

**Town of Stantonsburg
North Carolina
Financial Report**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020



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Town of Stantonsburg, North Carolina
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Stantonburg, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Stantonburg, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 1 and Note 5 to the financial statements, the Town of Stantonsburg, North Carolina adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which results in an effect of (\$21,615) and (\$28,651) on the June 30, 2019 net position of governmental activities and business-type activities, respectively. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4.1 through 4.12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 19 and 20, respectively, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 21 and 22, and the Other Post Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, on our consideration of the Town of Stantonburg, 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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Stantonburg, North Carolina's 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 Stantonburg, North Carolina's internal control over financial reporting and compliance.

Cary Riggs & Ingram, L.L.C.

Wilson, North Carolina
December 8, 2020

Management's Discussion and Analysis

Town of Stantonburg, North Carolina

Management's Discussion and Analysis

June 30, 2020

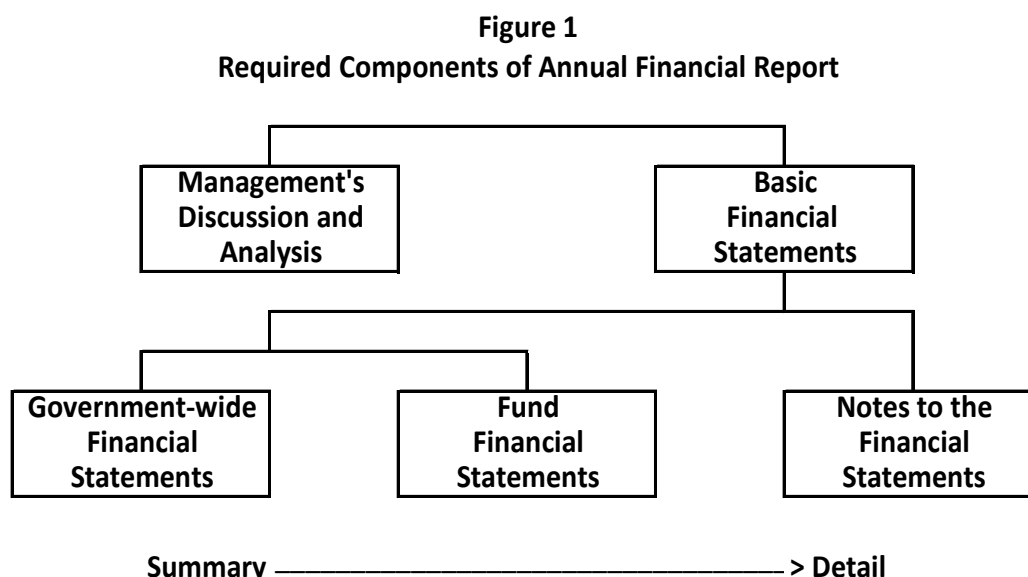
As management of the Town of Stantonburg (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with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

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,298,803 (*net position*).
- The government's total net position increased by \$391,127, before the cumulative effect of change in accounting principle, primarily due to increases in net position in the Town's enterprise funds.
- As of the close of the current fiscal year, the Town's governmental fund reported ending fund balance of \$645,725, with a net change of \$46,858 in fund balance. Approximately 34.32 percent of this total amount, or \$221,642 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$400,083, or 52.39 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town'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.



Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
June 30, 2020

Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town'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, **required supplemental information, supplemental information, and other information** is provided to show information about the Town's progress in funding its obligations to provide Local Government Employees' Retirement System and Law Enforcement Officers' Special Separation Allowance benefits and details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements. The other information presents data and analysis relating to the Town's Ad Valorem taxes and the tax levy.

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 services such as public safety, environmental protection, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the electric and water and sewer services offered by the Town.

Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
June 30, 2020

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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town 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. The Town adopts an annual budget for its Enterprise Funds, as required by the General Statutes.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18.1 of this report.

Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
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Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and other health benefits to its employees. Required supplementary information can be found beginning on page 19. Also accompanying the basic financial statements, notes, and required supplementary information is supplementary and other information concerning the Town's operations and property taxes. The supplementary and information can be found beginning on page 24 of this report.

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

Government-Wide Financial Analysis

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 690,223	\$ 728,250	\$ 6,152,528	\$ 5,565,044	\$ 6,842,751	\$ 6,293,294
Non-current assets	14,835	14,835	-	14,450	14,835	29,285
Capital assets	1,324,175	1,385,765	8,128,241	8,334,266	9,452,416	9,720,031
Deferred outflows of resources	88,694	85,583	107,804	110,187	196,498	195,770
Total assets and deferred outflows of resources	2,117,927	2,214,433	14,388,573	14,023,947	16,506,500	16,238,380
Current liabilities	22,119	103,640	300,732	300,902	322,851	404,542
Long-term liabilities	177,724	120,324	2,616,197	2,646,689	2,793,921	2,767,013
Deferred inflows of resources	89,335	108,093	1,590	790	90,925	108,883
Total liabilities and deferred inflows of resources	289,178	332,057	2,918,519	2,948,381	3,207,697	3,280,438
Net position:						
Net investment in capital assets	1,324,175	1,385,765	5,619,510	5,741,248	6,943,685	7,127,013
Restricted	221,642	222,403	-	-	221,642	222,403
Unrestricted	282,932	274,208	5,850,544	5,334,318	6,133,476	5,608,526
Total net position	\$ 1,828,749	\$ 1,882,376	\$ 11,470,054	\$ 11,075,566	\$ 13,298,803	\$ 12,957,942

Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
June 30, 2020

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$13,298,803 as of June 30, 2020. The Town's net position increased by \$391,127 for the fiscal year ended June 30, 2020. However, the largest portion (52.21%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$221,642, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,133,476 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.48%. The statewide average in fiscal year 2019 was 98.78%.
- The General Fund received a transfer from the Electric Fund in the amount of \$290,000 which contributed to the overall increase.

Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
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CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 113,709	\$ 106,042	\$ 3,096,377	\$ 3,193,374	\$ 3,210,086	\$ 3,299,416
Operating grants and contributions	25,890	27,276	-	-	25,890	27,276
Capital grants and contributions	-	224,356	103,867	516,681	103,867	741,037
General revenues:						
Property taxes	194,808	187,318	-	-	194,808	187,318
Other taxes	81,603	74,044	-	-	81,603	74,044
Grants and contributions not restricted to specific programs	84,390	85,424	-	-	84,390	85,424
Unrestricted investment earnings	7,897	9,393	78,348	87,227	86,245	96,620
Miscellaneous	8,737	9,719	-	-	8,737	9,719
Total revenues	517,034	723,572	3,278,592	3,797,282	3,795,626	4,520,854
Expenses:						
Governmental activities:						
General government	215,632	180,382	-	-	215,632	180,382
Public safety	374,773	374,097	-	-	374,773	374,097
Transportation	89,309	76,380	-	-	89,309	76,380
Economic and physical development	19,428	6,295	-	-	19,428	6,295
Human services	5,220	4,954	-	-	5,220	4,954
Environmental protection	106,480	91,005	-	-	106,480	91,005
Cultural and recreational	28,204	23,409	-	-	28,204	23,409
Business-type activities:						
Electric	-	-	1,691,578	1,856,886	1,691,578	1,856,886
Water and sewer	-	-	873,875	855,896	873,875	855,896
Total expenses	839,046	756,522	2,565,453	2,712,782	3,404,499	3,469,304
Increase (decrease) in net position before transfers	(322,012)	(32,950)	713,139	1,084,500	391,127	1,051,550
Transfers	290,000	280,000	(290,000)	(280,000)	-	-
Increase in net position	(32,012)	247,050	423,139	804,500	391,127	1,051,550
Net position, July 1 as previously reported	1,882,376	1,635,326	11,075,566	10,271,066	12,957,942	11,906,392
Change in accounting principle	(21,615)	-	(28,651)	-	(50,266)	-
Net position, July 1 as restated	1,860,761	1,635,326	11,046,915	10,271,066	12,907,676	11,906,392
Net position, June 30	\$ 1,828,749	\$ 1,882,376	\$ 11,470,054	\$ 11,075,566	\$ 13,298,803	\$ 12,957,942

Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
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Governmental activities: Governmental activities decreased the Town's net position by (\$32,012). The small decrease in net position was the result of a concerted effort to control costs and manage expenditures. Town management continued to reduce non-essential programs to a minimum and implemented cost saving strategies across Town departments. Certain nonrecurring expenses were either postponed or renegotiated to maintain a healthy net position. Management believes healthy investment in the Town will result in additional revenues, adding to the Town's net position by investing in capital assets which were largely funded by public safety capital grants and contributions. Increased efforts to maximize tax collections also contributed to the favorable net position. Town management acknowledges that 2020 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Business-type activities: Business-type activities increased the Town's net position by \$423,139, accounting for all of the total growth in the government's net position.

Key elements of this increase are as follows:

- The Town's Electric Fund had an increase of \$354,721 in net position and the Town's Water and Sewer Fund had an increase of \$68,418 in net position. Income in the Electric Fund was \$644,721 before a \$290,000 transfer to the General Fund.
- The increase in the Electric Fund's net position was primarily because the Town obtained a new supplier of electricity with lower costs. As a result, electric purchases decreased from \$1,225,242 in the prior year to \$1,026,731 in the current year.
- The increase in the Water and Sewer Fund's net position was primarily because of \$103,867 in capital grants related to the Sanitary Sewer Rehabilitation Project.

Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
June 30, 2020

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's unassigned fund balance in the General Fund was \$400,083, while total fund balance increased to \$645,725, which is a net increase in fund balance of \$46,858. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 52.39 percent of total General Fund expenditures, while total fund balance represents 84.56 percent of that same amount.

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

There were several reasons the Town revised its budget throughout the year. The changes were minor and increased both the overall budgeted revenues and expenditures by \$12,000. Revenues were less than the budgeted amounts primarily because ad valorem taxes received were less than the Town originally had expected to receive. Expenditures were held in check to allow the Town to comply with its budgetary requirements.

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 at the end of the fiscal year amounted to \$3,609,913, and those of the Water and Sewer Fund amounted to \$2,240,631. The total change in net position for both funds was \$354,721 and \$68,418, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
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Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$9,452,416 (net of accumulated depreciation). These assets include land, buildings, utilities delivery systems, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following:

- Police department HVAC system and ductwork installed for \$11,400.
- Well #5 rehabilitation including the installation of a new submersible pump for \$15,900.
- Electric system improvements of \$29,617.
- Construction in progress for water and sewer capital projects of \$123,798.

SUMMARY OF CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 57,107	\$ 57,107	\$ 110,776	\$ 110,776	\$ 167,883	\$ 167,883
Construction in progress	-	-	19,784	552,622	19,784	552,622
Buildings	54,988	47,247	113,974	117,324	168,962	164,571
Other improvements	2,861	3,030	-	-	2,861	3,030
Electrical system & substation	-	-	918,253	926,067	918,253	926,067
Water plant and distribution systems	-	-	3,022,043	3,122,360	3,022,043	3,122,360
Sewer plant and collection systems	-	-	3,624,550	3,142,139	3,624,550	3,142,139
Equipment and furniture	241,986	217,826	261,306	283,446	503,292	501,272
Vehicles	166,400	235,633	57,555	79,533	223,955	315,166
Infrastructure	800,833	824,922	-	-	800,833	824,922
TOTALS	\$ 1,324,175	\$ 1,385,765	\$ 8,128,241	\$ 8,334,267	\$ 9,452,416	\$ 9,720,032

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

Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
June 30, 2020

Long-Term Debt. As of June 30, 2020, the Town had total bonded debt outstanding of \$1,790,000, all of which was secured solely by specified revenue sources (e.g. revenue bonds).

TOWN OF STANTONSBURG'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
NC Clean Water Revolving Loan	\$ -	\$ -	\$ 718,731	\$ 774,018	\$ 718,731	\$ 774,018
Water and Sewer System						
Revenue Bonds	-	-	1,790,000	1,819,000	1,790,000	1,819,000
Compensated absences	19,104	15,106	27,753	28,331	46,857	43,437
Net pension liability (LGERS)	115,852	95,209	152,325	125,182	268,177	220,391
Total pension liability (LEOSSA)	32,686	22,191	-	-	32,686	22,191
Total OPEB liability	22,324	21,615	29,592	28,651	51,916	50,266
Total	<u>\$189,966</u>	<u>\$154,121</u>	<u>\$ 2,718,401</u>	<u>\$ 2,775,182</u>	<u>\$ 2,908,367</u>	<u>\$ 2,929,303</u>

Town of Stantonsburg's Outstanding Debt. The Town's total debt decreased by \$20,936 (0.72%) during the current fiscal year. The key factors in this decrease were an increase in compensated absences of \$3,420; an increase of \$47,786 in the net pension liability for the Local Government Employees' Retirement System (LGERS); an increase of \$10,495 in the total pension liability of the Law Enforcement Officers' Special Separation Allowance (LEOSSA); and an increase in the total OPEB liability of \$1,650. These increases were offset by planned debt service principal payments of \$84,287.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$3,171,696. The Town has no bonds authorized but unissued at June 30, 2020.

Additional information regarding the Town's long-term debt can be found in Note II.B.8 of this report.

Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
June 30, 2020

Economic Factors and Next Year's Budgets and Rates

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

- The Town is located in southeastern Wilson County in North Carolina. According to recent unemployment data, the June 2020 unemployment rate for Wilson County was 10.2% while the State's unemployment rate was at 7.6%. The national unemployment rate for June 2020 was 11.1%. These unemployment rates were adversely affected by the ongoing worldwide pandemic and the resulting economic restrictions and hardships caused by Covid-19.
- The Town has experienced some modest growth in retail business over the past several years with the construction and opening of a larger Dollar General Store at the corner of Moyton Avenue and Saratoga Street. In addition, Piggly Wiggly renovated the old supermarket building located at 102 E. Moyton Avenue and had its grand opening in 2019. In addition, a new family restaurant began operation in a commercial building located at 212 E. Moyton Avenue.
- North Carolina Tobacco Manufacturing, LLC, formerly known as Prime Time, expanded its operation with the construction and opening of a huge on-site warehouse facility several years ago.
- A 50-lot subdivision located on N. Saratoga Street opened and was annexed into the city limits several years ago. This subdivision is served by all of the Town's major utilities, including water, sewer and electrical services. Multiple zoning permits have been issued over the past fiscal year for the construction of new residential dwellings in this subdivision. Zoning permits have now been issued for 46 of the 50 lots in this subdivision.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The Town's property tax rate will remain unchanged at 50 cents per hundred dollars of valuation.

Budgeted expenditures in the General Fund are expected to rise approximately 2.82% to \$897,300. The largest increments are in employee compensation, including compensation and benefits adjustments.

The Town has chosen to appropriate fund balance in the amount of \$24,000 in the fiscal year 2021 budget. Management believes that continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$3,965 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-type Activities: With the new budget year, the Town's solid waste and electric rates will remain unchanged while the Town's water and sewer rates will increase, to cover increased costs of operations.

Town of Stantonburg, North Carolina
Management's Discussion and Analysis
June 30, 2020

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Stantonburg, P.O. Box 10, Stantonburg, NC 27883. One can also call (252)238-3608, visit our website www.townofstantonburg.com or send an email to gdavis@townofstantonburg.com for more information.

Town of Stantonsburg, North Carolina
Town Council and Key Staff
June 30, 2020

Town Council Members

Coley Rhodes, Mayor

Donnie Bass, Mayor Pro Tem

Ken D. Horne

Jackie Grice

Walter Bynum

Benjamin Harper

Administrative and Financial Staff

Gary W. Davis, Town Manager

Tabitha Bailey, Finance Officer

Patsy Godwin, Tax Collector

Basic Financial Statements

Town of Stantonsburg, North Carolina
Statement of Net Position
June 30, 2020
Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 32,076	\$ 2,964,282	\$ 2,996,358
Investments	402,048	2,663,987	3,066,035
Taxes receivable (net)	21,537	-	21,537
Accrued interest receivable on taxes	8,900	-	8,900
Accounts receivable (net)	22,223	199,665	221,888
Due from other governments	33,579	16,416	49,995
Inventories	-	113,712	113,712
Restricted assets:			
Cash and cash equivalents	48,526	194,466	242,992
Investments	121,334	-	121,334
Total current assets	690,223	6,152,528	6,842,751
Non-current assets:			
Nuisance abatement receivable	14,835	-	14,835
Capital assets:			
Land, non-depreciable improvements, and construction in progress	57,107	130,560	187,667
Other capital assets, net of depreciation	1,267,068	7,997,681	9,264,749
Total capital assets	1,324,175	8,128,241	9,452,416
Total assets	2,029,233	14,280,769	16,310,002
Deferred outflows of resources			
Pension deferrals	83,684	101,164	184,848
OPEB deferrals	5,010	6,640	11,650
Total deferred outflows of resources	88,694	107,804	196,498
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	9,877	95,703	105,580
Current portion of long-term liabilities	12,242	102,204	114,446
Payable from restricted assets	-	102,825	102,825
Total current liabilities	22,119	300,732	322,851
Long-term liabilities:			
Net pension liability - LGERS	115,852	152,325	268,177
Total pension liability - LEOSSA	32,686	-	32,686
Total OPEB liability	22,324	29,592	51,916
Due in more than one year	6,862	2,434,280	2,441,142
Total liabilities	199,843	2,916,929	3,116,772
Deferred inflows of resources			
Prepaid taxes	164	-	164
Pension deferrals	87,971	-	87,971
OPEB deferrals	1,200	1,590	2,790
Total deferred inflows of resources	89,335	1,590	90,925
Net position			
Net investment in capital assets	1,324,175	5,619,510	6,943,685
Restricted for:			
Stabilization by State statute	51,782	-	51,782
Streets - Powell Bill	169,860	-	169,860
Unrestricted	282,932	5,850,544	6,133,476
Total net position	\$ 1,828,749	\$ 11,470,054	\$ 13,298,803

The accompanying footnotes are an integral part of these financial statements.

Town of Stantonsburg, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2020
Exhibit 2

	Program Revenues			
	Charges for	Operating	Capital Grants	
Functions/Programs	Expenses	Services	Grants and	Contributions
Primary government:				
Governmental activities:				
General government	\$ 215,632	\$ 695	\$ -	\$ -
Public safety	374,773	717	1,875	-
Transportation	89,309	-	23,152	-
Economic and physical development	19,428	-	275	-
Human services	5,220	-	-	-
Environmental protection	106,480	112,297	588	-
Cultural and recreational	28,204	-	-	-
Total governmental activities	839,046	113,709	25,890	-
Business-type activities:				
Electric	1,691,578	2,286,709	-	-
Water and sewer	873,875	809,668	-	103,867
Total business-type activities	2,565,453	3,096,377	-	103,867
Total primary government	\$ 3,404,499	\$ 3,210,086	\$ 25,890	\$ 103,867

The accompanying footnotes are an integral part of these financial statements.

Town of Stantonsburg, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2020
Exhibit 2

Functions/Programs

Primary government:

Governmental activities:

General government

Public safety

Transportation

Economic and physical development

Human services

Environmental protection

Cultural and recreational

Total governmental activities

Business-type activities:

Electric

Water and sewer

Total business-type activities

Total primary government

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning as previously reported

Cumulative effect of change in accounting principle

Net position, beginning as restated

Net position, ending

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (214,937)	\$ -	\$ (214,937)
(372,181)	-	(372,181)
(66,157)	-	(66,157)
(19,153)	-	(19,153)
(5,220)	-	(5,220)
6,405	-	6,405
(28,204)	-	(28,204)
(699,447)	-	(699,447)
-	595,131	595,131
-	39,660	39,660
-	634,791	634,791
(699,447)	634,791	(64,656)
194,808	-	194,808
81,603	-	81,603
84,390	-	84,390
7,897	78,348	86,245
8,737	-	8,737
290,000	(290,000)	-
667,435	(211,652)	455,783
(32,012)	423,139	391,127
1,882,376	11,075,566	12,957,942
(21,615)	(28,651)	(50,266)
1,860,761	11,046,915	12,907,676
\$ 1,828,749	\$ 11,470,054	\$ 13,298,803

The accompanying footnotes are an integral part of these financial statements.

Town of Stantonsburg, North Carolina
Governmental Funds
Balance Sheet
June 30, 2020
Exhibit 3

Major Fund
General

Assets

Cash and cash equivalents	\$ 32,076
Investments	402,048
Restricted cash and cash equivalents	48,526
Restricted investments	121,334
Taxes receivable, net	21,537
Accounts receivable, net	37,058
Due from other governments	33,579
Total assets	<u>\$ 696,158</u>

Liabilities

Accounts payable and accrued liabilities	<u>\$ 9,877</u>
--	-----------------

Deferred inflows of resources

Property taxes receivable	21,537
Accounts receivable	18,855
Prepaid taxes	164
Total deferred inflows of resources	<u>40,556</u>

Fund balances

Restricted	
Stabilization by State statute	51,782
Streets - Powell Bill	169,860
Assigned	
Subsequent year's expenditures	24,000
Unassigned	400,083
Total fund balances	<u>645,725</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 696,158</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Stantonsburg, North Carolina
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2020
Exhibit 4

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position follows:

Total fund balances of governmental funds	\$ 645,725
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 2,342,576
Less accumulated depreciation	<u>(1,018,401)</u>
Net capital assets	1,324,175
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred	8,900
Deferred outflows of resources related to pensions are not reported in the funds	83,684
Deferred outflows of resources related to OPEB are not reported in the funds	5,010
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	40,392
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and therefore are not reported in the fund statements:	
Compensated absences	(19,104)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Net pension liability	(115,852)
Total pension liability	(32,686)
OPEB liability	(22,324)
Deferred inflows of resources related to pensions are not reported in the funds	(87,971)
Deferred inflows of resources related to OPEB are not reported in the funds	<u>(1,200)</u>
Net position of governmental activities	<u>\$ 1,828,749</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Stantonsburg, North Carolina
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020
Exhibit 5

	Major Fund
	General
Revenues:	
Ad valorem taxes	\$ 197,956
Unrestricted intergovernmental	164,343
Restricted intergovernmental	23,740
Permits and fees	350
Sales and services	114,847
Investment earnings	7,897
Miscellaneous income	4,884
Total revenues	<u>514,017</u>
Expenditures:	
Current:	
General government	208,993
Public safety	353,901
Transportation	64,751
Economic and physical development	19,428
Human services	5,220
Environmental protection	96,093
Cultural and recreational	15,238
Total expenditures	<u>763,624</u>
Revenues over (under) expenditures	<u>(249,607)</u>
Other financing sources:	
Transfers from other funds	290,000
Insurance recovery	5,815
Sale of capital assets	650
Total other financing sources	<u>296,465</u>
Revenues and other financing sources over expenditures	46,858
Fund balance, beginning	<u>598,867</u>
Fund balance, ending	<u><u>\$ 645,725</u></u>

The accompanying footnotes are an integral part of these financial statements.

Town of Stantonsburg, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020
Exhibit 6

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

Net changes in fund balances of governmental funds	\$ 46,858
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	23,677
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(85,267)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	27,884
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	4,659
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Change in unavailable revenue for tax revenues	(2,034)
Decrease in accrued interest receivable on taxes	(1,114)
Change in unavailable sales and services revenues	(300)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund statements:	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(3,998)
Pension expense	(40,819)
OPEB plan expense	(1,558)
Total changes in net position of governmental activities	<u>\$ (32,012)</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Stantonsburg, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual
For the Fiscal Year Ended June 30, 2020
Exhibit 7

General Fund				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 230,000	\$ 232,000	\$ 197,956	\$ (34,044)
Unrestricted intergovernmental	156,700	160,700	164,343	3,643
Restricted intergovernmental	25,000	25,000	23,740	(1,260)
Permits and fees	1,800	1,800	350	(1,450)
Sales and services	115,600	119,100	114,847	(4,253)
Investment earnings	16,000	18,000	7,897	(10,103)
Miscellaneous income	25,600	26,100	4,884	(21,216)
Total revenues	570,700	582,700	514,017	(68,683)
Expenditures:				
Current:				
General government	240,000	239,600	208,993	30,607
Public safety	371,750	375,750	353,901	21,849
Transportation	101,300	95,600	64,751	30,849
Economic and physical development	4,500	21,000	19,428	1,572
Human services	7,500	7,500	5,220	2,280
Environmental protection	118,400	110,650	96,093	14,557
Cultural and recreational	17,250	22,600	15,238	7,362
Total expenditures	860,700	872,700	763,624	109,076
Revenues over (under) expenditures	(290,000)	(290,000)	(249,607)	40,393
Other financing sources:				
Transfer from Electric Fund	290,000	290,000	290,000	-
Insurance recovery	-	-	5,815	5,815
Sale of capital assets	-	-	650	650
Total other financing sources	290,000	290,000	296,465	6,465
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>46,858</u>	<u>\$ 46,858</u>
Fund balance, beginning			<u>598,867</u>	
Fund balance, ending			<u>\$ 645,725</u>	

The accompanying footnotes are an integral part of these financial statements.

Town of Stantonsburg, North Carolina
Proprietary Funds
Statement of Net Position
June 30, 2020
Exhibit 8

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,193,258	\$ 771,024	\$ 2,964,282
Investments	1,363,387	1,300,600	2,663,987
Accounts receivable (net)	91,108	108,557	199,665
Due from other governments	16,416	-	16,416
Inventories	109,839	3,873	113,712
Restricted assets:			
Cash and cash equivalents	102,825	91,641	194,466
Total current assets	3,876,833	2,275,695	6,152,528
Capital assets:			
Land, non-depreciable improvements, and construction in progress	20,836	109,724	130,560
Other capital assets, net of depreciation	1,093,525	6,904,156	7,997,681
Capital assets (net)	1,114,361	7,013,880	8,128,241
Total assets	4,991,194	9,289,575	14,280,769
Deferred outflows of resources			
Pension deferrals	64,474	36,690	101,164
OPEB deferrals	4,193	2,447	6,640
Total deferred outflows of resources	68,667	39,137	107,804
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	95,703	-	95,703
Compensated absences payable - current	10,165	5,752	15,917
NC Clean Water Revolving Loan - current	-	55,287	55,287
Water and sewer system revenue bonds - current	-	31,000	31,000
Liabilities payable from restricted assets:			
Customer deposits	102,825	-	102,825
Total current liabilities	208,693	92,039	300,732
Non-current liabilities:			
Compensated absences payable	10,121	1,715	11,836
Net pension liability	97,080	55,245	152,325
Total OPEB liability	18,689	10,903	29,592
NC Clean Water Revolving Loan	-	663,444	663,444
Water and sewer system revenue bonds	-	1,759,000	1,759,000
Total noncurrent liabilities	125,890	2,490,307	2,616,197
Total liabilities	334,583	2,582,346	2,916,929
Deferred inflows of resources			
OPEB deferrals	1,004	586	1,590
Net position			
Net investment in capital assets	1,114,361	4,505,149	5,619,510
Unrestricted	3,609,913	2,240,631	5,850,544
Total net position	\$ 4,724,274	\$ 6,745,780	\$ 11,470,054

The accompanying footnotes are an integral part of these financial statements.

Town of Stantonsburg, North Carolina
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020
Exhibit 9

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 2,251,465	\$ 809,668	\$ 3,061,133
Other operating revenues	35,244	-	35,244
Total operating revenues	2,286,709	809,668	3,096,377
Operating expenses:			
Electrical operations	1,621,676	-	1,621,676
Water treatment and distribution	-	233,803	233,803
Waste collection and treatment	-	243,322	243,322
Depreciation	69,902	324,170	394,072
Total operating expenses	1,691,578	801,295	2,492,873
Operating income	595,131	8,373	603,504
Nonoperating revenues (expenses):			
Interest earned on investments	49,590	28,758	78,348
Interest and other charges	-	(72,580)	(72,580)
Total nonoperating revenues (expenses)	49,590	(43,822)	5,768
Income (loss) before capital contributions and transfers	644,721	(35,449)	609,272
Capital contributions	-	103,867	103,867
Transfers to other funds	(290,000)	-	(290,000)
Change in net position	354,721	68,418	423,139
Total net position, beginning as previously reported	4,387,648	6,687,918	11,075,566
Cumulative effect of change in accounting principle	(18,095)	(10,556)	(28,651)
Total net position, beginning as restated	4,369,553	6,677,362	11,046,915
Total net position, ending	\$ 4,724,274	\$ 6,745,780	\$ 11,470,054

The accompanying footnotes are an integral part of these financial statements.

Town of Stantonsburg, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
Exhibit 10

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 2,337,084	\$ 808,151	\$ 3,145,235
Cash paid for goods and services	(1,265,967)	(269,156)	(1,535,123)
Cash paid to or on behalf of employees for services	(359,423)	(201,954)	(561,377)
Customer deposits received (net)	10,625	-	10,625
Net cash provided by operating activities	722,319	337,041	1,059,360
Cash flows from noncapital financing activities:			
Transfers to other funds	(290,000)	-	(290,000)
Cash flows from capital and related financing activities:			
Capital contributions	-	126,337	126,337
Acquisition and construction of capital assets	(33,129)	(151,530)	(184,659)
Principal paid on debt	-	(84,287)	(84,287)
Interest paid on debt	-	(72,580)	(72,580)
Net cash used by capital and related financing activities	(33,129)	(182,060)	(215,189)
Cash flows from investing activities:			
Interest on investments	49,590	28,758	78,348
Net increase in cash and cash equivalents	448,780	183,739	632,519
Cash and cash equivalents, beginning	3,210,690	1,979,526	5,190,216
Cash and cash equivalents, ending	\$ 3,659,470	\$ 2,163,265	\$ 5,822,735
Reconciliation of cash and cash equivalents, ending			
Cash and cash equivalents	\$ 2,193,258	\$ 771,024	\$ 2,964,282
Investments	1,363,387	1,300,600	2,663,987
Restricted cash and cash equivalents	102,825	91,641	194,466
Total cash and cash equivalents	\$ 3,659,470	\$ 2,163,265	\$ 5,822,735

The accompanying footnotes are an integral part of these financial statements.

Town of Stantonsburg, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
Exhibit 10

Reconciliation of operating income to net cash provided by operating activities:

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating income	\$ 595,131	\$ 8,373	\$ 603,504
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	69,902	324,170	394,072
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	47,139	(1,517)	45,622
Increase (decrease) in allowance for doubtful accounts	3,236	-	3,236
(Increase) decrease in due from other governments	(1,040)	-	(1,040)
(Increase) decrease in inventories	(14,261)	72	(14,189)
Increase (decrease) in accounts payable and accrued liabilities	(13,158)	-	(13,158)
Increase (decrease) in compensated absences payable	4,432	(5,011)	(579)
(Increase) decrease in deferred outflows of resources - pensions	3,229	5,794	9,023
(Increase) decrease in deferred outflows of resources - OPEB	(4,193)	(2,447)	(6,640)
Increase (decrease) in net pension liability	20,164	6,979	27,143
Increase (decrease) in OPEB liability	594	347	941
Increase (decrease) in deferred inflows of resources - pensions	(485)	(305)	(790)
Increase (decrease) in deferred inflows of resources - OPEB	1,004	586	1,590
Increase (decrease) in customer deposits	10,625	-	10,625
Total adjustments	127,188	328,668	455,856
Net cash provided by operating activities	\$ 722,319	\$ 337,041	\$ 1,059,360

The accompanying footnotes are an integral part of these financial statements.

Notes to the Financial Statements

Town of Stantonsburg, North Carolina

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Stantonsburg (the “Town”) 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 is a municipal corporation that is governed by an elected mayor and a five-member council.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

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

Town of Stantonsburg, North Carolina

Notes to Financial Statements

The Town reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town 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.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

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

Sales taxes and certain intergovernmental revenues, such as the 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 because the tax is levied by Wilson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then 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. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The budget officer is authorized to reallocate appropriations within departments and may execute inter-departmental transfers, in the same fund, not to exceed 10 percent of the appropriated monies for the department whose allocation is reduced. Notation of all such transfers shall be made to the Town Council on the next succeeding financial report. No salary increases, beyond those set forth in the budget document, may be made without approval of the Town Council. The governing board must approve any budget revision that alters the total expenditures of any fund. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each month. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2020, there were no redemption fees or maximum transaction amounts, or any requirements that serve to limit the Town's access to 100 percent of their account value in the external investment pool.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Rural Development procedure, by virtue of a Loan Resolution Security Agreement, requires an annual contribution of 1/10th of the annual installment payments actually described monthly in the agreement, until the account is fully funded in an amount equivalent to one annual installment accumulated after 10 years. Powell Bill funds are also classified as restricted cash because they can be expended only for purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

Restricted cash and investments as of June 30, 2020 was comprised of the following amounts:

Governmental Activities

General Fund:

Powell Bill funds	\$ 169,860
Total governmental activities	<u>169,860</u>

Business-type activities

Electric Fund:

Customer utility deposits	102,825
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Water and Sewer Fund:

Rural Development Loan Resolution Security Agreement	91,641
Total business-type activities	<u>194,466</u>

Total restricted cash and investments	<u><u>\$ 364,326</u></u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years and the amounts that are past due greater than 90 days.

6. Inventory

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The Town has elected to record general infrastructure assets on a prospective basis beginning with the implementation of GASB 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.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

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

Asset Class	Estimated Useful Lives
Buildings	40-50
Infrastructure	50
Other improvements	20-50
Substations, lines and related equipment	40-50
Water plant and distribution systems	20-50
Sewer plant and collection systems	20-40
Equipment and furniture	5-10
Vehicles and motorized equipment	6-25

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 fund balance / 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 and OPEB deferrals for the 2020 fiscal year. In addition to liabilities, the statement of net 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 fund balance / net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, accounts receivable and pension and OPEB deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

Town of Stantonsburg, North Carolina

Notes to Financial Statements

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position:

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

For purposes of net position classification, expenses are to be spent from restricted net position first and then unrestricted net position.

Fund Balances:

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

The governmental fund types classify fund balances as follows:

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

Town of Stantonsburg, North Carolina

Notes to Financial Statements

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

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

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Town Manager to reallocate appropriations within departments not to exceed 10 percent of the appropriated monies.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds, nor any amount in nonspendable form.

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

Town of Stantonsburg, North Carolina

Notes to Financial Statements

12. Defined Benefit Cost Sharing Plans

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

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

14. Adoption of New Financial Accounting Standards

The following is a GASB Statement recently issued and adopted by the Board:

The Town implemented GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. The Town has implemented this provision for the year ended June 30, 2020. The implementation of this statement resulted in a decrease of beginning net position of the governmental activities and business-type activities of the Town in the amount of \$21,615 and \$28,651, respectively.

15. Future Accounting Pronouncements

The following is a listing of GASB Statements recently issued and being reviewed by the Town:

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on the Town's financial statements. With the issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, the effective date of this statement has been postponed by 18 months.

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in 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 under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$3,239,250 and a bank balance of \$3,254,339. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$100.

2. Investments

As of June 30, 2020, the Town had the following investments and maturities:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2020	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$ 3,187,369</u>	N/A	AAAm

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2020.

3. Receivables and Allowances for Doubtful Accounts

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

	Accounts Receivable	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities:				
General Fund	\$ 22,573	\$ 44,491	\$ 33,579	\$ 100,643
Allowance for doubtful accounts	(350)	(14,054)	-	(14,404)
Total governmental activities	<u>\$ 22,223</u>	<u>\$ 30,437</u>	<u>\$ 33,579</u>	<u>\$ 86,239</u>
Business-type activities				
Electric	\$ 249,377	\$ -	\$ 16,416	\$ 265,793
Water and sewer	112,907	-	-	112,907
Total receivables	<u>362,284</u>	<u>-</u>	<u>16,416</u>	<u>378,700</u>
Allowance for doubtful accounts	<u>(162,619)</u>	<u>-</u>	<u>-</u>	<u>(162,619)</u>
Total business-type activities	<u>\$ 199,665</u>	<u>\$ -</u>	<u>\$ 16,416</u>	<u>\$ 216,081</u>

The due from other governments that is owed to the Town consists of the following:

Governmental activities:

Local option sales tax	\$ 13,615
Utility franchise tax	17,096
Wilson County - property taxes	2,868
Total governmental activities	<u>\$ 33,579</u>

Business-type activities:

Sales tax refund	<u>\$ 16,416</u>
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Town of Stantonsburg, North Carolina
Notes to Financial Statements

The General Fund has reported \$14,835 in accounts receivable related to nuisance abatement assessments as non-current as of June 30, 2020. This amount relates to demolishing abandoned properties. The Town has executed property liens on the related properties but the collection of these amounts is historically longer than one year.

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 57,107	\$ -	\$ -	\$ 57,107
Capital assets being depreciated:				
Buildings	238,540	11,400	-	249,940
Other improvements	44,512	-	-	44,512
Equipment and furniture	451,947	12,277	1,283	462,941
Vehicles and motorized equipment	616,524	-	151,155	465,369
Infrastructure	1,062,707	-	-	1,062,707
Total capital assets being depreciated	2,414,230	23,677	152,438	2,285,469
Less accumulated depreciation for:				
Buildings	191,293	3,659	-	194,952
Other improvements	41,482	169	-	41,651
Equipment and furniture	195,703	26,535	1,283	220,955
Vehicles and motorized equipment	419,309	30,815	151,155	298,969
Infrastructure	237,785	24,089	-	261,874
Total accumulated depreciation	1,085,572	85,267	152,438	1,018,401
Total capital assets being depreciated, net	1,328,658			1,267,068
Governmental activity capital assets, net	<u>\$ 1,385,765</u>			<u>\$ 1,324,175</u>

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

General government	\$ 1,521
Public safety	30,668
Transportation	24,407
Environmental protection	15,732
Cultural and recreational	12,939
	<u>85,267</u>
Total depreciation expense	<u>\$ 85,267</u>

Town of Stantonsburg, North Carolina
Notes to Financial Statements

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Land	\$ 20,836	\$ -	\$ -	\$ 20,836
Capital assets being depreciated:				
Buildings	96,588	-	-	96,588
Electrical system and substation	1,942,290	29,617	-	1,971,907
Equipment and furniture	211,694	3,512	5,896	209,310
Vehicles and motorized equipment	453,984	-	-	453,984
Total capital assets being depreciated	2,704,556	33,129	5,896	2,731,789
Less accumulated depreciation for:				
Buildings	7,733	2,421	-	10,154
Electrical system and substation	1,016,223	37,431	-	1,053,654
Equipment and furniture	159,120	12,344	5,896	165,568
Vehicles and motorized equipment	391,182	17,706	-	408,888
Total accumulated depreciation	1,574,258	69,902	5,896	1,638,264
Total capital assets being depreciated, net	1,130,298			1,093,525
Electric Fund capital assets, net	1,151,134			1,114,361
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	89,940	-	-	89,940
Construction in progress	552,622	123,798	656,636	19,784
Total capital assets not being depreciated	642,562	123,798	656,636	109,724
Capital assets being depreciated:				
Buildings	36,853	-	-	36,853
Water plant and distribution systems	4,719,978	15,900	-	4,735,878
Sewer plant and collection systems	5,687,270	656,636	-	6,343,906
Equipment and furniture	463,615	15,219	8,441	470,393
Vehicles and motorized equipment	52,527	-	-	52,527
Total capital assets being depreciated	10,960,243	687,755	8,441	11,639,557
Less accumulated depreciation for:				
Buildings	8,384	929	-	9,313
Water plant and distribution systems	1,597,618	116,217	-	1,713,835
Sewer plant and collection systems	2,545,131	174,225	-	2,719,356
Equipment and furniture	232,743	28,527	8,441	252,829
Vehicles and motorized equipment	35,796	4,272	-	40,068
Total accumulated depreciation	4,419,672	324,170	8,441	4,735,401
Total capital assets being depreciated, net	6,540,571			6,904,156
Water and Sewer Fund capital assets, net	7,183,133			7,013,880
Business-type activities capital assets, net	\$ 8,334,267			\$ 8,128,241

Town of Stantonsburg, North Carolina

Notes to Financial Statements

5. Construction Commitments

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

Project	Spent-to-Date	Remaining Commitment
Stantonsburg New Well Project		
Construction	\$ 13,799	\$ 109,661

B. Liabilities

1. Payables

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

	Vendors	Benefits and Payroll Withholdings	Customer Deposits Payable	Total
Governmental Activities:				
General	\$ 9,877	\$ -	\$ -	\$ 9,877
Business-type Activities:				
Electric	\$ 95,703	\$ -	\$ 102,825	\$ 198,528

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$64,530 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 Stantonsburg, North Carolina

Notes to Financial Statements

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 \$268,177 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.00982%, which was an increase of 0.00053% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$126,812. 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	\$ 45,919	\$ -
Changes of assumptions	43,708	-
Net difference between projected and actual earnings on pension plan investments	6,541	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,407	-
Town contributions subsequent to the measurement date	64,530	-
Total	<u>\$ 178,105</u>	<u>\$ -</u>

\$64,530 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ 55,015
2022	20,547
2023	28,955
2024	9,058
2025	-
Thereafter	-

Town of Stantonsburg, North Carolina

Notes to Financial Statements

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

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

Town of Stantonsburg, North Carolina

Notes to Financial Statements

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.

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

1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.0%)
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Town's proportionate share of the net pension liability (asset)	\$ 613,369	\$ 268,177	\$ (18,748)
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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.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The Town 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	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	4
Total	<u>4</u>

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 8.10 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.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

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 no retirement benefits under this plan during the reporting period.

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 \$32,686. 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 (\$13,971).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,074	\$ 86,441
Changes of assumptions	2,339	1,530
Town benefit payments and plan administrative expense made subsequent to the measurement date	330	-
Total	<u>\$ 6,743</u>	<u>\$ 87,971</u>

\$330 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ (18,295)
2022	(17,901)
2023	(17,796)
2024	(17,796)
2025	(10,116)
Thereafter	676

Town of Stantonsburg, North Carolina
Notes to Financial Statements

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	\$ 36,497	\$ 32,686	\$ 29,227

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

	2020
Beginning balance	\$ 22,191
Service cost	3,520
Interest on the total pension liability	808
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	4,812
Changes of assumptions or other inputs	1,355
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 32,686</u>

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 Stantonsburg, North Carolina

Notes to Financial Statements

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 126,812	\$ (13,971)	\$ 112,841
Pension liability	268,177	32,686	300,863
Proportionate share of the net pension liability	0.00982%	N/A	
Deferred outflows of resources:			
Differences between expected and actual experience	45,919	4,074	49,993
Changes of assumptions	43,708	2,339	46,047
Net difference between projected and actual earnings on plan investments	6,541	-	6,541
Changes in proportion and differences between contributions and proportionate share of contributions	17,407	-	17,407
Benefit payments and administrative costs paid subsequent to the measurement date	64,530	330	64,860
Deferred inflows of resources:			
Differences between expected and actual experience	-	86,441	86,441
Changes of assumptions	-	1,530	1,530
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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 make voluntary contributions to the plan.

Contributions for the year ended June 30, 2020 were \$10,395, which consisted of \$8,517 from the Town and \$1,878 from the law enforcement officers. No amounts were forfeited.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

The Town also offers its general employees the option to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Town matches the employees' elective deferrals up to 2% of the employees' gross wages. For the fiscal year ended June 30, 2020, the cost to the Town was \$8,617.

d. Other Post-Employment Benefits – Healthcare Benefits

Plan Description. Under the terms of a Town resolution effective January 1, 2020, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided. Effective January 1, 2020, the Town provides continuing health insurance benefits to employees who retire from the Town if certain eligibility conditions are met. If a Town employee has been employed by the Town for at least 25 consecutive years and has reached the age of 60, the Town will pay 100% of the retiree's health insurance premium if the retiree elects such coverage and only if the employee actually retires from the NC Local Government Employees' Retirement System. Retired employees meeting the criteria discussed herein will be provided hospitalization in the same manner as the active Town employees until the retiree is eligible for Medicare benefits. The Town pays the full cost of coverage for these benefits. Retirees can purchase coverage for their dependents at the Town's group rates until the retiree reaches age sixty-five. At June 30, 2020, two retirees were eligible for postretirement health benefits. For the fiscal year ended June 30, 2020, the Town paid healthcare premiums for retirees of \$10,834. The Town purchases healthcare coverage through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan. Membership of the plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers	Total
Inactive members currently receiving benefits	-	-	-
Active plan members	10	4	14
Total	10	4	14

Total OPEB Liability

The Town's total OPEB liability of \$51,916 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date for the June 30, 2020 report date.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

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

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary Increases, including wage inflation	
General employees	3.50% -7.75%
Law enforcement officers	3.50% -7.35%
Discount rate	3.50%
Municipal bond index rate	
Prior measurement date	3.89%
Measurement date	3.50%
Health care cost trends	
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.5% by 2026

The discount rate is based on the June average of the Bond Buyer General Obligation 20 Year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Schedule of Changes in Total OPEB Liability (TOL)

	2020
Service cost at the end of the year	\$ 1,986
Interest on TOL and cash flows	1,955
Changes of benefit terms	-
Differences between expected and actual experience	(3,238)
Changes of assumptions or other inputs	947
Benefit payments	-
Other changes	-
Net change in total OPEB liability	1,650
Total OPEB liability - beginning	50,266
Total OPEB liability - ending	\$ 51,916

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

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

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

1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
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Total OPEB Liability	\$ 54,458	\$ 51,916	\$ 49,535
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Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current	1% Increase
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Total OPEB Liability	\$ 48,906	\$ 51,916	\$ 55,399
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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of (\$7,210). At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,790
Changes of assumptions and other inputs	816	-
Town benefit payments and plan administrative expenses made subsequent to the measurement date	10,834	-
Total	<u>\$ 11,650</u>	<u>\$ 2,790</u>

\$10,834 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Stantonsburg, North Carolina
Notes to Financial Statements

Year Ended June 30:

2021	\$ (317)
2022	(317)
2023	(317)
2024	(317)
2025	(317)
Thereafter	(389)

3. Other Employment Benefits

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

4. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 64,530
Benefit payments and administrative expenses for LEOSA made subsequent to measurement date	330
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	10,834
Differences between expected and actual experience	49,993
Changes of assumptions	46,863
Net difference between projected and actual earnings on plan investments	6,541
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,407
Total	<u>\$ 196,498</u>

Town of Stantonsburg, North Carolina

Notes to Financial Statements

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

Source	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 164	\$ 164
Property taxes receivable (General Fund)	-	21,537
Cemetery receivable (General Fund)	-	4,020
Nuisance abatement assessments (General Fund)	-	14,835
Differences between expected and actual experience	89,231	-
Changes of assumptions	1,530	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	\$ 90,925	\$ 40,556

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in one self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town obtains workers' compensation coverage up to statutory limits. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town does not carry flood insurance through the National Flood Insurance Plan (NFIP). The Town does not own property located in a flood plain and had no flood damage from the extensive damage caused in North Carolina by major hurricanes affecting North Carolina in recent years.

In accordance with G.S. 159-29, The Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$75,000 and the tax collector is individually bonded for \$10,000. The remaining employees that have access to funds are bonded under a blanket bond for \$75,000.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

6. Claims, Judgments and Contingent Liabilities

According to the Town attorney, at June 30, 2020, there are no pending or threatened litigation, claims or assessments against the Town.

7. Non-Cancelable Operating Lease

The Town has a non-cancelable operating lease related to leasing 2.13 acres for use as the town park. The lease commenced February 1, 2010 for a period of 26 years and includes a 2 year lease renewal option. The lease payment for the first year was \$1,605. Thereafter, for each subsequent year, the rent is adjusted by the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) as published by the US Bureau of Labor Statistics. Rent expenditures were \$2,210 for the year ended June 30, 2020.

8. Long-Term Obligations

a. NC Clean Water Revolving Loan (Direct Borrowings)

The Town is financing wastewater treatment plant improvements by means of a NC Clean Water Revolving Loan in the original amount of \$1,105,740. The unpaid balance at June 30, 2020 was \$718,731. Annual debt service requirements on the 0% loan, including interest of \$0, are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2021	\$ 55,287	\$ -	\$ 55,287
2022	55,287	-	55,287
2023	55,287	-	55,287
2024	55,287	-	55,287
2025	55,287	-	55,287
2026-2030	276,435	-	276,435
2031-2033	165,861	-	165,861
Totals	<u>\$ 718,731</u>	<u>\$ -</u>	<u>\$ 718,731</u>

b. Water and Sewer System Revenue Bonds (Direct Borrowings)

\$1,470,000 USDA Water and Sewer System Revenue Bonds, Series 2011A, issued June 6, 2011 for water system improvements. Principal and interest installments are due annually each June 1, at an annual interest rate of 4.125%. \$ 1,309,000

\$548,000 USDA Water and Sewer System Revenue Bonds, Series 2011B, issued June 6, 2011 for water system improvements. Principal and interest installments are due annually each June 1, at an annual interest rate of 3.625%. 481,000

Total Water and Sewer System Revenue Bonds \$ 1,790,000

Town of Stantonsburg, North Carolina
Notes to Financial Statements

The future payments of the Series 2011A Water and Sewer system Revenue Bonds as of June 30, 2020 are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2021	\$ 22,000	\$ 53,996	\$ 75,996
2022	23,000	53,089	76,089
2023	23,000	52,140	75,140
2024	24,000	51,191	75,191
2025	25,000	50,201	75,201
2026-2030	144,000	234,466	378,466
2031-2035	176,000	202,249	378,249
2036-2040	216,000	162,772	378,772
2041-2045	264,000	114,262	378,262
2046-2050	320,000	55,647	375,647
2051	72,000	2,970	74,970
Totals	<u>\$ 1,309,000</u>	<u>\$ 1,032,983</u>	<u>\$ 2,341,983</u>

Related interest expense for the year ended June 30, 2020 in the amount of \$54,862 has been reported as a direct water and sewer functional expense on the Statement of Activities.

The future payments of the 2011B Water and Sewer System Revenue Bonds as of June 30, 2020 are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2021	\$ 9,000	\$ 17,436	\$ 26,436
2022	9,000	17,110	26,110
2023	9,000	16,784	25,784
2024	10,000	16,458	26,458
2025	10,000	16,095	26,095
2026-2030	56,000	74,784	130,784
2031-2035	66,000	63,908	129,908
2036-2040	80,000	50,967	130,967
2041-2045	95,000	35,380	130,380
2046-2050	113,000	16,857	129,857
2051	24,000	870	24,870
Totals	<u>\$ 481,000</u>	<u>\$ 326,649</u>	<u>\$ 807,649</u>

Related interest expense for the year ended June 30, 2020 in the amount of \$17,718 has been reported as a direct water and sewer functional expense on the Statement of Activities.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

The Town has been in compliance with the covenants as to rates, fees, rentals and charges in Section 5.02 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2011A and 2011B, since its adoption in 2011. Section 5.02(a) of the Bond Order requires the debt service coverage ratio to be no less than 110% of the debt service requirement for such fiscal year and 100% of the subordinated indebtedness debt service requirement for such fiscal year. The debt service coverage ratio calculation for the year ended June 30, 2020, is as follows:

Operating revenues	\$ 809,668
Operating expenses*	477,125
Operating income	<u>332,543</u>
Nonoperating revenues (expenses)**	<u>28,758</u>
Income available for debt service	361,301
Debt service, principal and interest paid (Revenue bonds only)	101,580
Subordinated debt service, principal and interest paid	55,287
Revenue bond debt service coverage ratio	356%
Subordinated debt service coverage ratio	470%

*Per rate covenants, this does not include the depreciation expense of \$324,170.

** Per rate covenants, this does not include revenue bond interest paid of \$72,580.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$2,018,000 in USDA Water and Sewer System Revenue Bonds issued in June 2011. Proceeds from the bonds provided financing for water treatment plant improvements and improvements to the water distribution system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2051. Annual principal and interest payments on the bonds are expected to require less than 50 percent of income available for debt service. The total principal and interest remaining to be paid on the bonds is \$3,149,632. Principal and interest paid for the current year and income available for debt service were \$101,580 and \$361,301, respectively.

Town of Stantonsburg, North Carolina
Notes to Financial Statements

c. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund. For the NC Clean Water Revolving Loan and the Water and Sewer System Revenue Bonds outlined below, these are classified as direct borrowings.

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 15,106	\$ 3,998	\$ -	\$ 19,104	\$ 12,242
Net pension liability (LGERS)	95,209	20,643	-	115,852	-
Total pension liability (LEOSSA)	22,191	10,495	-	32,686	-
Total OPEB liability	21,615	709	-	22,324	-
Governmental activities long-term liabilities	<u>\$ 154,121</u>	<u>\$ 35,845</u>	<u>\$ -</u>	<u>\$ 189,966</u>	<u>\$ 12,242</u>
Business-type activities:					
Electric Fund:					
Compensated absences	\$ 15,854	\$ 4,432	\$ -	\$ 20,286	\$ 10,165
Net pension liability (LGERS)	76,916	20,164	-	97,080	-
Total OPEB liability	18,095	594	-	18,689	-
Electric Fund long-term liabilities	<u>110,865</u>	<u>25,190</u>	<u>-</u>	<u>136,055</u>	<u>10,165</u>
Water and Sewer Fund:					
NC Clean Water Revolving Loan	774,018	-	55,287	718,731	55,287
Water and Sewer System Revenue Bonds	1,819,000	-	29,000	1,790,000	31,000
Compensated absences	12,477	-	5,010	7,467	5,752
Net pension liability (LGERS)	48,266	6,979	-	55,245	-
Total OPEB liability	10,556	347	-	10,903	-
Water and Sewer Fund long-term liabilities	<u>2,664,317</u>	<u>7,326</u>	<u>89,297</u>	<u>2,582,346</u>	<u>92,039</u>
Business-type activities long-term liabilities	<u>\$ 2,775,182</u>	<u>\$ 32,516</u>	<u>\$ 89,297</u>	<u>\$ 2,718,401</u>	<u>\$ 102,204</u>

Per the debt agreement for the NC Clean Water Revolving Loan direct borrowings, in case of default the Town agrees that any other monies due to the Town from the State may be withheld by the State and applied to the payment of the obligation whenever the Town fails to pay any payment of principal or interest on the note when due.

Per the debt agreement for the Water and Sewer System Revenue Bond direct borrowings, in case of default the full principal and interest amount of all bonds then outstanding shall be due and payable immediately.

At June 30, 2020, the Town had a legal debt margin of \$3,171,696.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

C. Interfund Balances and Activity

Transfers to/from Other Funds

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

From the Electric Fund to the General Fund	\$ 290,000
From the Water & Sewer Fund to the Sanitary Sewer Rehabilitation Project	<u>147</u>
Total	<u><u>\$ 290,147</u></u>

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

During the 2020 fiscal year, the Town made a transfer from the Electric Fund of \$290,000 to the General Fund to finance General Fund activities.

During the 2020 fiscal year, the Town made a one-time transfer from the Water and Sewer Fund of \$147 to the Water and Sewer Capital Projects Fund for a Sanitary Sewer Rehabilitation Project.

D. Fund Balance

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

Total Fund Balance - General Fund	\$ 645,725
Less:	
Stabilization by State Statute	51,782
Streets - Powell Bill	169,860
Appropriated Fund Balance in 2021 budget	<u>24,000</u>
Remaining Fund Balance	<u><u>\$ 400,083</u></u>

III. JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with other municipalities, established the Upper Coastal Plain Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$598 to the Council during the fiscal year ended June 30, 2020.

Town of Stantonsburg, North Carolina

Notes to Financial Statements

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Federal and State Assisted Programs

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

V. CHANGE IN ACCOUNTING PRINCIPLES / RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2020. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending June 30, 2019). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$21,615 and \$28,651 for the business - type activities.

VI. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

In October 2020, the building that formerly housed the Stantonsburg EMS was donated to the Town. The building has an estimated fair value of approximately \$20,479.

In August 2020, the Town's electric line truck failed a structural test inspection and was immediately taken out of service. It was replaced in November 2020 at a cost of \$207,266.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, certain operations of the Town have been affected. The ability of some residents to make tax and/or utility payments has and may at times be impacted by the effects of the pandemic, as well as, state shared revenues, local, state and federal grant funding. In response to this event, the Town, through Executive Order of the Governor, suspended its cut-off policies for non-payment of utilities and/or extended due dates and payment options of utilities and property taxes for residents. Continued effects of the pandemic may result in uncertainties and a negative impact on operating activities and results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

The Board has evaluated subsequent events through December 8, 2020, the date which the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of the Proportionate Share of the Net Pension Liability (Asset) - Local Governmental Employees' Retirement System
- Schedule of Town Contributions - Local Governmental Employees' Retirement System
- Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability and Related Ratios

Town of Stantonsburg, North Carolina
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*

Local Governmental Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Stantonsburg's proportion of the net pension liability (asset) (%)	0.00982%	0.00929%	0.00911%	0.00829%	0.00842%	0.00956%	0.00770%
Stantonsburg's proportion of the net pension liability (asset) (\$)	\$268,177	\$220,391	\$139,176	\$175,944	\$ 37,789	\$ (56,378)	\$ 92,815
Stantonsburg's covered payroll	\$689,207	\$662,662	\$660,843	\$640,430	\$ 616,730	\$ 663,438	\$ 601,630
Stantonsburg's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.91%	33.26%	21.06%	27.47%	6.13%	(8.50%)	15.43%
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.

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Stantonsburg, North Carolina
Schedule of Town Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Governmental Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 64,530	\$ 54,664	\$ 50,773	\$ 49,087	\$ 43,375	\$ 44,914	\$ 44,784
Contributions in relation to the contractually required contribution	64,530	54,664	50,773	49,087	43,375	44,914	44,784
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stantonsburg's covered payroll	\$ 706,733	\$ 689,207	\$ 662,662	\$ 660,843	\$ 640,430	\$ 616,730	\$ 663,438
Contributions as a percentage of covered payroll	9.13%	7.93%	7.66%	7.43%	6.77%	7.28%	6.75%

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Stantonsburg, North Carolina
Schedule of Changes in Total Pension Liability
Required Supplementary Information

Law Enforcement Officers' Special Separation Allowance

	2020	2019	2018	2017
Beginning balance	\$ 22,191	\$ 21,974	\$ 152,636	\$ 145,517
Service cost	3,520	2,874	2,038	4,524
Interest on the total pension liability	808	694	5,892	5,195
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	4,812	(2,077)	(140,564)	(2,600)
Changes of assumptions or other inputs	1,355	(1,274)	1,972	-
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 32,686</u>	<u>\$ 22,191</u>	<u>\$ 21,974</u>	<u>\$ 152,636</u>

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

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Stantonsburg, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Required Supplementary Information

Law Enforcement Officers' Special Separation Allowance

	2020	2019	2018	2017
Total pension liability	\$ 32,686	\$ 22,191	\$ 21,974	\$ 152,636
Covered payroll	186,766	126,139	134,813	154,978
Total pension liability as a percentage of covered payroll	17.50%	17.59%	16.30%	98.49%

Notes to schedule:

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

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Stantonsburg, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information

Total OPEB Liability	2020
Service cost at the end of the year	\$ 1,986
Interest on TOL and cash flows	1,955
Changes of benefit terms	-
Differences between expected and actual experience	(3,238)
Changes of assumptions or other inputs	947
Benefit payments	-
Other changes	-
Net change in total OPEB liability	1,650
Total OPEB liability - beginning	50,266
Total OPEB liability - ending	\$ 51,916
 Covered payroll	 \$ 533,348
Total OPEB liability as a percentage of covered- employee payroll	 9.73%

Notes to Schedule:

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

<u>Fiscal Year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Supplementary Schedules

This section contains Individual Fund Schedules.

Town of Stantonsburg, North Carolina

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes:				
Current year	\$	\$ 191,257	\$	\$ 184,568
Prior years		4,417		6,503
Penalties and interest		2,282		2,147
Total	232,000	197,956	(34,044)	193,218
 Unrestricted intergovernmental:				
Local option sales taxes		79,953		73,971
Telecommunications sales tax		6,131		7,514
Video franchise fee		9,659		10,062
Utilities sales tax		61,443		61,812
Piped natural gas sales tax		2,161		2,696
Beer and wine tax		3,325		3,340
ABC profit distribution		1,671		-
Total	160,700	164,343	3,643	159,395
 Restricted intergovernmental:				
Edward Byrne Memorial Justice Assistance Grant Program		-		21,312
Solid waste disposal tax		588		542
Powell Bill allocation		23,152		23,359
Total	25,000	23,740	(1,260)	45,213
 Permits and fees:				
Permits		120		135
Business registration fee		50		73
Officer fees and traffic violations		180		365
Total	1,800	350	(1,450)	573
 Sales and services:				
Curbside recycling		102,571		93,177
Garbage collection fees		9,726		9,380
Cemetery revenues		300		1,105
Cablevision - pole rental		1,600		-
Sale of scrap materials		650		-
Total	119,100	114,847	(4,253)	103,662

(continued)

Town of Stantonsburg, North Carolina

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Investment earnings	18,000	7,897	(10,103)	9,393
Miscellaneous:				
Rent income		695		950
Miscellaneous		4,189		6,729
Total	26,100	4,884	(21,216)	7,679
Total revenues	582,700	514,017	(68,683)	519,133
Expenditures	872,700	763,624	109,076	858,978
Revenues over (under) expenditures	(290,000)	(249,607)	40,393	(339,845)
Other financing sources				
Transfer from Electric Fund	290,000	290,000	-	280,000
Insurance recovery	-	5,815	5,815	8,101
Sale of capital assets	-	650	650	-
Total other financing sources	290,000	296,465	6,465	288,101
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>46,858</u>	<u>\$ 46,858</u>	<u>(51,744)</u>
Fund balance, beginning		<u>598,867</u>		<u>650,611</u>
Fund balance, ending		<u>\$ 645,725</u>		<u>\$ 598,867</u>

Town of Stantonsburg, North Carolina
General Fund
Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

2020			2019
Budget	Actual	Variance Positive (Negative)	Actual

General government:

Governing body and administration:

Fees paid elected officials	\$	\$ 9,936	\$	\$ 9,835
Salaries		80,067		81,308
FICA tax		6,808		6,925
Health insurance		12,264		11,717
Health insurance - retirees		6,965		-
Retirement		6,761		6,048
401-k match		1,511		1,561
Professional services		15,919		8,497
Telephone		2,710		1,989
Travel		79		196
Maintenance and repairs		18,044		1,924
Bank charges		3,987		3,827
Advertising		229		216
Office supplies and postage		2,113		2,299
Heating		600		603
Uniforms		59		107
Special contract services		11,520		8,352
Utilities		5,594		6,164
Dues and subscriptions		2,374		2,230
Insurance and bonds		9,700		9,916
Unemployment claim		-		2,598
Miscellaneous		3,362		4,956
Christmas parade		800		950
Shop with a cop		1,875		1,903
Capital outlay		2,763		-
Tax collection fees		2,953		2,838
Total general government	239,600	208,993	30,607	176,959

Public safety:

Police department:

Salaries		176,069		180,459
FICA tax		13,470		13,805
Health insurance		38,216		32,487
Retirement		16,522		14,174
401-k match		8,517		8,338

(continued)

Town of Stantonsburg, North Carolina
General Fund
Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Police department, continued				
Telephone		6,336		6,065
Maintenance and repairs		2,455		2,451
Auto supplies and repairs		16,253		22,844
Supplies and materials		275		3,007
Heating		350		330
Uniforms		1,783		822
Emergency communications		16,540		14,449
Utilities		4,168		4,645
Training		547		-
Insurance and bonds		9,000		9,000
Crime stoppers		-		500
Miscellaneous		-		2,152
Capital outlay		11,400		7,471
Capital outlay - Edward Byrne Memorial Justice Assistance Grant Program		-		21,312
Total	343,750	321,901	21,849	344,311
Fire department:				
Fire protection contract - Moyton Volunteer Fire Department	32,000	32,000	-	30,000
Rescue squad:				
Contribution to Stantonsburg Rescue Squad	-	-	-	6,000
Total public safety	375,750	353,901	21,849	380,311
Transportation:				
Street repair and construction:				
Salaries		27,251		24,753
FICA tax		2,085		1,894
Health insurance		9,970		7,848
Retirement		2,412		1,895
401-k match		-		296
Maintenance and repairs		2,353		1,170
Sidewalk repair		-		-
Auto supplies and repairs		5,163		6,134
Supplies and materials		2,232		831

(continued)

Town of Stantonsburg, North Carolina
General Fund
Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Street repair and construction, continued				
Uniforms		4,082		3,554
Insurance and bonds		3,950		3,700
Miscellaneous		100		-
Capital outlay		1,500		-
Powell Bill expenditures		3,653		2,281
Powell Bill expenditures - capital outlay		-		147,474
Total transportation	95,600	64,751	30,849	201,830
Economic and physical development:				
Appearance commission:				
Supplies		7,888		2,627
Town festival		11,540		3,668
Demolitions		-		-
Total economic and physical development	21,000	19,428	1,572	6,295
Human services:				
Health:				
Conservation of Health		3,225		4,879
Special contract services		1,800		-
Miscellaneous		195		75
Total human services	7,500	5,220	2,280	4,954
Environmental protection:				
Sanitation:				
Salaries		24,608		19,816
FICA tax		1,883		1,454
Health insurance		9,139		5,476
Retirement		2,189		1,513
401-k match		-		352
Maintenance and repairs		795		2,263
Landfill fee		21,400		18,833
Auto supplies and repairs		5,124		5,015
Supplies and materials		130		207
Uniforms		1,951		1,579
Curbside pick-up		16,333		15,308
Insurance and bonds		3,950		3,700

(continued)

Town of Stantonsburg, North Carolina
General Fund
Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Sanitation, continued				
Miscellaneous		100		368
Capital outlay		5,764		-
Bad debts		-		50
Total	106,150	93,366	12,784	75,934
Cemetery:				
Maintenance and repairs		165		1,099
Auto supplies and repairs		312		639
Miscellaneous		-		500
Capital outlay		2,250		-
Total	4,500	2,727	1,773	2,238
Total environmental protection	110,650	96,093	14,557	78,172
Cultural and recreational:				
Recreation:				
Rent on playground		2,210		2,146
Utilities		1,481		1,230
Maintenance and repairs		335		-
Miscellaneous		4,988		548
Total	11,650	9,014	2,636	3,924
Library:				
Salaries		372		552
FICA tax		29		42
Telephone and postage		979		917
Heating		838		1,165
Utilities		3,006		2,857
Insurance and bonds		1,000		1,000
Total	10,950	6,224	4,726	6,533
Total cultural and recreational	22,600	15,238	7,362	10,457
Total expenditures	\$ 872,700	\$ 763,624	\$ 109,076	\$ 858,978

Town of Stantonsburg, North Carolina
Electric Fund

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

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Charges for services:				
Electricity service	\$ 2,561,900	\$ 2,251,465	\$ (310,435)	\$ 2,343,317
Sale of materials	1,000	1,550	550	5,348
Miscellaneous revenue	86,500	33,694	(52,806)	34,637
Total charges for services	2,649,400	2,286,709	(362,691)	2,383,302
Nonoperating revenues:				
Interest earned on investments	20,000	49,590	29,590	53,895
NCDOT - relocate town lines for bridge project	-	-	-	-
Total revenues	2,669,400	2,336,299	(333,101)	2,437,197
Expenditures:				
Electrical operations	2,334,400	1,596,931	737,469	1,782,439
Capital outlay	45,000	33,129	11,871	32,489
Total expenditures	2,379,400	1,630,060	749,340	1,814,928
Revenues over expenditures	290,000	706,239	416,239	622,269
Other financing sources (uses):				
Transfer to General Fund	(290,000)	(290,000)	-	(280,000)
Revenues and other financing sources over expenditures and other uses	\$ -	\$ 416,239	\$ 416,239	\$ 342,269

Town of Stantonsburg, North Carolina
Electric Fund

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

2020			2019
Budget	Actual	Variance Positive (Negative)	Actual

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

Revenues and other financing sources over expenditures and other uses	<u>\$ 416,239</u>	<u>\$ 342,269</u>
Reconciling items:		
Capital outlay	33,129	32,489
(Increase) decrease in compensated absences payable	(4,432)	1,598
Increase (decrease) in deferred outflows of resources - pensions	(3,229)	18,555
Increase decrease in net pension liability	(20,164)	(25,838)
Decrease in deferred inflows of resources - pensions	485	1,165
Increase in deferred outflows of resources - OPEB	4,193	-
Increase in total OPEB liability	(594)	-
Increase in deferred inflows of resources - OPEB	(1,004)	-
Depreciation	<u>(69,902)</u>	<u>(69,927)</u>
Total reconciling items	<u>(61,518)</u>	<u>(41,958)</u>
Change in net position	<u><u>\$ 354,721</u></u>	<u><u>\$ 300,311</u></u>

Town of Stantonsburg, North Carolina
Electric Fund

Schedule of Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Electrical operations:				
Salaries	\$	\$ 264,282	\$	\$ 248,927
FICA tax		20,081		18,816
Health insurance		47,236		41,622
Retirement		23,336		19,047
401-k match		4,488		4,250
Electric purchases		1,026,731		1,225,242
Professional services		13,443		7,845
Telephone		2,878		1,989
Travel		586		815
Maintenance and repairs		19,232		16,958
Advertising		100		-
Auto supplies and repairs		15,762		15,473
Office supplies and postage		2,488		3,347
Supplies and materials		43,523		62,777
Heating		551		624
Uniforms		3,333		1,975
Special contract services		47,936		48,987
Utilities		5,390		5,744
Training		984		-
Dues and subscriptions		4,108		4,183
Insurance and bonds		26,958		27,358
Miscellaneous		19,134		18,342
Electric service bad debts		4,371		8,118
Total electrical operations	2,334,400	1,596,931	737,469	1,782,439
Capital outlay:				
Capital outlay	45,000	33,129	11,871	32,489
 Total expenditures	 \$ 2,379,400	 \$ 1,630,060	 \$ 749,340	 \$ 1,814,928

Town of Stantonsburg, North Carolina
Water and Sewer Fund

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

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Charges for services:				
Water service	\$ 431,300	\$ 478,357	\$ 47,057	\$ 477,794
Sewer service	320,000	327,011	7,011	331,403
Water and sewer tap fees	5,000	3,900	(1,100)	-
Sale of materials	500	400	(100)	-
Miscellaneous revenue	2,500	-	(2,500)	875
Total charges for services	759,300	809,668	50,368	810,072
Nonoperating revenues:				
Interest earned on investments	12,500	28,758	16,258	33,332
Total revenues	771,800	838,426	66,626	843,404
Expenditures:				
Water treatment and distribution	267,900	231,705	36,195	223,391
Waste collection and treatment	299,400	239,477	59,923	248,654
Debt service	159,000	156,867	2,133	156,982
Capital outlay	45,000	31,119	13,881	17,857
Total expenditures	771,300	659,168	112,132	646,884
Revenues over expenditures	500	179,258	178,758	196,520
Other financing sources (uses):				
Transfers to other funds:				
Water & Sewer Capital Projects Fund	(500)	(147)	353	(24,915)
Revenues and other financing sources over expenditures and other uses	\$ -	\$ 179,111	\$ 179,111	\$ 171,605

Town of Stantonsburg, North Carolina
Water and Sewer Fund

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

2020			2019
Budget	Actual	Variance Positive (Negative)	Actual

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

Revenues and other financing sources over expenditures and other uses	<u>\$ 179,111</u>	<u>\$ 171,605</u>
Reconciling items:		
Principal retirement	84,287	83,287
Capital outlay	31,119	17,857
Increase (decrease) in deferred outflows of resources - pensions	(5,794)	13,692
Increase in net pension liability	(6,979)	(18,343)
Decrease in deferred inflows of resources - pensions	305	661
Increase in deferred outflows of resources - OPEB	2,447	-
Increase in total OPEB liability	(347)	-
Increase in deferred inflows of resources - OPEB	(586)	-
Depreciation	(324,170)	(305,251)
Capital contributions	103,867	516,681
(Increase) decrease in compensated absences payable	5,011	(915)
Transfer to other funds:		
Water & Sewer Capital Projects Fund	147	24,915
Total reconciling items	<u>(110,693)</u>	<u>332,584</u>
Change in net position	<u><u>\$ 68,418</u></u>	<u><u>\$ 504,189</u></u>

Town of Stantonsburg, North Carolina
Water and Sewer Fund
Schedule of Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Water treatment and distribution:				
Salaries	\$	\$ 72,401	\$	\$ 79,146
FICA tax		5,489		5,886
Health insurance		12,126		12,594
Health insurance - retirees		3,869		-
Retirement		6,442		6,100
401-k match		1,266		1,574
Professional services		5,936		3,845
Telephone		422		-
Maintenance and repairs		21,008		22,841
Auto supplies and repairs		4,717		5,538
Office supplies and postage		1,260		1,193
Supplies and materials		12,862		11,512
Water analysis		3,993		2,913
Heating fuel		1,023		903
Special contract services		10,074		3,393
Utilities		46,164		44,195
Uniforms		1,895		1,501
Training		85		360
Insurance and bonds		16,000		15,500
Miscellaneous		4,673		4,297
Bad debts		-		100
Total water treatment and distribution	267,900	231,705	36,195	223,391

Waste collection and treatment:

Salaries	77,149	76,356
FICA tax	5,852	5,764
Health insurance	13,009	11,608
Retirement	6,867	5,887
401-k match	1,353	1,519
Professional services	5,936	5,645
Telephone	1,874	1,421
Maintenance and repairs	12,042	20,335
Auto supplies and repairs	4,615	5,588
Office supplies and postage	1,202	1,174
Supplies and materials	6,736	7,144
Water analysis	17,226	15,521

(continued)

Town of Stantonsburg, North Carolina
Water and Sewer Fund
Schedule of Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		2019
	Budget	Actual Variance Positive (Negative)	Actual
Waste collection and treatment, continued			
Uniforms		2,602	2,366
Special contract services		28,314	27,868
Utilities		36,591	41,201
Insurance and bonds		14,500	14,000
Miscellaneous		3,529	4,682
Training		80	525
Bad debts		-	50
Total waste collection and treatment	299,400	239,477	59,923
			248,654
Debt service:			
Principal retirement		84,287	83,287
Interest		72,580	73,695
Total debt service	159,000	156,867	2,133
			156,982
Capital outlay:			
Water capital outlay		20,500	15,184
Sewer capital outlay		10,619	2,673
Total capital outlay	45,000	31,119	13,881
			17,857
 Total expenditures	 \$ 771,300	 \$ 659,168	 \$ 112,132
			 \$ 646,884

Town of Stantonsburg, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

Sanitary Sewer Rehabilitation Project

Project Author - ization	Actual			Variance Positive (Negative)
	Prior Years	Current Year	Total to Date	

Revenues:

Connect NC Bond "Tax Exempt"

Program

Sales tax refund

Total revenues

\$ 753,888	\$ 552,622	\$ 103,867	\$ 656,489	\$ (97,399)
-	3,387	-	3,387	3,387
753,888	556,009	103,867	659,876	(94,012)

Expenditures:

Construction

Construction administration

Legal and administrative

Engineering design

Inspection

Preliminary engineering report

Environmental assessment

Grant administration

Grant fee

Total expenditures

314,871	85,161	400,032	
34,000	6,000	40,000	
441	43	484	
63,840	-	63,840	
61,716	2,810	64,526	
15,000	-	15,000	
15,000	-	15,000	
40,000	10,000	50,000	
11,141	-	11,141	
753,888	556,009	104,014	660,023
			93,865

Revenues over (under) expenditures

-	-	(147)	(147)	(147)
---	---	-------	-------	-------

Other financing sources

Transfer from Water and Sewer

Fund

-	-	147	147	147
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Revenues and other financing sources
over (under) expenditures

\$ -	\$ -	\$ -	\$ -	\$ -
------	------	------	------	------

Town of Stantonsburg, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

Stantonsburg New Well Project

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
State Water Reserve Grant	\$ 310,000	\$ -	\$ -	\$ -	\$ (310,000)
Expenditures:					
Professional services		-	5,985	5,985	
Construction		-	13,799	13,799	
Closing fee (1.5% of Grant)		-	-	-	
Closing fee (2.0% of Loan)		-	-	-	
Total expenditures	630,850	-	19,784	19,784	611,066
Revenues over (under) expenditures	(320,850)	-	(19,784)	(19,784)	301,066
Other financing sources:					
State Water Reserve Loan	310,000	-	-	-	(310,000)
Transfer from Water and Sewer Fund	10,850	-	-	-	(10,850)
Total other financing sources	320,850	-	-	-	(320,850)
Revenues and other financing sources over (under) expenditures					
	\$ -	\$ -	\$ (19,784)	\$ (19,784)	\$ (19,784)

Other Schedules

This section contains additional information on property taxes and USDA requested data.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Water and Sewer Fund – Schedule of Net Position by Function
- Water and Sewer Fund – Schedule of Revenues, Expenses and Changes in Net Position by Function
- Water and Sewer Fund – Schedule of Cash Flows by Function

Town of Stantonsburg, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections	Releases	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 198,654 (a)	\$ 191,258 (b)	\$ 423 (a)	\$ 6,973 (c)
2018-2019	6,141	-	3,313	51	2,777
2017-2018	2,123	-	678	-	1,445
2016-2017	7,036	-	119	-	6,917
2015-2016	1,414	-	-	-	1,414
2014-2015	3,581	-	-	-	3,581
2013-2014	4,177	-	-	-	4,177
2012-2013	3,239	-	-	-	3,239
2011-2012	2,725	-	61	-	2,664
2010-2011	2,599	-	120	75	2,404
2009-2010	4,044	-	125	3,919	-
	<u>\$ 37,079</u>	<u>\$ 198,654</u>	<u>\$ 195,674 (d)</u>	<u>\$ 4,468</u>	<u>35,591</u>
Less: allowance for uncollectible ad valorem taxes receivable					<u>(14,054)</u>
Ad valorem taxes receivable - net					<u>\$ 21,537</u>
RECONCILIATION TO REVENUES:					
Ad valorem taxes - General Fund					\$ 197,956
Reconciling items:					
Penalties and interest collected					<u>(2,282)</u>
Total collections					<u>\$ 195,674 (d)</u>

The lower case letters next to certain amounts on the Analysis of Current Tax Levy and in the above schedule show the relationship of taxes levied, taxes collected, and uncollected taxes on both schedules.

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

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 36,677,200	0.50	\$ 183,386	\$ 154,217	\$ 29,169
Penalties on late listings	-		-	-	-
Total	36,677,200		183,386	154,217	29,169
Discoveries:					
Current year taxes	3,053,600		15,268	15,268	-
Abatements	(84,600)		(423)	(423)	-
Total property valuation	<u>\$ 39,646,200</u>				
Net levy			198,231 (a)	169,062	29,169
Uncollected taxes at June 30, 2020			<u>(6,973) (c)</u>	<u>(6,973)</u>	-
Current year's taxes collected			<u>\$ 191,258 (b)</u>	<u>\$ 162,089</u>	<u>\$ 29,169</u>
Current levy collection percentage			<u>96.48%</u>	<u>95.88%</u>	<u>100.00%</u>

The lower case letters next to certain amounts on the Schedule of Ad Valorem Taxes Receivable and in the above schedule show the relationship of taxes levied, taxes collected, and uncollected taxes on both schedules.

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

	Water	Sewer	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 623,488	\$ 147,536	\$ 771,024
Investments	1,300,600	-	1,300,600
Accounts receivable (net)	59,957	48,600	108,557
Inventories	1,937	1,936	3,873
Restricted assets:			
Cash and cash equivalents	91,641	-	91,641
Total current assets	2,077,623	198,072	2,275,695
Capital assets:			
Land, non-depreciable improvements, and construction in progress	29,784	79,940	109,724
Other capital assets, net of depreciation	3,231,176	3,672,980	6,904,156
Capital assets (net)	3,260,960	3,752,920	7,013,880
Total assets	5,338,583	3,950,992	9,289,575
Deferred outflows of resources			
Pension deferrals	17,811	18,879	36,690
OPEB deferrals	1,165	1,282	2,447
Total deferred outflows of resources	18,976	20,161	39,137
Liabilities			
Current liabilities:			
Compensated absences payable - current	2,785	2,967	5,752
NC Clean Water Revolving Loan - current	-	55,287	55,287
Water and sewer system revenue bonds - current	31,000	-	31,000
Total current liabilities	33,785	58,254	92,039
Non-current liabilities:			
Compensated absences payable	379	1,336	1,715
Net pension liability	26,818	28,427	55,245
Total OPEB liability	5,192	5,711	10,903
NC Clean Water Revolving Loan	-	663,444	663,444
Water and sewer system revenue bonds	1,759,000	-	1,759,000
Total noncurrent liabilities	1,791,389	698,918	2,490,307
Total liabilities	1,825,174	757,172	2,582,346
Deferred inflows of resources			
OPEB deferrals	279	307	586
Net position			
Net investment in capital assets	1,470,960	3,034,189	4,505,149
Unrestricted	2,061,146	179,485	2,240,631
Total net position	\$ 3,532,106	\$ 3,213,674	\$ 6,745,780

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

	Water	Sewer	Total
Operating revenues:			
Charges for services	\$ 480,357	\$ 329,311	\$ 809,668
Operating expenses:			
Water treatment and distribution	233,803	-	233,803
Waste collection and treatment	-	243,322	243,322
Depreciation	142,503	181,667	324,170
Total operating expenses	376,306	424,989	801,295
Operating income (loss)	104,051	(95,678)	8,373
Nonoperating revenues (expenses):			
Interest earned on investments	27,349	1,409	28,758
Interest and other charges	(72,580)	-	(72,580)
Total nonoperating revenues (expenses)	(45,231)	1,409	(43,822)
Income (loss) before capital contributions and transfers	58,820	(94,269)	(35,449)
Capital contributions	-	103,867	103,867
Change in net position	58,820	9,598	68,418
Total net position, beginning as previously reported	3,478,313	3,209,605	6,687,918
Cumulative effect of change in accounting principle	(5,027)	(5,529)	(10,556)
Total net position, beginning as restated	3,473,286	3,204,076	6,677,362
Total net position, ending	\$ 3,532,106	\$ 3,213,674	\$ 6,745,780

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

	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 479,336	\$ 328,815	\$ 808,151
Cash paid for goods and services	(133,945)	(135,211)	(269,156)
Cash paid to or on behalf of employees for services	(97,724)	(104,230)	(201,954)
Net cash provided by operating activities	<u>247,667</u>	<u>89,374</u>	<u>337,041</u>
Cash flows from capital and related financing activities:			
Capital contributions	-	126,337	126,337
Acquisition and construction of capital assets	(40,269)	(111,261)	(151,530)
Principal paid on debt	(29,000)	(55,287)	(84,287)
Interest paid on debt	(72,580)	-	(72,580)
Net cash used by capital and related financing activities	<u>(141,849)</u>	<u>(40,211)</u>	<u>(182,060)</u>
Cash flows from investing activities:			
Interest on investments	<u>27,349</u>	<u>1,409</u>	<u>28,758</u>
Net increase in cash and cash equivalents	133,167	50,572	183,739
Cash and cash equivalents, beginning	<u>1,882,562</u>	<u>96,964</u>	<u>1,979,526</u>
Cash and cash equivalents, ending	<u><u>\$ 2,015,729</u></u>	<u><u>\$ 147,536</u></u>	<u><u>\$ 2,163,265</u></u>
Reconciliation of cash and cash equivalents, ending			
Cash and cash equivalents	\$ 623,488	\$ 147,536	\$ 771,024
Investments	1,300,600	-	1,300,600
Restricted cash and cash equivalents	91,641	-	91,641
Total cash and cash equivalents	<u><u>\$ 2,015,729</u></u>	<u><u>\$ 147,536</u></u>	<u><u>\$ 2,163,265</u></u>

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

	Water	Sewer	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 104,051	\$ (95,678)	\$ 8,373
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	142,503	181,667	324,170
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(1,021)	(496)	(1,517)
(Increase) decrease in inventories	36	36	72
Increase (decrease) in compensated absences payable	(3,075)	(1,936)	(5,011)
(Increase) decrease in deferred outflows of resources - pensions	3,916	1,878	5,794
(Increase) decrease in deferred outflows of resources - OPEB	(1,165)	(1,282)	(2,447)
Increase (decrease) in net pension liability	2,134	4,845	6,979
Increase (decrease) in OPEB liability	165	182	347
Increase (decrease) in deferred inflows of resources - pensions	(156)	(149)	(305)
Increase (decrease) in deferred inflows of resources - OPEB	279	307	586
Total adjustments	143,616	185,052	328,668
Net cash provided by operating activities	\$ 247,667	\$ 89,374	\$ 337,041

Compliance Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Stantonburg, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Stantonburg, North Carolina's basic financial statements and have issued our report thereon dated December 8, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Stantonburg, North Carolina'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 Stantonburg, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Stantonburg, North Carolina's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness. We consider the deficiency described in the accompanying schedule of findings and questioned costs as [2017-01 (Repeat)] to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stantonburg, North Carolina'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*.

Town of Stantonburg, North Carolina's Response to Findings

The Town of Stantonburg, North Carolina's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town of Stantonburg, North Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Cary Riggs & Ingram, L.L.C.

Wilson, North Carolina
December 8, 2020

Town of Stantonsburg, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified that are not considered to be material weaknesses?	None noted
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

Finding 2017-01 (Repeat)

MATERIAL WEAKNESS

Segregation of Duties Related to Cash Receipts

Criteria: A good system of internal control provides for a proper segregation of the accounting functions. At times, the Town does not have the proper segregation of duties over cash receipts. Most of the time, the Town has two employees involved in the cash receipts function but during times of sickness or vacation, only one employee is available. During days when just one employee is available, the same person receives payments, enters them in the accounts receivable subsidiary ledgers, and prepares the bank deposit.

Condition: There is a lack of segregation of duties among Town personnel on days when only one employee is available for the cash receipts function.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should remain active and engaged in the day to day operations of the Town, particularly on days when only one employee is available for the cash receipts function.

Views of Responsible Officials and Planned Corrective Actions: The Town agrees with the finding and will adhere to the corrective action plan on page 48 in this audit report.

Town of Stantonburg

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**Corrective Action Plan
For the Fiscal Year Ended June 30, 2020**

Section II - Financial Statement Findings

Finding 2017-01 (Repeat)

MATERIAL WEAKNESS

Segregation of Duties Related to Cash Receipts

Name of contact person: Tabitha Bailey, Finance Officer

Corrective Action: The Town agrees but adding additional personnel at the present time is not practical from a cost-benefit perspective. The governing board will remain active and engaged on a day to day basis, particularly on days when only one employee is available for the cash receipts function.

Proposed Completion Date: The governing board will remain active and engaged on a day to day basis realizing that it is not practical from a cost-benefit perspective to add additional personnel at the present time.

Town of Stantonsburg, North Carolina
Notes to the Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2020

Finding 2017-01 (Repeat)

Status: (Uncorrected) The governing board is remaining active and engaged on a day to day basis, particularly on days when only one employee is available for the cash receipts function; realizing that it is not practical from a cost-benefit perspective to add additional personnel at the present time.