits		\$ -	
Other operating expenditures		14,826	
Capital outlay		-	
Total Cultural and Recreational	\$ 27,500	\$ 14,826	\$ 12,674
Debt Service:			
Principal retirement		\$ 54,092	
Interest and other charges		9,493	
Total Debt Service	\$ 73,781	\$ 63,585	\$ 10,196
Total Expenditures	\$ 1,588,531	\$ 1,304,912	\$ 283,619
Revenues Over (Under) Expenditures	\$ (403,095)	\$ (73,745)	\$ 329,350

(continued)

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

Exhibit A-1

	Budget	Actual	Variance (Negative)
(continued)			
Other Financing Sources (Uses):			
Loan proceeds	\$ -	\$ 6,400	\$ 6,400
Capital Lease obligations	-	27,624	27,624
Appropriated fund balance	103,095	-	(103,095)
Transfer from Electric Fund	300,000	300,000	-
Total Other Financing Sources (Uses)	\$ 403,095	\$ 334,024	\$ (69,071)
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	\$ -	\$ 260,279	\$ 260,279
Fund Balance:			
Beginning of year, July 1		820,094	
End of year, June 30		\$ 1,080,373	

Town of Sharpsburg, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Electric sales		\$ 2,169,402	
Other operating revenues		24,812	
Total Operating Revenues	<u>\$ 2,358,287</u>	<u>\$ 2,194,214</u>	<u>\$ (164,073)</u>
Non-operating Revenues:			
Interest	3,500	6,160	2,660
Total Revenues	<u>\$ 2,361,787</u>	<u>\$ 2,200,374</u>	<u>\$ (161,413)</u>
Expenditures:			
Electrical Operations:			
Salaries and employee benefits		\$ 252,459	
Power purchases		866,194	
Other operating expenditures		358,918	
Total Electrical Operations	<u>\$ 1,968,655</u>	<u>\$ 1,477,571</u>	<u>\$ 491,084</u>
Capital Outlay	<u>\$ 65,516</u>	<u>\$ 62,037</u>	<u>\$ 3,479</u>
Debt Service:			
Principal		\$ 23,008	
Interest		4,608	
Total Debt Service	<u>\$ 27,616</u>	<u>\$ 27,616</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 2,061,787</u>	<u>\$ 1,567,224</u>	<u>\$ 494,563</u>
Revenues Over (Under) Expenditures	<u>\$ 300,000</u>	<u>\$ 633,150</u>	<u>\$ 333,150</u>

Exhibit B-1

Variance
Positive
(Negative)

(continued)

Town of Sharpsburg, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

Exhibit B-1

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
(continued)			
Other Financing Sources (Uses):			
Appropriated fund balance			
Transfer to General Fund	\$ (300,000)	\$ (300,000)	\$ -
	\$ (300,000)	\$ (300,000)	\$ -
Total Other Financing Sources (Uses)			
	\$ (300,000)	\$ (300,000)	\$ -
Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 333,150</u>	<u>\$ 333,150</u>

**Reconciliation From Budgetary Basis
(Modified Accrual) to Full Accrual:**

Reconciling Items:

Depreciation	\$ (116,406)
Capital Outlay	62,037
Principal retirement	23,008
Decrease in deferred outflows-pensions	(30,660)
Decrease in net pension liability	28,235
Increase in deferred inflows-pensions	(705)
Increase in accrued vacation pay	(115)
Capital contributions	33,920

Total Reconciling Items	\$ (686)
Change in Net Position	\$ 332,464

**Town of Sharpsburg, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020**

Exhibit B-2

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Charges for water and sewer		\$ 1,484,999	
Other operating revenues		29,230	
Total Operating Revenues	\$ 1,740,315	\$ 1,514,229	\$ (226,086)
Non-Operating Revenues:			
Interest earnings	5,000	6,905	1,905
Total Revenues	\$ 1,745,315	\$ 1,521,134	\$ (224,181)
Expenditures:			
Operations:			
Salaries and employee benefits		\$ 328,222	
Purchased water and sewer		849,461	
Other operating expenditures		271,475	
Total Operations	\$ 1,509,465	\$ 1,449,158	\$ 60,307
Capital Outlay	\$ 66,076	\$ 54,756	\$ 11,320
Debt Service:			
Principal		\$ 71,897	
Interest		70,878	
Total Debt Service	\$ 150,774	\$ 142,775	\$ 7,999
Total Expenditures	\$ 1,726,315	\$ 1,646,689	\$ 79,626
Revenues Over (Under) Expenditures	\$ 19,000	\$ (125,555)	\$ (144,555)

(continued)

Town of Sharpsburg, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

Exhibit B-2

	Budget	Actual	Variance Positive (Negative)
(continued)			
Other Financing Sources (Uses):			
Appropriated fund balance	\$ -	\$ -	\$ -
Transfer to W&S capital project	(19,000)	(18,906)	94
Total Other Financing Sources (Uses)	\$ (19,000)	\$ (18,906)	\$ 94
Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (144,461)	\$ (144,461)

**Reconciliation From Budgetary Basis
(Modified Accrual) to Full Accrual:**

Reconciling Items:

Depreciation	\$ (267,070)
Capital Outlay	54,756
Principal reduction	71,897
Decrease in deferred outflows pensions	(30,542)
Decrease in net pension liability	16,336
Increase in deferred inflows-pensions	(2,699)
Increase in accrued vacation pay	(4,666)
Capital contributions	1,276,988

Total Reconciling Items	\$ 1,115,000
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Change in Net Position	\$ 970,539
------------------------	------------

Town of Sharpsburg, North Carolina
Water Capital Projects Fund
Phase 1 - Water System Improvements
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

Exhibit B-3

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted Intergovernmental:					
Federal Funds:					
Drinking Water State					
Revolving Fund - Grant	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Expenditures:					
Sewer Operations:					
Construction	\$ -	\$ 844,233	\$ -	\$ 844,233	
Engineering Services	-	132,210	-	132,210	
Other Services	-	16,000	5,588	21,588	
Bidding Assistance	-	11,500	-	11,500	
Resident Observation	-	10,920	-	10,920	
Loan Closing fee			\$ 13,180	13,180	
Total Expenditures	<u>\$ 1,079,999</u>	<u>\$ 1,014,863</u>	<u>\$ 18,768</u>	<u>\$ 1,033,631</u>	<u>\$ 46,368</u>
Revenues Over (Under) Expenditures	<u>\$ (579,999)</u>	<u>\$ (514,863)</u>	<u>\$ (18,768)</u>	<u>\$ (533,631)</u>	<u>\$ 46,368</u>
Other Financing Sources:					
Federal Funds:					
Drinking Water State					
Revolving Fund - Loan	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Local portion	79,999	14,863	18,906	33,769	(46,230)
Total Other Financing Sources	<u>\$ 579,999</u>	<u>\$ 514,863</u>	<u>\$ 18,906</u>	<u>\$ 533,769</u>	<u>\$ (46,230)</u>
Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138</u>	<u>\$ 138</u>	<u>\$ 138</u>

Town of Sharpsburg, North Carolina
Water Capital Projects Fund
Phase II - Water System Improvements
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

Exhibit B-4

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted Intergovernmental:					
State Funds:					
NC DEQ					
Drinking Water Grant	\$ 1,499,018	\$ -	\$ 1,276,988	\$ 1,276,988	\$ -
Expenditures:					
Sewer Operations:					
Construction			\$ 1,372,457	\$ 1,372,457	
Engineering Services			99,550	99,550	
Land Surveying			55,000	55,000	
Construction Contingency			-	-	
ER Preparation			-	-	
ENV Documentation			-	-	
Grant Administration			124,840	124,840	
Construction Administration			68,375	68,375	
Legal Cost			-	-	
Bidding Assistance			-	-	
Resident Inspection			23,960	23,960	
Grant/Loan Fees			32,478	32,478	
Total Expenditures	\$ 1,998,690	\$ -	\$ 1,776,660	\$ 1,776,660	\$ 222,030
Revenues Over (Under) Expenditures	\$ (499,672)	\$ -	\$ (499,672)	\$ (499,672)	\$ -
Other Financing Sources:					
Federal Funds:					
Drinking Water State Reserve Loan	\$ 499,672	\$ -	\$ 499,672	\$ 499,672	\$ -
Local portion	-	-	-	-	-
Total Other Financing Sources	\$ 499,672	\$ -	\$ 499,672	\$ 499,672	\$ -
Revenues and Other Financing Sources Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Sharpsburg, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Exhibit C-1

<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	\$ -	\$ 379,134	\$ 364,355	\$ 14,779
2018 - 2019	20,132	-	7,719	12,413
2017 - 2018	9,474	-	1,400	8,074
2016 - 2017	10,234	-	1,220	9,014
2015 - 2016	7,830	-	1,711	6,119
2014 - 2015	7,756	-	1,072	6,684
2013 - 2014	8,249	-	354	7,895
2012 - 2013	7,081	-	283	6,798
2011 - 2012	5,520	-	347	5,173
2010 - 2011	4,943	-	-	4,943
2009 - 2010	4,367	-	157	4,210
2008 - 2009	4,721	-	4,721	-
Total	<u>\$ 90,307</u>	<u>\$ 379,134</u>	<u>\$ 383,339</u>	<u>\$ 86,102</u>
				8,610
				<u>\$ 77,492</u>
Reconciliation with Revenues:				
				<u>\$ 380,060</u>
Reconciling Items:				
				\$ (1,442)
				<u>4,721</u>
				<u>\$ 3,279</u>
				<u>\$ 383,339</u>

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

Exhibit C-2

	Total Property Valuation	Rate	Total	Property excluding Registered Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Rate:					
Real and personal property	\$ 58,384,727	0.550	\$ 321,116	\$ 321,116	\$ -
Registered motor vehicles	10,548,727	0.550	58,018	-	58,018
 Total Property Valuation	 <u>\$ 68,933,454</u>				
 Net Levy			 \$ 379,134	 \$ 321,116	 \$ 58,018
 Less uncollected taxes at June 30, 2020			 14,779	 14,779	 -
 Current Year's Taxes Collected			 <u>\$ 364,355</u>	 <u>\$ 306,337</u>	 <u>\$ 58,018</u>
 Current Levy Collection Percentage			 <u>96.10%</u>	 <u>95.40%</u>	 <u>100.00%</u>

Town of Sharpsburg, North Carolina
Schedule of Net Position
Water and Sewer Fund by Function
June 30, 2020

Exhibit C-3

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 282,511	\$ 240,606	\$ 523,117
Accounts receivable - trade (net) - billed	142,626	213,938	356,564
Accounts receivable - trade (net) - unbilled	81,861	122,791	204,652
Inventories	13,689	20,533	34,222
Restricted Assets:			
Cash	92,210	7,666	99,876
Accounts receivable	31,215	-	31,215
Total Current Assets	<u>\$ 644,112</u>	<u>\$ 605,534</u>	<u>\$ 1,249,646</u>
Noncurrent Assets:			
Capital Assets:			
Land and construction in progress	\$ 1,798,660	\$ 33,000	\$ 1,831,660
Other capital assets net of depreciation	2,199,597	5,132,394	7,331,991
Capital Assets	<u>\$ 3,998,257</u>	<u>\$ 5,165,394</u>	<u>\$ 9,163,651</u>
Total Noncurrent Assets	<u>\$ 3,998,257</u>	<u>\$ 5,165,394</u>	<u>\$ 9,163,651</u>
Total Assets	<u><u>\$ 4,642,369</u></u>	<u><u>\$ 5,770,928</u></u>	<u><u>\$ 10,413,297</u></u>
Deferred Outflows-Pension Adjustment	<u>\$ 24,717</u>	<u>37,075</u>	<u>61,792</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 31,640	\$ 47,459	\$ 79,099
Current portion of long-term debt	73,099	34,673	107,772
Liabilities Payable from Restricted Assets:			
Accounts payable	31,215	-	31,215
Customer deposit	87,098	-	87,098
Total Current Liabilities	<u>\$ 223,052</u>	<u>\$ 82,132</u>	<u>\$ 305,184</u>

(continued)

Town of Sharpsburg, North Carolina
Schedule of Net Position
Water and Sewer Fund by Function
June 30, 2020

Exhibit C-3

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Liabilities: (continued)			
Noncurrent Liabilities:			
Compensated absences	\$ 6,870	\$ 10,304	\$ 17,174
Due in more than one year	1,620,696	1,043,519	2,664,215
Net pension liabilities	41,628	62,442	104,070
Total Noncurrent Liabilities	<u>1,669,194</u>	<u>\$ 1,116,265</u>	<u>\$ 2,785,459</u>
Total Liabilities	<u>\$ 1,892,246</u>	<u>\$ 1,198,397</u>	<u>\$ 3,090,643</u>
Deferred Inflows-Pension deferrals	<u>\$ 2,631</u>	<u>\$ 3,946</u>	<u>\$ 6,577</u>
Net Position			
Net investment in capital assets	\$ 2,304,462	\$ 4,087,202	\$ 6,391,664
Restricted for capital projects	138	-	138
Restricted pursuant to loan requirements	5,056	7,584	12,640
Unrestricted	462,553	510,874	973,427
Total Net Position	<u>\$ 2,772,209</u>	<u>\$ 4,605,660</u>	<u>\$ 7,377,869</u>

Notes to USDA Requested Schedules:

USDA has requested that governments who have borrowed from the USDA report their Water & Sewer operations separately. The Town maintains records for water & sewer operations combined.

Amounts that can be specifically identified by a particular function are reported under that function. All other non specific amounts are allocated based on a study by the N.C. Rural Water Association.

Exhibits C-3 through C-5 are presented as requested by the USDA as supplementary information.

Town of Sharpsburg, North Carolina
Schedule of Revenues, Expenses, and
Changes in Fund Net Position
Water and Sewer Fund by Function
For the Year Ended June 30, 2020

Exhibit C-4

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 594,000	\$ 890,999	\$ 1,484,999
Other operating revenues	11,692	17,538	29,230
Total Operating Revenues	<u>\$ 605,692</u>	<u>\$ 908,537</u>	<u>\$ 1,514,229</u>
Operating Expenses:			
Operations	\$ 593,451	\$ 896,184	\$ 1,489,635
Depreciation	39,856	227,214	267,070
Total Operating Expenses	<u>\$ 633,307</u>	<u>\$ 1,123,398</u>	<u>\$ 1,756,705</u>
Operating Income (Loss)	<u>\$ (27,615)</u>	<u>\$ (214,861)</u>	<u>\$ (242,476)</u>
Non-operating Revenues (Expenses):			
Investment earnings	\$ 3,315	\$ 3,590	\$ 6,905
Interest and other charges	(39,672)	(31,206)	(70,878)
Non-operating Revenues (Expenses):	<u>\$ (36,357)</u>	<u>\$ (27,616)</u>	<u>\$ (63,973)</u>
Income (Loss) before Contributions and Transfers	<u>\$ (63,972)</u>	<u>\$ (242,477)</u>	<u>\$ (306,449)</u>
Capital contributions	<u>1,276,988</u>	<u>-</u>	<u>1,276,988</u>
Change in Net Position	<u>\$ 1,213,016</u>	<u>\$ (242,477)</u>	<u>\$ 970,539</u>
Total Net Position, beginning	1,559,193	4,848,137	6,407,330
Total Net Position, ending	<u>\$ 2,772,209</u>	<u>\$ 4,605,660</u>	<u>\$ 7,377,869</u>

Town of Sharpsburg, North Carolina
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Year Ended June 30, 2020

Exhibit C-5

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 588,030	\$ 882,046	\$ 1,470,076
Cash paid for goods and services	(499,848)	(749,773)	(1,249,621)
Cash paid to or on behalf of employees for services	(122,660)	(183,990)	(306,650)
Net customer deposits	11,166	-	11,166
	<u>\$ (23,312)</u>	<u>\$ (51,717)</u>	<u>\$ (75,029)</u>
Net Cash Provided (Used) By Operating Activities			
Cash Flows from Non-Capital Financing Activities:			
Transfers (to) from other funds	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	\$ (1,727,676)	\$ (126,198)	\$ (1,853,874)
Principal paid on long-term debt	(46,761)	(33,135)	(79,896)
Long-term debt proceeds	499,672	-	499,672
Interest paid on long-term debt	(39,692)	(31,186)	(70,878)
Capital contributions	1,276,988	-	1,276,988
	<u>\$ (37,469)</u>	<u>\$ (190,519)</u>	<u>\$ (227,988)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities			
Cash Flows from Investing Activities:			
Interest and dividends	<u>\$ 3,315</u>	<u>\$ 3,590</u>	<u>\$ 6,905</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>\$ (57,466)</u>	<u>\$ (238,646)</u>	<u>\$ (296,112)</u>
Balances, beginning	432,187	486,918	919,105
Balances, ending	<u><u>\$ 374,721</u></u>	<u><u>\$ 248,272</u></u>	<u><u>\$ 622,993</u></u>

(continued)

Town of Sharpsburg, North Carolina
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Year Ended June 30, 2020

Exhibit C-5

	Water	Sewer	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (27,615)	\$ (214,861)	\$ (242,476)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	\$ 39,856	\$ 227,214	\$ 267,070
Changes in Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(17,661)	(26,492)	(44,153)
Inventory	609	914	1,523
Net pension assets	-	-	-
Deferred outflows of resources for pensions	12,217	18,325	30,542
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(38,297)	(51,434)	(89,731)
Customer deposits	11,166	-	11,166
Accrued leave	1,867	2,800	4,667
Deferred inflows of resources for pensions	1,080	1,619	2,699
Net pension liabilities	(6,534)	(9,802)	(16,336)
Total Adjustments	\$ 4,303	\$ 163,144	\$ 167,447
Net Cash Provided by Operating Activities	\$ (23,312)	\$ (51,717)	\$ (75,029)

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sharpsburg, North Carolina, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprises the Town of Sharpsburg's basic financial statements, and have issued our report thereon dated February 16, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Tarboro, North Carolina
February 16, 2021

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Report on Compliance For Each Major State Program; Report on Internal Control over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

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

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State awards applicable to its major State program.

Auditor's Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

Management of the Town of Sharpsburg is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Sharpsburg's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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



Tarboro, North Carolina
February 16, 2021

**Town of Sharpsburg, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no

- Significant deficiency(s) identified
that are not considered to be
material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted. ___ yes X no

Federal Awards

Internal control over major federal programs: N/A

Identification of major Federal programs: N/A

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___ yes X no

- Significant deficiency(s) identified? ___ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act ___ yes X no

**Town of Sharpsburg, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Identification of major State programs:

Name of State Program
Connect NC Bond "Tax Exempt" Program

Section II - Financial Statement Findings

NONE REPORTED

Section III - Federal Award Findings and Questioned Costs

NOT APPLICABLE

Section IV - State Award Findings and Questioned Costs

NONE REPORTED

**Town of Sharpsburg, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2020**

Section II - Financial Statement Findings

NONE REPORTED

Section III - Federal Award Findings and Questioned Costs

NOT APPLICABLE

Section IV - State Award Findings and Questioned Costs

NONE REPORTED

**Town of Sharpsburg, North Carolina
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020**

None Reported

Town of Sharpsburg, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & pass-through) Expenditures</u>	<u>State Expenditures</u>
FEDERAL GRANTS:				
U.S. Department of Agriculture:				
Community Facilities Program	10.766	-	\$ 53,000	\$ -
Total Assistance - Federal Programs			<u>\$ 53,000</u>	<u>\$ -</u>
STATE GRANTS:				
NC Department of Transportation:				
Powell Bill			\$ -	\$ 110,892
NC Department of Environmental Quality (OEQ)				
N.C. Bond "Tax Exempt" Program		H-SRP-D-17-0086	-	1,776,660
Total Assistance - State Programs			<u>\$ -</u>	<u>\$ 1,887,552</u>
Total Assistance			<u>\$ 53,000</u>	<u>\$ 1,887,552</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Sharpsburg under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Sharpsburg, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Sharpsburg.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursements.

Note 3: Indirect Cost Rate

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