

REVIEWED

By SLGFD at 1:28 pm, Aug 18, 2022

**Town of Sharpsburg
Sharpsburg, North Carolina**

Audited Financial Statements

Year Ended June 30, 2021

Town of Sharpsburg, North Carolina
Audited Financial Statements
For the Year Ended June 30, 2021

Board of Commissioners

Robert Williams, Mayor

Beverly Davis

Michael Hughes

David Pride

Linda Virgil

Administrative and Financial Staff

Tracy Sullivan, Town Clerk

Margaret Wiecek, Finance Officer

Town of Sharpsburg, North Carolina
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June 30, 2021

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Financial Section



S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sharpsburg, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the Town of Sharpsburg, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 51 and 52, 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 53 and 54 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

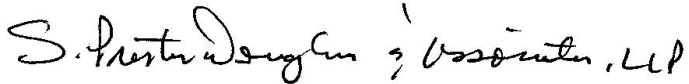
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Sharpsburg, North Carolina. The individual fund statements, budget and actual schedules, and supplemental ad valorem tax schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2022 on our consideration of the Town of Sharpsburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Sharpsburg's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "S. Preston Douglas, Jr." followed by a stylized flourish.

Lumberton, North Carolina

August 1, 2022

Management's Discussion and Analysis

Town of Sharpsburg, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

As management of the Town of Sharpsburg, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Sharpsburg for the fiscal year ending June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

The assets and deferred outflows of resources of the Town of Sharpsburg exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,367,922 (net position).

The government's total net position increased by \$134,971, primarily due to governmental activities increase of \$311,071 in net position.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,457,261. Approximately 75.37% of this total amount, or \$1,098,305, is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,098,305 or 71.38% of total General Fund expenditures.

At the end of the current fiscal year, the Town's Business-Type activities reported an ending net position of \$9,711,702, a decrease of \$176,100 over prior year.

The Town of Sharpsburg's total debt increased by \$90,162 during the current fiscal year.

For the past five June 30th year end audits, the Town's audit has been submitted to the Local Government Commission after the October 31 deadline. The audit submissions have ranged from three to five months late during that time. This audit was issued approximately nine months after the October 31 deadline. This was reported as a finding 2021-002 on page 69 in the Compliance Section of these audited financial statements.

Material prior period adjustments were recorded to beginning balances in the Electric Fund and Water and Sewer Fund due to overstated accounts receivable in the utility funds. Beginning Electric Fund net position at July 1, 2020 was materially overstated due to utility customer accounts receivable being overstated by \$276,759 in prior audited financial statements. Beginning Water and Sewer Fund net position at July 1, 2020 was materially overstated due to utility customer accounts receivable being overstated by \$319,843 in prior audited financial statements. This was reported as a finding 2021-003 on page 70 in the Compliance Section of these audited financial statements.

In the current year, the Water and Sewer Fund reported a loss before contributions and transfers of \$502,640. In the prior year, the Water and Sewer Fund reported a loss before contributions and transfers of \$306,449. The current year loss in the Water and Sewer Fund caused the Town to not to comply with their revenue bond debt covenants. This was reported as a finding 2021-004 on page 71 in the Compliance Section of these audited financial statements.

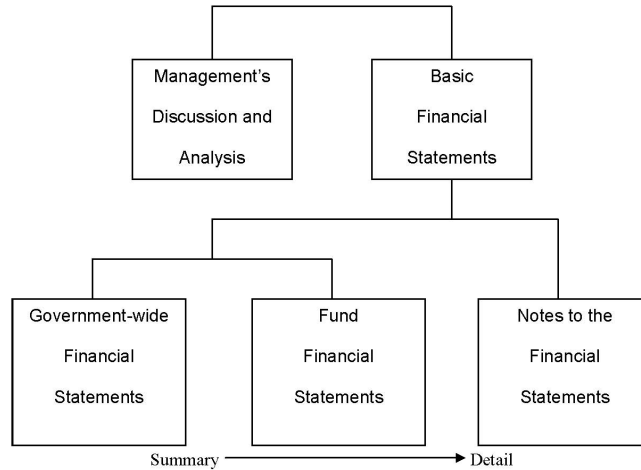
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Sharpsburg's basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Sharpsburg.

Town of Sharpsburg, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Required Components of Annual Financial Report

Figure 1



Financial Statements

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

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements.

There are 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 to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, additional information is provided to show details about the Town's individual funds. Budgetary information required by the N.C. General Statutes can also be found in this part of the statements.

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town'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 general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. 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. This includes the water and sewer services offered by the Town of Sharpsburg.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Town of Sharpsburg, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Fund Financial Statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Sharpsburg, like other state and local governments, 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 essentially the same 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 monies that are unexpended 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Sharpsburg 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 or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. The Town of Sharpsburg maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its electric, water and sewer activity. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, which are considered major funds of the Town.

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 can be found on pages 21-49 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Sharpsburg's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 51 of this report.

Town of Sharpsburg, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis

The Town of Sharpsburg's Net Position
Figure 2

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Current and other assets	\$ 1,617,810	\$ 1,261,483	\$ 3,348,460	\$ 4,002,102	\$ 4,966,270	\$ 5,263,585
Capital assets	641,236	500,940	9,797,274	9,921,391	10,438,510	10,422,331
Deferred Outflows of Resources	196,524	175,856	116,950	92,688	313,474	268,544
Total assets and deferred outflows	2,455,570	1,938,279	13,262,684	14,016,181	15,718,254	15,954,460
Long-term liabilities	605,491	382,912	3,063,205	2,956,532	3,668,696	3,339,444
Other liabilities	95,845	113,658	476,204	565,379	572,049	679,037
Deferred Inflows of Resources	98,014	96,560	11,573	9,866	109,587	106,426
Total liabilities and deferred inflows	799,350	593,130	3,550,982	3,531,777	4,350,332	4,124,907
Net position						
Net investment in capital assets	376,558	370,585	6,967,274	7,032,984	7,343,832	7,403,569
Restricted	358,956	334,820	16,674	15,514	375,630	350,334
Unrestricted	920,706	639,744	2,727,754	3,435,906	3,648,460	4,075,650
Total net position	\$ 1,656,220	\$ 1,345,149	\$ 9,711,702	\$ 10,484,404	\$ 11,367,922	\$ 11,829,553

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$11,367,922 at the close of the current fiscal year.

By far the largest portion of the Town's net position, 64.60%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position, 3.30%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$3,648,460 or 32.09% of the total.

Town of Sharpsburg, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis

The Town of Sharpsburg's Changes in Net Position
Figure 3

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Revenues:						
Program revenues						
Charges for services	\$ 310,444	\$ 304,104	\$ 3,839,027	\$ 3,708,443	\$ 4,149,471	\$ 4,012,547
Operating grants and contributions	108,215	73,449	-	1,310,908	108,215	1,384,357
Capital grants and contributions	-	-	193,575	-	193,575	-
General revenues						
Property taxes	389,962	375,109	-	-	389,962	375,109
Other taxes	512,798	470,851	-	-	512,798	470,851
Other	32,872	2,703	38,429	13,065	71,301	15,768
Total revenues	1,354,291	1,226,216	4,071,031	5,032,416	5,425,322	6,258,632
Expenses:						
General government	250,968	237,498	-	-	250,968	237,498
Public safety	655,950	580,537	-	-	655,950	580,537
Transportation	456,146	503,365	-	-	456,146	503,365
Culture and recreation	21,431	19,473	-	-	21,431	19,473
Interest on long-term debt	6,947	9,493	-	-	6,947	9,493
Electric	-	-	1,848,555	1,827,583	1,848,555	1,827,583
Water and sewer	-	-	2,050,354	1,601,830	2,050,354	1,601,830
Total expenses	1,391,442	1,350,366	3,898,909	3,429,413	5,290,351	4,779,779
Increase (decrease) in net position before transfers	(37,151)	(124,150)	172,122	1,603,003	134,971	1,478,853
Transfers	348,222	300,000	(348,222)	(300,000)	-	-
Change in net position	311,071	175,850	(176,100)	1,303,003	134,971	1,478,853
Net position, beginning, previously stated	1,345,149	1,169,299	10,484,404	9,181,401	11,829,553	10,350,700
Restatement	-	-	(596,602)	-	(596,602)	-
Net position, beginning, restated	1,345,149	1,169,299	9,887,802	9,181,401	11,232,951	10,350,700
Net position - June 30	\$ 1,656,220	\$ 1,345,149	\$ 9,711,702	\$ 10,484,404	\$ 11,367,922	\$ 11,829,553

Unrestricted intergovernmental revenues were the largest revenue contributor for the governmental funds with 37.86% of total revenues. Ad valorem tax revenues were the next largest at 28.79%.

Capital and operating grants for governmental activities furnished resources to support the four functions of the Town: general government, public safety, transportation, and cultural and recreation.

Business-type activities. Business-type activities decreased the Town's net position by \$176,100. Key elements of the change in net position compared to prior year are as follows:

- There was an operating loss in the Water and Sewer Fund of \$436,348 in the current year.
- Depreciation expense totaled \$410,235.
- Total expenses increased by \$469,496 compared to the prior year.

Town of Sharpsburg, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Financial Analysis of the Government's Funds

As noted earlier, the Town of Sharpsburg 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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$1,457,261. Of this total amount, \$1,098,305 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed 1) to liquidate contracts and purchase orders of the prior year, or 2) for a variety of other restricted purposes.

The General Fund is the principal operating fund of the Town of Sharpsburg. At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,098,305 with a total fund balance of \$1,457,261. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 71.38% of total General Fund expenditures.

Proprietary Funds. The Town of Sharpsburg's proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net position of the Electric Fund and the Water and Sewer Fund at the end of the fiscal year amounted to \$2,395,989 and \$331,765, respectively. Other factors concerning these funds have been discussed in the Town's business-type activities.

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:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, which reflect actual cost.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services and obligations from prior years not completed.

Capital Assets and Debt Administration

Capital assets. The Town of Sharpsburg's investments in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$10,438,510 (net of accumulated depreciation). The investments in capital assets includes buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

Town of Sharpsburg, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Capital Assets and Debt Administration (continued)

The Town of Sharpsburg's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Land	\$ 117,692	\$ 117,692	\$ 55,000	\$ 55,000	\$ 172,692	\$ 172,692
Construction in progress	-	-	-	1,776,660	-	1,776,660
Buildings and improvements	153,415	160,598	9,400,425	7,752,276	9,553,840	7,912,874
Machinery, equipment, & furniture	90,480	115,656	100,377	115,708	190,857	231,364
Vehicles	279,649	106,994	241,472	221,747	521,121	328,741
Total capital assets, net	\$ 641,236	\$ 500,940	\$ 9,797,274	\$ 9,921,391	\$ 10,438,510	\$ 10,422,331

Additional information on the Town's capital assets can be found in the notes on page 31 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Sharpsburg had total bonded and installment debt outstanding of \$3,094,677. Of this, \$2,744,677 is backed by the full faith and credit of the Town and all debt is covered by pledged collateral and is subject to appropriation.

The Town of Sharpsburg's Outstanding Debt
Figure 5

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Capital lease obligations	\$ 175,557	\$ -	\$ 51,942	\$ -	\$ 227,499	\$ -
Installment purchases	89,121	130,355	168,539	186,511	257,660	316,866
Revenue bonds	-	-	350,000	358,000	350,000	358,000
General obligation bonds	-	-	1,334,500	1,371,500	1,334,500	1,371,500
Revolving loans	-	-	450,330	475,330	450,330	475,330
Reserve loans	-	-	474,688	499,672	474,688	499,672
Compensated absences	19,978	14,693	28,109	24,976	48,087	39,669
Net pension obligation (LERS)	257,306	215,573	205,096	156,105	462,402	371,678
Total pension obligation (LEO)	63,529	145,818	-	-	63,529	145,818
Total outstanding debt	\$ 605,491	\$ 506,439	\$ 3,063,204	\$ 3,072,094	\$ 3,668,695	\$ 3,578,533

North Carolina's General Statutes limit the amount of general obligation debt that a governmental unit can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Sharpsburg is presently at \$5,616,407 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information pertaining to the Town of Sharpsburg's long-term debt can be found in the notes on page 43 of this report.

Town of Sharpsburg, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Economic Factors and Next Year's Budgets and Rates

- Unemployment rates in the Tri-County area are shown below:
 - Edgecombe County - decreased to 8.2 %
 - Nash County - decreased to 6.7%
 - Wilson County- consistent at 8.6%
 - Statewide unemployment rate was 4.9%.
- Tax rate remained at 55 cents per \$100 valuation.
- Moderately conservative revenue projections.
- Controlled spending projections.
- Water Sewer Rates remain unchanged from prior year.
- Electric Rates remain unchanged from the prior year.
- Maintain service levels.
- Fill vacant positions.
- Merit increases up to 5% were budgeted.
- Transfers to cover unallocated costs are budgeted from the Electric Fund

Request for Information

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

Basic Financial Statements

Town of Sharpsburg, North Carolina
Statement of Net Position
For the Year Ended June 30, 2021

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,195,448	\$ 2,309,260	\$ 3,504,708
Receivables:			
Taxes receivable (net)	64,704	-	64,704
Accounts receivable (net)	144,812	639,155	783,967
Due from other governments	166,833	-	166,833
Inventory	-	85,578	85,578
Cash and cash equivalents - restricted	46,013	314,467	360,480
Total current assets	1,617,810	3,348,460	4,966,270
Non-current assets:			
Capital assets (Note 3):			
Non-depreciable improvements	117,692	55,000	172,692
Other capital assets, net of depreciation	523,544	9,742,274	10,265,818
Total capital assets	641,236	9,797,274	10,438,510
Total assets	2,259,046	13,145,734	15,404,780
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	196,524	116,950	313,474
Total deferred outflows of resources	196,524	116,950	313,474
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	95,845	178,411	274,256
Current portion of long-term liabilities	62,795	127,991	190,786
Customer deposits	-	297,793	297,793
Total current liabilities	158,640	604,195	762,835
Long-term liabilities:			
Non-current portion of long-term debt	201,883	2,702,009	2,903,892
Compensated absences	19,978	28,109	48,087
Net pension liability (LGERS)	257,306	205,096	462,402
Total pension liability (LEO)	63,529	-	63,529
Total liabilities	701,336	3,539,409	4,240,745
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	98,014	11,573	109,587
Total deferred inflows of resources	98,014	11,573	109,587
NET POSITION			
Net investment in capital assets	376,558	6,967,274	7,343,832
Restricted for:			
Stabilization by State Statute	311,645	-	311,645
Streets	46,013	-	46,013
Debt service	1,298	-	1,298
Pursuant to loan requirements	-	16,674	16,674
Unrestricted	920,706	2,727,754	3,648,460
Total net position	\$ 1,656,220	\$ 9,711,702	\$ 11,367,922

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

Town of Sharpsburg, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 250,968	\$ 310,444	\$ 56,532	\$ -	\$ 116,008	\$ -	\$ 116,008
Public safety	655,950	-	-	-	(655,950)	-	(655,950)
Transportation	456,146	-	51,683	-	(404,463)	-	(404,463)
Cultural and recreation	21,431	-	-	-	(21,431)	-	(21,431)
Interest on long-term debt	6,947	-	-	-	(6,947)	-	(6,947)
Total governmental activities	1,391,442	310,444	108,215	-	(972,783)	-	(972,783)
Business-type activities:							
Electric	1,848,555	2,293,690	-	-	-	445,135	445,135
Water and sewer	2,050,354	1,545,337	-	193,575	-	(311,442)	(311,442)
Total business-type activities	3,898,909	3,839,027	-	193,575	-	133,693	133,693
Total primary government	\$ 5,290,351	\$ 4,149,471	\$ 108,215	\$ 193,575	(972,783)	133,693	(839,090)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					389,962	-	389,962
Unrestricted intergovernmental					512,798	-	512,798
Other general revenues					31,805	33,720	65,525
Investment earnings					1,067	4,709	5,776
Total general revenues not including transfers					935,632	38,429	974,061
Transfers					348,222	(348,222)	-
Total general revenues and transfers					1,283,854	(309,793)	974,061
Change in net position					311,071	(176,100)	134,971
Net position, beginning, as previously reported					1,345,149	10,484,404	11,829,553
Restatement					-	(596,602)	(596,602)
Net position, beginning, as restated					1,345,149	9,887,802	11,232,951
Net position, ending					\$ 1,656,220	\$ 9,711,702	\$ 11,367,922

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

Town of Sharpsburg, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,195,448
Taxes receivable, net	64,704
Accounts receivable, net	144,812
Due from other governments	166,833
Restricted cash and cash equivalents	46,013
Total assets	<u><u>\$ 1,617,810</u></u>
<u>LIABILITIES</u>	
Accounts payable and accrued liabilities	\$ 95,845
Total liabilities	<u><u>95,845</u></u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Property taxes receivable	64,704
Total deferred inflows of resources	<u><u>64,704</u></u>
<u>FUND BALANCES</u>	
Restricted:	
Stabilization by State Statute	311,645
Streets	46,013
Pursuant to loan requirements	1,298
Unassigned	1,098,305
Total fund balances	<u><u>1,457,261</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 1,617,810</u></u>

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

Town of Sharpsburg, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2021

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

Total fund balances, governmental funds	\$ 1,457,261
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	
Gross capital assets at historical cost	\$ 1,637,595
Accumulated depreciation	<u>(996,359)</u>
	641,236
Deferred outflows of resources related to pensions are not reported in the funds	196,524
Earned revenues are considered deferred inflows of resources in fund statements	64,704
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(284,656)
Net pension liability	(257,306)
Total pension liability	(63,529)
Pension related deferrals	<u>(98,014)</u>
Net position of governmental activities	<u>\$ 1,656,220</u>

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

Town of Sharpsburg, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major General Fund
Revenues:	
Ad valorem taxes	\$ 402,750
Unrestricted intergovernmental	512,798
Restricted intergovernmental	108,215
Permits and fees	8,150
Sales and services	334,099
Investment earnings	1,067
Total revenues	1,367,079
Expenditures:	
Current:	
General government	242,347
Public safety	792,441
Transportation	413,911
Cultural and recreational	17,090
Debt service:	
Principal	66,019
Interest and other charges	6,947
Total expenditures	1,538,755
Excess (deficiency) of revenues over expenditures	(171,676)
Other financing sources (uses)	
Transfers from other funds	348,222
Installment purchase proceeds	200,342
Total other financing sources (uses)	548,564
Net change in fund balances	376,888
Fund balances, beginning	1,080,373
Fund balances, ending	\$ 1,457,261

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

Town of Sharpsburg, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds		\$ 376,888
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 247,072	
Depreciation expense for governmental assets	<u>(106,776)</u>	140,296
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		46,955
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(12,788)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(200,342)	
Principal payments on long-term debt	<u>66,019</u>	(134,323)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	(5,285)	
Pension expense	<u>(100,672)</u>	<u>(105,957)</u>
Total changes in net position of governmental activities		\$ 311,071

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

Town of Sharpsburg, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 396,800	\$ 396,800	\$ 402,750	\$ 5,950
Unrestricted intergovernmental	424,400	424,400	512,798	88,398
Restricted intergovernmental	55,000	111,532	108,215	(3,317)
Permits and fees	1,500	1,500	8,150	6,650
Sales and services	313,300	313,300	334,099	20,799
Investment earnings	2,000	2,000	1,067	(933)
Total revenues	<u>1,193,000</u>	<u>1,249,532</u>	<u>1,367,079</u>	<u>117,547</u>
Expenditures:				
Current:				
General government	119,878	334,790	242,347	92,443
Public safety	808,564	823,564	792,441	31,123
Transportation	493,728	452,434	413,911	38,523
Cultural and recreational	27,000	29,500	17,090	12,410
Debt service:				
Principal retirement	17,500	66,019	66,019	-
Interest and other charges	-	6,947	6,947	-
Total expenditures	<u>1,466,670</u>	<u>1,713,254</u>	<u>1,538,755</u>	<u>174,499</u>
Revenues over (under) expenditures	<u>(273,670)</u>	<u>(463,722)</u>	<u>(171,676)</u>	<u>292,046</u>
Other financing sources (uses):				
Transfer from Enterprise Funds	348,222	348,222	348,222	-
Installment purchase proceeds	-	-	200,342	200,342
Total other financing sources (uses)	<u>348,222</u>	<u>348,222</u>	<u>548,564</u>	<u>200,342</u>
Fund balance appropriated	(74,552)	115,500	-	(115,500)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>376,888</u>	<u>\$ 376,888</u>
Fund balance, beginning			<u>1,080,373</u>	
Fund balance, ending			<u>\$ 1,457,261</u>	

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

Town of Sharpsburg, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 2,086,871	\$ 222,389	\$ 2,309,260
Accounts receivable (net)	402,904	236,251	639,155
Inventory	54,865	30,713	85,578
Restricted cash and cash equivalents	198,907	115,560	314,467
Total current assets	2,743,547	604,913	3,348,460
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	-	55,000	55,000
Other capital assets, net of depreciation	729,930	9,012,344	9,742,274
Capital assets (net)	729,930	9,067,344	9,797,274
Total noncurrent assets	729,930	9,067,344	9,797,274
Total assets	3,473,477	9,672,257	13,145,734
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension deferrals	41,679	75,271	116,950
Total deferred outflows of resources	41,679	75,271	116,950
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued liabilities	96,526	81,885	178,411
Current portion of long-term debt	16,632	111,359	127,991
Liabilities payable from restricted assets:			
Customer deposits	198,907	98,886	297,793
Total current liabilities	312,065	292,130	604,195
Noncurrent liabilities:			
Compensated absences	15,947	12,162	28,109
Net pension liability	73,809	131,287	205,096
Noncurrent portion of long-term debt	146,546	2,555,463	2,702,009
Total noncurrent liabilities	236,302	2,698,912	2,935,214
Total liabilities	548,367	2,991,042	3,539,409
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension deferrals	4,048	7,525	11,573
Total deferred inflows of resources	4,048	7,525	11,573
<u>NET POSITION</u>			
Net investment in capital assets	566,752	6,400,522	6,967,274
Restricted:			
Pursuant to loan requirements	-	16,674	16,674
Unrestricted	2,395,989	331,765	2,727,754
Total net position	\$ 2,962,741	\$ 6,748,961	\$ 9,711,702

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

Town of Sharpsburg, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating revenues:			
Charges for sales and services	\$ 2,293,690	\$ 1,545,337	\$ 3,839,027
Total operating revenues	<u>2,293,690</u>	<u>1,545,337</u>	<u>3,839,027</u>
Operating expenses:			
Electric operations	1,716,393	-	1,716,393
Water and sewer operations	-	1,691,803	1,691,803
Depreciation	120,353	289,882	410,235
Total operating expenses	<u>1,836,746</u>	<u>1,981,685</u>	<u>3,818,431</u>
Operating income (loss)	<u>456,944</u>	<u>(436,348)</u>	<u>20,596</u>
Nonoperating revenues (expenses):			
Investment earnings	2,332	2,377	4,709
Insurance proceeds	33,720	-	33,720
Interest and other charges	(11,809)	(68,669)	(80,478)
Total nonoperating revenue (expenses)	<u>24,243</u>	<u>(66,292)</u>	<u>(42,049)</u>
Income (loss) before contributions and transfers	<u>481,187</u>	<u>(502,640)</u>	<u>(21,453)</u>
Capital contributions	-	193,575	193,575
Transfer to General Fund	(348,222)	-	(348,222)
Total contributions and transfers	<u>(348,222)</u>	<u>193,575</u>	<u>(154,647)</u>
Change in net position	132,965	(309,065)	(176,100)
Total net position, previously reported	3,106,535	7,377,869	10,484,404
Restatement (Note 6)	(276,759)	(319,843)	(596,602)
Beginning net position, restated	<u>2,829,776</u>	<u>7,058,026</u>	<u>9,887,802</u>
Total net position, ending	<u>\$ 2,962,741</u>	<u>\$ 6,748,961</u>	<u>\$ 9,711,702</u>

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

Town of Sharpsburg, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Fund		
	Electric Fund	Water and Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 2,586,643	\$ 1,882,000	\$ 4,468,643
Cash paid for goods and services	(1,355,883)	(1,343,988)	(2,699,871)
Cash paid to employees for services	(308,004)	(329,150)	(637,154)
Net cash provided (used) by operating activities	922,756	208,862	1,131,618
Cash flows from noncapital financing activities:			
Restatement effect on cash	(276,759)	(319,843)	(596,602)
Transfers to other funds	(348,222)	-	(348,222)
Total cash flows provided (used) by noncapital financing activities	(624,981)	(319,843)	(944,824)
Cash flows from capital and related financing activities:			
Capital contributions and grants	-	193,575	193,575
Principal paid on bonds and installment notes	(12,516)	(107,771)	(120,287)
Interest paid on bonds and installment notes	(11,809)	(68,669)	(80,478)
Insurance recovery	33,720	-	33,720
Loan proceeds	59,275	-	59,275
Acquisition and construction of capital assets	(92,544)	(193,575)	(286,119)
Net cash provided (used) by capital and related financing activities	(23,874)	(176,440)	(200,314)
Cash flows from investing activities:			
Investment earnings	2,332	2,377	4,709
Net cash provided (used) by investing activities	2,332	2,377	4,709
Net increase (decrease) in cash and cash equivalents	276,233	(285,044)	(8,811)
Cash and cash equivalents - beginning of year	2,009,545	622,993	2,632,538
Cash and cash equivalents - end of year	\$ 2,285,778	\$ 337,949	\$ 2,623,727
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 456,944	\$ (436,348)	\$ 20,596
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities :			
Depreciation	120,353	289,882	410,235
Change in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	283,800	324,875	608,675
(Increase) decrease in inventory	1,342	3,509	4,851
Increase (decrease) in compensated absences	8,145	(5,012)	3,133
Increase (decrease) in accounts payable and accrued liabilities	31,269	5,482	36,751
Increase (decrease) in deposits	9,153	11,788	20,941
(Increase) decrease in deferred outflows of resources - pensions	(10,783)	(13,479)	(24,262)
Increase (decrease) in net pension liability	21,774	27,217	48,991
Increase (decrease) in deferred inflows of resources - pensions	759	948	1,707
Total adjustments	465,812	645,210	1,111,022
Net cash provided (used) by operating activities	\$ 922,756	\$ 208,862	\$ 1,131,618

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

Notes to the Financial Statements

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statement themselves. The notes supplement the financial statements, and are an integral part thereof, and are intended to be read in conjunction with the financial statements.

Town of Sharpsburg, North Carolina
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Sharpsburg, North Carolina (“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 of Sharpsburg is a municipal corporation that is governed by an elected mayor and a four-member Board. As required by generally accepted accounting principles, these financial statements include all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or are financially independent upon the Town.

B - Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods and 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 – government and proprietary – are presented. The emphasis of the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Town has no fiduciary funds to report. 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 the 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 funds:

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 general government, public safety, street maintenance and construction, and sanitation services.

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation - Fund Accounting (continued)

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. A Water Capital Projects Phase I Fund and a Water Capital Projects Phase II Fund have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water Capital Projects Phase I Fund and the Water Capital Projects Phase II Fund have been included in the supplemental information.

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 the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town 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 Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad Valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts.

Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Sharpsburg because the tax is levied by Edgecombe, Nash and Wilson Counties and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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, Perpetual Care Fund, the Enterprise Funds, and the Capital Reserve Fund. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the Water Capital Project Fund and the Sewer Capital Project Fund. The Water Capital Project Fund and the Sewer Capital Project Fund are consolidated with the respective operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT).

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

1. Deposits and Investments (continued)

The Town of Sharpsburg's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term Portfolios 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.

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. The USDA requires the Town to establish a Debt Service Reserve account. This account was established for the payment of debt service if revenues are insufficient and is represented as a restricted asset.

Governmental Activities:

General Fund:

Streets	\$ 46,013
Total Governmental activities	<u>46,013</u>

Business-type activities:

Electric Fund:

Customer deposits	198,907
Total Electric Fund	<u>198,907</u>

Water and Sewer Fund:

Customer deposits	98,886
Pursuant to loan requirements	16,674
Total Water and Sewer Fund	<u>115,560</u>

Total business-type activities	<u>314,467</u>
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Total restricted cash	<u><u>\$ 360,480</u></u>
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Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of one year. Minimum capitalization costs are \$5,000 for all asset categories. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Distribution systems	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion – pension related deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criteria for this category – property taxes receivable and pension related deferrals.

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

8. 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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense is recorded 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 designed 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.

10. Net Position / Fund Balances

Net Position

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

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

10. Net Position / Fund Balances (continued)

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:

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

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

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

Restricted pursuant to Loan Requirements - portion of fund balance that is restricted per USDA loan agreements.

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

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

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

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Fund Balances (continued)

10. Net Position / Fund Balances (continued)

The Town of Sharpsburg has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-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 Director has the authority to deviate from this policy if it is in the best interest of the Town.

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

11. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Sharpsburg's employer contributions are recognized when due and the Town of Sharpsburg has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1 - Noncompliance with North Carolina General Statutes

None

2 - Contractual Violations

The Town was not in compliance with Revenue Bonds debt service coverage ratio requirements for the year ended June 30, 2021. The Bond Order requires the debt service ratio to be no less than 110%. The Town's debt service ratio was -1,285% for the year ended June 30, 2021. The Town will closely monitor this ratio going forward.

B - Deficit in Fund Balance or Net Position of Individual Funds

None

C - Excess of Expenditures over Appropriations

None

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - 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 Deposit Insurance Coverage level are collateralized with securities held by the Town's agents in this unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial 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, 2021, the Town's deposits had a carrying amount of \$3,714,877 and a bank balance of \$3,602,406. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash amounted to \$58.

2. Investments

At June 30, 2021, the Town of Sharpsburg had \$150,253 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowance for doubtful accounts:

General fund:	
Property taxes	\$ 7,189
Garbage fees	19,636
Total general fund	<u>26,825</u>
Enterprise Funds:	
Electric - Accounts receivable	375,352
Water - Accounts receivable	406,835
Total Enterprise Funds	<u>782,187</u>
Total	<u>\$ 809,012</u>

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 117,692	\$ -	\$ -	\$ 117,692
Total capital assets not being depreciated	117,692	-	-	117,692
Capital assets being depreciated:				
Buildings & Improvements	319,760	-	-	319,760
Furniture & Equipment	381,972	-	-	381,972
Vehicles	571,099	247,072	-	818,171
Total capital assets being depreciated	1,272,831	247,072	-	1,519,903
Less accumulated depreciation for:				
Buildings & Improvements	159,162	7,183	-	166,345
Furniture & Equipment	266,316	25,176	-	291,492
Vehicles	464,105	74,417	-	538,522
Total accumulated depreciation	889,583	106,776	-	996,359
Total capital assets being depreciated, net	383,248			523,544
Governmental activities capital assets, net	\$ 500,940			\$ 641,236

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

General government	\$ 6,663
Public safety	55,985
Transportation	39,787
Cultural and recreation	4,341
Total depreciation expense	<u>\$ 106,776</u>

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets (continued)

Capital asset activity for the Proprietary Funds for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Electric fund:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Plant and Distribution Systems	2,474,808	-	-	2,474,808
Maintenance equipment	72,702	-	-	72,702
Vehicles and equipment	675,410	92,543	-	767,953
Total capital assets being depreciated	3,222,920	92,543	-	3,315,463
Less accumulated depreciation for:				
Plant and Distribution Systems	1,894,920	73,951	-	1,968,871
Maintenance equipment	56,509	2,425	-	58,934
Vehicles and equipment	513,751	43,977	-	557,728
Total accumulated depreciation	2,465,180	120,353	-	2,585,533
Total capital assets being depreciated, net	757,740			729,930
Electric fund capital assets, net	\$ 757,740			\$ 729,930
	Beginning Balances	Increases	Decreases	Ending Balances
Water and Sewer fund:				
Capital assets not being depreciated:				
Land	\$ 55,000	\$ -	\$ -	\$ 55,000
Construction in progress	1,776,660	193,575	1,970,235	-
Total capital assets not being depreciated	1,831,660	193,575	1,970,235	55,000
Capital assets being depreciated:				
Plant and Distribution Systems	10,761,972	1,970,235	-	12,732,207
Maintenance equipment	205,545	-	-	205,545
Vehicles and equipment	365,834	-	-	365,834
Total capital assets being depreciated	11,333,351	1,970,235	-	13,303,586
Less accumulated depreciation for:				
Plant and Distribution Systems	3,589,584	248,135	-	3,837,719
Maintenance equipment	106,030	12,906	-	118,936
Vehicles and equipment	305,746	28,841	-	334,587
Total accumulated depreciation	4,001,360	289,882	-	4,291,242
Total capital assets being depreciated, net	7,331,991			9,012,344
Water and Sewer fund capital assets, net	9,163,651			9,067,344
Business-type activities capital assets, net	<u>\$ 9,921,391</u>			<u>\$ 9,797,274</u>

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Sharpsburg is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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.

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 of Sharpsburg employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Sharpsburg's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Sharpsburg were \$102,077 for the year ended June 30, 2021.

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

Refunds of Contributions. Town employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2021, the Town reported a liability of \$462,402 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.01294%, which was a increase of 0.0007% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$151,031. At June 30, 2021, 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	\$ 58,393	\$ -
Changes of assumptions	34,412	-
Net difference between projected and actual earnings on pension plan investments	65,071	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,663	26,651
Town contributions subsequent to the measurement date	102,077	-
Total	<u>\$ 265,616</u>	<u>\$ 26,651</u>

\$102,077 resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 38,801
2023	52,909
2024	25,921
2025	19,258
2026	-
Thereafter	-

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

Actuarial Assumptions. The total pension liability in the December 31, 2019 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, 2019 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, 2020 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 Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 938,162	\$ 462,401	\$ 67,011

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

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

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

1. Plan Description (continued).

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 and dependents receiving benefits	1
Active plan members	5
Total	<u>6</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 and refunds 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 following criteria which are outlined in GASB Statements 73:

3. Actuarial Assumptions

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

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

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018. Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

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

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

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

At June 30, 2021, the Town reported a total pension liability of \$63,529. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$16,619.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,365	\$ 79,864
Changes of assumptions	5,493	3,072
Total	\$ 47,858	\$ 82,936

\$0 paid as benefits came due 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:

2022	\$ 4,417
2023	4,433
2024	12,858
2025	15,658
2026	14,964
Thereafter	448

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 %, 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 %) or 1-percentage-point higher (4.26 %) than the current rate:

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

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

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

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

	<u>2021</u>
Beginning balance	\$ 145,818
Service Cost	6,634
Interest on the total pension liability	5,236
Differences between expected and actual experience in the measurement of the total pension liability	(93,221)
Changes of assumptions or other inputs	2,989
Benefit payments	<u>(3,927)</u>
Ending balance of the total pension liability	<u><u>\$ 63,529</u></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 Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 150,946	\$ 16,619	\$ 167,565
Pension Liability	462,402	63,529	525,931
Proportionate share of the net pension liability	0.01294%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	58,393	42,365	100,758
Changes of assumptions	34,412	5,493	39,905
Net difference between projected and actual earnings on plan investments	65,071	-	65,071
Changes in proportion and differences between contributions and proportionate share of contributions	5,663	-	5,663
Benefit payments and administrative costs paid subsequent to the measurement date	102,077	-	102,077
Deferred of Inflows of Resources			
Difference between expected and actual experience	-	79,864	79,864
Changes of assumptions	-	3,072	3,072
Changes in proportion and differences between contributions and proportionate share of contributions	26,651	-	26,651

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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. Also, the law enforcement officers may make voluntary contributions to the plan.

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan.

The Town has no liability beyond the payment of the 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.

3. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 102,077
Differences between expected and actual experience	100,758
Changes of assumptions	39,905
Net difference between projected and actual	65,071
Changes in proportion and differences between contributions and proportionate share of contributions	5,663
Total	\$ 313,474

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Deferred Outflows and Inflows of Resources (continued)

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 64,704
Changes in assumptions	3,072	-
Differences between expected and actual experience	79,864	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,651	-
Total	\$ 109,587	\$ 64,704

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels.

Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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 Director is individually bonded for \$60,000. The remaining employees that have access to cash are covered under a blanket insurance policy for \$50,000.

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

The Town does not carry flood insurance, as the Town does not feel that, based on the location of their assets, the added cost of flood insurance is justifiable.

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Installment Purchases

Governmental activities:

In August 2018, the Town financed the purchase of a police vehicle in the amount of \$40,000 with the U.S. Department of Agriculture. The agreement matures in August 2024 and bears interest at 3.25% with annual payments including interest of \$6,482. At June 30, 2021, the remaining balance of the loan totaled \$23,951.

In February 2018, the Town financed the purchase of dump truck for the Street Department in the amount of \$84,842. The agreement matures in February 2025 and bears interest at 4.07% with annual payments including interest of \$14,172. At June 30, 2021, the remaining balance of the loan totaled \$51,358.

In August 2019, the Town financed the purchase of police body cameras for the Police Department in the amount of \$41,973. The agreement matures in August 2022 and bears interest at 3.97% with annual payments including interest of \$7,130. At June 30, 2021, the remaining balance of the loan totaled \$13,812.

Business-type activities:

In May 2018, the Town financed the purchase of a pole truck for the Electric Fund in the amount of \$130,967 with the U.S. Department of Agriculture. The agreement matures in May 2037 and bears interest at 3.375% with annual payments including interest of \$9,114. At June 30, 2021, the remaining balance of the loan totaled \$111,236.

In October 2018, the Town financed the purchase of a backhoe for the Water and Sewer Fund in the amount of \$94,007. The agreement matures in October 2025 and bears interest at 4.50% with annual payments including interest of \$16,008. At June 30, 2021, the remaining balance of the loan totaled \$57,303.

Annual debt service payments of the installment purchases as of June 30, 2021, are as follows:

Years Ending	Installment Purchases			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
<u>June 30:</u>				
2022	\$ 24,692	\$ 3,092	\$ 18,735	\$ 6,334
2023	25,369	2,415	19,530	5,551
2024	19,166	1,488	20,350	4,743
2025	19,894	759	21,224	3,882
2026	-	-	6,119	2,994
2027-2031	-	-	33,829	11,741
2032-2036	-	-	39,937	5,633
2037	-	-	8,815	299
Total	<u>\$ 89,121</u>	<u>\$ 7,754</u>	<u>\$ 168,539</u>	<u>\$ 41,177</u>

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

6. Long-Term Obligations (continued)

b. Capital Leases

Governmental Activities:

In November 2020, the Town entered into several capital lease agreements for the lease of police vehicles for the Police Department. This agreement requires monthly payments ranging from \$540 to \$655 including interest for 60 months. At June 30, 2021, the remaining balance of these leases totaled \$175,557.

The following is an analysis of the assets recorded under capital lease at June 30, 2021:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles	\$ 200,342	\$ 23,597	\$ 176,745
Total	\$ 200,342	\$ 23,597	\$ 176,745

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

Year Ending June 30	
2022	\$ 44,687
2023	44,687
2024	44,687
2025	44,687
2026	14,896
Total minimum lease payments	193,644
Less: amount representing interest	18,087
Present value of minimum lease payment	\$ 175,557

Business-type activities:

In November 2020, the Town entered into several capital lease agreements for the lease of vehicles for the Electric Fund. This agreement requires monthly payments ranging from \$540 to \$655 including interest for 60 months. At June 30, 2021, the remaining balance of these leases totaled \$51,942.

The following is an analysis of the assets recorded under capital lease at June 30, 2021:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles	\$ 59,275	\$ 7,904	\$ 51,371
Total	\$ 59,275	\$ 7,904	\$ 51,371

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

6. Long-Term Obligations (continued)

b. Capital Leases (continued)

Business-type activities: (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

<u>Year Ending June 30</u>		
2022	\$	13,221
2023		13,221
2024		13,221
2025		13,221
2026		4,407
Total minimum lease payments		57,291
Less: amount representing interest		5,349
Present value of minimum lease payment	\$	51,942

c. Revenue Bonds

On May 9, 2012, the Town issued \$412,000 in bonds to retire loans used to fund planned capital projects. The balance owed on the bonds is \$350,000 at June 30, 2021. The bonds bear interest at 2.00% for 40 years.

Future payments of the revenue bond are as follows:

Years Ending <u>June 30:</u>	<u>Business-type Activities</u>	
	<u>Revenue Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 9,000	\$ 7,000
2023	9,000	6,820
2024	9,000	6,640
2025	9,000	6,460
2026	9,000	6,280
2027-2031	49,000	28,580
2032-2036	54,000	23,480
2037-2041	61,000	17,760
2042-2046	67,000	11,800
2047-2051	74,000	5,980
Total	\$ 350,000	\$ 120,800

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

6. Long-Term Obligations (continued)

c. Revenue Bonds (continued)

The Town is not in compliance with the covenants as to rates and charges in Section 5 of the Bond Order, authorizing the issuance of the Water and Sewer, Series 2012, USDA Revenue Bonds. Section 5 of the Bond Order requires the debt service coverage ratio to be no less than 110% of the debt service requirement for the fiscal year. The debt service coverage ratio calculation for the year ended June 30, 2021, is as follows:

Operating revenues	\$ 1,545,337
Operating expenses*	<u>1,691,803</u>
Operating income	(146,466)
Nonoperating revenues (expenses)**	<u>(59,132)</u>
Income available for debt service	<u>\$ (205,598)</u>

Net revenues must be no less than 110% for current year
debt service requirement:

Debt service, principal and interest paid (revenue bond only)	<u>16,000</u>
Debt service ratio	-1,285%

* Per rate covenants, this does not include the depreciation expense of \$289,882.

** Per rate covenants, this does not include the revenue bond interest paid of \$7,160.

The Town has pledged future water and sewer revenues, net of specified operating expenses to pay the revenue bonds issued in August 2012. Proceeds from the revenue bonds were used to retire a note payable used for water and sewer systems improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2051. The total principal and interest remaining to be paid on the bonds is \$470,800.

d. General Obligation Bonds

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

Bonds payable at June 30, 2021 are comprised of the following individual issues:

Serviced by the Water and Sewer Fund:

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

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

6. Long-Term Obligations (continued)

d. General Obligation Bonds (continued)

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

Years Ending June 30:	<u>Business-type Activities</u> <u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 39,000	\$ 56,716
2023	40,000	55,059
2024	42,000	53,359
2025	44,000	51,574
2026	46,000	49,703
2027-2031	260,000	217,494
2032-2036	318,500	157,526
2037-2041	385,000	83,980
2042-2043	160,000	10,200
Total	<u>\$ 1,334,500</u>	<u>\$ 735,611</u>

e. Revolving Loans

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

Years Ending June 30:	<u>Business-type Activities</u> <u>Revolving Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 25,000	\$ -
2023	25,000	-
2024	25,000	-
2025	25,000	-
2026	25,000	-
2027-2031	125,000	-
2032-2036	125,000	-
2037-2039	75,330	-
Total	<u>\$ 450,330</u>	<u>\$ -</u>

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

6. Long-Term Obligations (continued)

f. Reserve Loans

On March 24, 2020, the Town borrowed a \$499,672, 0% State Reserve Loan to help finance a Drinking Water Capital Project. At June 30, 2021, the remaining balance of the loan totaled \$474,688.

The loan is payable as follows:

Years Ending June 30:	<u>Business-type Activities</u>	
	<u>Reserve Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 24,984	\$ -
2023	24,984	-
2024	24,984	-
2025	24,984	-
2026	24,984	-
2027-2031	124,918	-
2032-2036	124,918	-
2037-2041	99,932	-
Total	<u>\$ 474,688</u>	<u>\$ -</u>

g. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations as of June 30, 2021.

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Governmental activities:					
Direct placement installment purchases	\$ 130,355	\$ -	\$ 41,234	\$ 89,121	\$ 24,692
Capital lease obligations	-	200,342	24,785	175,557	38,103
Compensated absences	14,693	5,285	-	19,978	-
Net pension obligation (LGERS)	215,573	41,733	-	257,306	-
Total pension obligation (LEO)	145,818	-	82,289	63,529	-
Governmental activity long-term liabilities	<u>\$ 506,439</u>	<u>\$ 247,360</u>	<u>\$ 148,308</u>	<u>\$ 605,491</u>	<u>\$ 62,795</u>

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Business-type activities:					
Direct placement installment purchases	\$ 186,511	\$ -	\$ 17,972	\$ 168,539	\$ 18,735
Capital lease obligations	-	59,275	7,333	51,942	11,273
Revenue bonds	358,000	-	8,000	350,000	9,000
General obligation bonds	1,371,500	-	37,000	1,334,500	39,000
Revolving loans	475,330	-	25,000	450,330	25,000
Reserve loans	499,672	-	24,984	474,688	24,984
Compensated absences	24,976	3,133	-	28,109	-
Net pension obligation (LGERS)	156,105	48,991	-	205,096	-
Business-type activity long-term liabilities	<u>\$ 3,072,094</u>	<u>\$ 111,399</u>	<u>\$ 120,289</u>	<u>\$ 3,063,204</u>	<u>\$ 127,992</u>

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

6. Long-Term Obligations (continued)

g. Changes in Long-Term Liabilities (continued)

The General Fund provides the resources for the retirement of compensated absences payable. The Town's legal debt limit is 8.0% of the Town's assessed value of taxable property. The Town's legal debt margin as of June 30, 2021, amounts to approximately \$5,616,407.

C - Interfund Balances and Activity

Transfers between funds for the year ended June 30, 2021 were as follows:

	Amount
From the Electric Fund to the General Fund	\$ 348,222
Total Transfers	\$ 348,222

D - Fund Balance

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

<i>Total fund balance - General Fund</i>	\$ 1,457,261
Less:	
Stabilization by State Statute	311,645
Streets	46,013
Pursuant to loan requirements	1,298
Remaining fund balance	1,098,305

There were no outstanding encumbrances at June 30, 2021.

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

Town of Sharpsburg, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 5 - COMMITMENTS

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

The Town has entered into management services contract with Nova Energy Consultants, at a cost of \$11,000 annually, that is subject to annual renewal until terminated. The Town has entered into an agreement for water and sewer services with the City of Rocky Mount that is automatically renewed. The pricing of the contract is based on usage.

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

NOTE 6 - RESTATEMENTS

Prior Period Adjustments

During the year ended June 30, 2021, the Town determined that net position at July 1, 2020 was overstated by \$276,759 and \$319,843 in error in the Electric Fund and Water and Sewer Fund, respectively. The overstatement was related to accounts receivable balances in both funds that were determined to be uncollectable at June 30, 2020. An adjustment to the beginning net position in the Electric Fund of \$276,759 and in the Water and Sewer Fund of \$319,813 has been recorded. The net effect of the adjustment decreases beginning net position in the Electric Fund by \$276,759 and in the Water and Sewer Fund by \$319,843.

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events were evaluated through August 1, 2022, which is the date the financial statements were available to be issued.

In June, 2018, John Hunt was terminated as chief of police for the Town of Sharpsburg. In June, 2019, a civil lawsuit was filed against the Town alleging claims of wrongful termination and intentional infliction of emotion distress. A settlement agreement between the parties was reached in March, 2022. In exchange for a dismissal of all claims, the Plaintiff received payment of \$60,000 via the Town's insurance carrier.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System.
- Schedule of Contributions to Local Government Employees' Retirement System.
- Schedule of Changes in Total Pension Liability.
- Schedule of Total Pension Liability as a Percentage of Covered Payroll.

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Sharpsburg's proportionate share of the net pension liability (%)	0.01294%	0.01361%	0.01538%	0.01361%	0.01341%	0.01613%	0.01921%	0.01649%
Sharpsburg's proportionate share of the net pension liability (\$)	\$ 462,401	\$ 371,678	\$ 364,866	\$ 207,923	\$ 284,605	\$ 72,391	\$ 113,290	\$ 198,888
Sharpsburg's covered payroll	\$ 855,940	\$ 812,151	\$ 934,096	\$ 856,960	\$ 893,856	\$ 902,142	\$ 886,826	\$ 807,166
Sharpsburg's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.02%	45.76%	39.06%	24.26%	31.84%	8.02%	12.77%	24.64%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

* The amounts presented are for the prior fiscal year.

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

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 102,077	\$ 78,597	\$ 64,658	\$ 72,558	\$ 64,452	\$ 61,111	\$ 64,807	\$ 63,294
Contributions in relation to the contractually required contribution	102,077	78,597	64,658	72,558	64,452	61,111	64,807	63,294
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sharpsburg's covered-employee payroll	\$ 1,041,346	\$ 855,940	\$ 812,151	\$ 934,096	\$ 856,960	\$ 893,856	\$ 902,142	\$ 886,826
Contributions as a percentage of covered-employee payroll	9.80%	9.18%	7.96%	7.77%	7.52%	6.84%	7.18%	7.14%

Town of Sharpsburg, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 145,818	\$ 145,818	\$ 141,392	\$ 27,938	\$ 27,138
Service Cost	6,634	6,634	11,886	8,298	4,262
Interest on the total pension liability	5,236	5,236	4,406	1,003	899
Differences between expected and actual experience in the measurement of the total pension liability	(93,221)	(93,221)	(3,311)	100,931	-
Changes of assumptions or other inputs	2,989	2,989	(4,628)	7,149	(434)
Benefit payments	(3,927)	(3,927)	(3,927)	(3,927)	(3,927)
Ending balance of the total pension liability	<u>\$ 63,529</u>	<u>\$ 63,529</u>	<u>\$ 145,818</u>	<u>\$ 141,392</u>	<u>\$ 27,938</u>

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

Town of Sharpsburg, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officer's Special Separation Allowance
June 30, 2021

	2021		2020		2019		2018		2017
Total pension liability	\$ 63,529	\$	63,529	\$	145,818	\$	141,392	\$	27,938
Covered payroll	265,353		265,353		376,405		298,589		202,407
Total pension liability as a percentage of covered payroll	23.94%		23.94%		38.74%		47.35%		13.80%

Notes to the schedules:

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

Individual Fund Statements and Schedules

Governmental Funds

General Fund – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Town of Sharpsburg, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 395,502	\$
Penalties and interest		7,248	
Total	396,800	402,750	5,950
Unrestricted intergovernmental:			
Local option sales taxes		411,800	
Beer and wine tax		8,157	
Utility franchise tax		84,104	
Solid waste disposal tax		1,462	
ABC revenues		7,275	
	424,400	512,798	88,398
Restricted intergovernmental:			
Powell bill allocation		51,683	
Covid Relief Grant		56,532	
Total	111,532	108,215	(3,317)
Permits and fees:			
Inspection fees		8,150	
Total	1,500	8,150	6,650
Sales and services:			
Garbage & recycling fees		295,578	
Rents & fees		5,650	
Other		32,871	
Total	313,300	334,099	20,799
Investment earnings	2,000	1,067	(933)
Total revenues	1,249,532	1,367,079	117,547
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		11,197	
Other operating expenditures		83,612	
Total	132,053	94,809	37,244
Administration:			
Salaries and employee benefits		49,670	
Other operating expenditures		97,868	
Total	202,737	147,538	55,199
Total general government	\$ 334,790	\$ 242,347	\$ 92,443

Town of Sharpsburg, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police department:			
Salaries and employee benefits	\$	\$ 461,985	\$
Other operating expenditures		142,659	
Capital outlay		187,797	
Total	<u>823,564</u>	<u>792,441</u>	<u>31,123</u>
Transportation:			
Salaries and employee benefits		68,868	
Other operating expenditures		267,120	
Powell Bill expenditures		18,648	
Capital outlay		59,275	
Total	<u>452,434</u>	<u>413,911</u>	<u>38,523</u>
Cultural and recreational:			
Other operating expenditures		17,090	
Total	<u>29,500</u>	<u>17,090</u>	<u>12,410</u>
Debt service:			
Principal		66,019	
Interest		6,947	
Total	<u>72,966</u>	<u>72,966</u>	<u>-</u>
Total expenditures	<u>1,713,254</u>	<u>1,538,755</u>	<u>174,499</u>
Revenues over (under) expenditures	<u>(463,722)</u>	<u>(171,676)</u>	<u>292,046</u>
Other financing sources (uses):			
Transfer from Electric Fund	348,222	348,222	-
Lease purchase proceeds	-	200,342	200,342
Total other financing sources (uses)	<u>348,222</u>	<u>548,564</u>	<u>200,342</u>
Fund balance appropriated	115,500	-	(115,500)
Net change in fund balance	<u>\$ -</u>	<u>376,888</u>	<u>\$ 376,888</u>
Fund balances, beginning		1,080,373	
Fund balances, ending		<u>\$ 1,457,261</u>	

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Electric - 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.

Water Capital Project Fund Phase I - This fund is used to account for the construction and capital addition of Phase I of the water capital improvement project.

Water Capital Project Fund Phase II - This fund is used to account for the construction and capital addition of Phase II of the water capital improvement project.

Town of Sharpsburg, North Carolina
Electric Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Electric sales	\$	\$ 2,262,613	\$
Other operating revenues		31,077	
Total operating revenues	<u>2,602,912</u>	<u>2,293,690</u>	<u>(309,222)</u>
Non-operating revenues:			
Insurance proceeds		33,720	
Interest income		2,332	
Total non-operating revenues	<u>4,950</u>	<u>36,052</u>	<u>31,102</u>
Total revenues	<u>2,607,862</u>	<u>2,329,742</u>	<u>(278,120)</u>
Expenditures:			
Electrical operations:			
Salaries and employee benefits		339,274	
Power purchases		960,001	
Other operating expenditures		397,224	
Total	<u>2,070,090</u>	<u>1,696,499</u>	<u>373,591</u>
Capital Outlay:			
Vehicles		92,543	
Total	<u>162,000</u>	<u>92,543</u>	<u>69,457</u>
Debt service:			
Principal payments		12,516	
Interest		11,809	
Total	<u>27,550</u>	<u>24,325</u>	<u>3,225</u>
Total expenditures	<u>2,097,640</u>	<u>1,813,367</u>	<u>376,816</u>
Revenues over (under) expenditures	<u>510,222</u>	<u>516,375</u>	<u>6,153</u>
Other financing sources (uses):			
Transfer to General Fund	(348,222)	(348,222)	-
Lease purchase proceeds	-	59,275	59,275
Total other financing sources (uses)	<u>(348,222)</u>	<u>(288,947)</u>	<u>59,275</u>
Appropriated fund balance	(162,000)	-	162,000
Revenues, other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 227,428</u>	<u>\$ 227,428</u>

Town of Sharpsburg, North Carolina
Electric Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP) (continued)
For the Year Ended June 30, 2021

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

Revenues and other financing sources		
(uses) over (under) expenditures	\$	227,428

Reconciling items:

Depreciation		(120,353)
Principal retirement		12,516
Loan proceeds		(59,275)
Capital outlay		92,543
Increase in accrued compensated absences		(8,145)
Increase in deferred outflows of resources-pensions		10,783
Increase in net pension liability		(21,773)
Increase in deferred inflows of resources-pensions		(759)
Total reconciling items		(94,463)

Change in net position	\$	132,965

Town of Sharpsburg, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services	\$	\$ 1,514,006	\$
Other operating revenues		31,331	
Total	<u>1,904,743</u>	<u>1,545,337</u>	<u>(359,406)</u>
Non-operating revenues:			
Interest income		2,377	
Total	<u>5,000</u>	<u>2,377</u>	<u>(2,623)</u>
Total revenues	<u>1,909,743</u>	<u>1,547,714</u>	<u>(362,029)</u>
Expenditures:			
Operating expenditures:			
Salaries and employee benefits		348,498	
Purchased water and sewer		958,474	
Other operating expenditures		375,157	
Total	<u>2,024,733</u>	<u>1,682,129</u>	<u>342,604</u>
Debt service:			
Principal payments		107,771	
Interest		68,669	
Total	<u>181,010</u>	<u>176,440</u>	<u>4,570</u>
Total expenditures	<u>2,205,743</u>	<u>1,858,569</u>	<u>347,174</u>
Revenues over (under) expenditures	<u>\$ (296,000)</u>	<u>\$ (310,855)</u>	<u>\$ (14,855)</u>
Appropriated fund balance	296,000	-	(296,000)
Revenues, other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (310,855)</u>	<u>\$ (310,855)</u>

Town of Sharpsburg, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP) (continued)
For the Year Ended June 30, 2021

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

Revenues, other financing sources	
(uses) over (under) expenditures	\$ (310,855)

Reconciling items:

Depreciation	(289,882)
Principal payments	107,771
Capital contributions	193,575
Decrease in accrued compensated absences	5,012
Increase in outflows of resources-pensions	13,479
Increase in net pension liability	(27,217)
Increase in inflows of resources-pensions	(948)
Total reconciling items	1,790
 Change in net position	 \$ (309,065)

Town of Sharpsburg, North Carolina
Water Capital Projects Fund
Phase I – Water System Improvements
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues:					
Restricted intergovernmental:					
Federal funds:					
Drinking Water State Revolving					
Fund - Grant	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Expenditures:					
Sewer Operations:					
Construction	844,233	844,233	-	844,233	-
Engineering services	132,210	132,210	-	132,210	-
Other services	67,956	21,588	138	21,726	46,230
Building assistance	11,500	11,500	-	11,500	-
Resident observation	10,920	10,920	-	10,920	-
Loan closing fee	13,180	13,180	-	13,180	-
Total expenditures	<u>1,079,999</u>	<u>1,033,631</u>	<u>138</u>	<u>1,033,769</u>	<u>46,230</u>
Revenues over (under) expenditures	<u>(579,999)</u>	<u>-</u>	<u>(138)</u>	<u>(533,769)</u>	<u>46,230</u>
Other financing sources (uses):					
Drinking Water State Revolving					
Fund - Loan	500,000	500,000	-	500,000	-
Local portion	79,999	33,769	-	33,769	(46,230)
Total other financing sources (uses)	<u>579,999</u>	<u>533,769</u>	<u>-</u>	<u>533,769</u>	<u>(46,230)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(138)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>138</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Sharpsburg, North Carolina
Water Capital Projects Fund
Phase II – Water System Improvements
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State funds:					
NC DEQ Drinking Water Grant	\$ 1,499,018	\$ 1,276,988	\$ 193,575	\$ 1,470,563	\$ 28,455
Total revenues	<u>1,499,018</u>	<u>1,276,988</u>	<u>193,575</u>	<u>1,470,563</u>	<u>28,455</u>
Expenditures:					
Sewer Operations:					
Construction	1,349,246	1,372,457	111,510	1,483,967	(134,721)
Engineering services	99,550	99,550	-	99,550	-
Construction contingency	138,175	-	-	-	138,175
Bidding assistance	10,000	-	-	-	10,000
Land surveying	55,000	55,000	-	55,000	-
ENV documentation	15,000	-	15,000	15,000	-
ER preparation	15,000	-	-	-	15,000
Legal cost	10,000	-	-	-	10,000
Grant administration	148,840	124,840	40,215	165,055	(16,215)
Construction administration	76,000	68,375	26,850	95,225	(19,225)
Resident inspection	49,400	23,960	-	23,960	25,440
Grant/loan fees	32,479	32,478	-	32,478	1
Total expenditures	<u>1,998,690</u>	<u>1,776,660</u>	<u>193,575</u>	<u>1,970,235</u>	<u>28,455</u>
Revenues over (under) expenditures	<u>(499,672)</u>	<u>-</u>	<u>-</u>	<u>(499,672)</u>	<u>-</u>
Other financing sources (uses):					
Drinking Water State Reserve Loan	499,672	499,672	-	499,672	-
Total other financing sources (uses)	<u>499,672</u>	<u>499,672</u>	<u>-</u>	<u>499,672</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Other Schedules

This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Sharpsburg, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2021</u>
2020-2021	\$ -	\$ 386,128	\$ 373,887	\$ 12,241
2019-2020	14,779	-	4,907	9,872
2018-2019	12,413	-	2,643	9,770
2017-2018	8,074	-	1,845	6,229
2016-2017	9,014	-	2,511	6,503
2015-2016	6,119	-	987	5,132
2014-2015	6,684	-	1,412	5,272
2013-2014	7,895	-	1,792	6,103
2012-2013	6,798	-	739	6,059
2011-2012	5,173	-	461	4,712
2010-2011	4,943	-	4,943	-
2009-2010	4,210	-	4,210	-
	<u>\$ 86,102</u>	<u>\$ 386,128</u>	<u>\$ 400,337</u>	<u>71,893</u>

Less: allowance for uncollectible accounts - General Fund	<u>7,189</u>
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Ad valorem taxes receivable - net	<u>\$ 64,704</u>
-----------------------------------	------------------

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 402,750
Reconciling items:	
Interest and lien advertising collected	(7,248)
Taxes written off	<u>4,835</u>
Total collections and credits	<u>\$ 400,337</u>

Town of Sharpsburg, North Carolina
Analysis of Current Year Tax Levy
June 30, 2021

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property Tax	\$ 70,205,091	0.55	\$ 386,128	\$ 317,076	\$ 69,052
Total property valuation	<u>\$ 70,205,091</u>				
Net levy			386,128	317,076	69,052
Uncollected taxes at June 30, 2021			<u>12,241</u>	<u>12,241</u>	<u>-</u>
Current year's taxes collected			<u>\$ 373,887</u>	<u>\$ 304,835</u>	<u>\$ 69,052</u>
Current levy collection percentage			<u>96.83%</u>	<u>96.14%</u>	<u>100.00%</u>

Compliance Section



S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's 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 Board of commissioners
Sharpsburg, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sharpsburg, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Sharpsburg's basic financial statements and have issued our report thereon dated June 30, 2021.

Internal Control over Financial Reporting

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

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

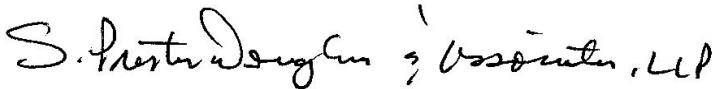
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (2021-001, 2021-002, 2021-003, 2021-004).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sharpsburg's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-004.

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.

Handwritten signature of S. Preston Douglas in black ink.

Lumberton, North Carolina
August 1, 2022

Town of Sharpsburg, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:

Unmodified.

Internal control over financial reporting:

- | | | | | |
|--|---------|-----|---------|---------------|
| • Material weakness(es) identified? | ___X___ | yes | _____ | no |
| • Significant deficiency(s) identified that are not considered to be material weaknesses | _____ | yes | ___X___ | none reported |
| • Noncompliance material to financial statements | ___X___ | yes | _____ | no |

Town of Sharpsburg, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding: 2021 - 001 Segregation of Duties

Criteria: Segregation of duties provide checks and balances to reduce possibilities for misstatements resulting from errors in judgements, dishonesty, personal carelessness, distraction, and fatigue.

Condition: The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.

Effect: Potential misstatement of financial statements

Cause: The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.

Repeat Finding: This was not a repeat finding.

Recommendation: The board should continually keep in mind that internal controls are limited due to the size of the Town's staff.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 72.

Town of Sharpsburg, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding: 2021 - 002 Late Audit

Criteria:	The Town is required to submit audited financial statements to the Local Government Commission by October 31 annually.
Condition:	For the past five June 30 th year end audits, the Town's audit has been submitted to the Local Government Commission after the October 31 deadline. The audit submissions have ranged from three to five months late during that time.
Effect:	By submitting the audit late, the board or other agencies such as the Local Government Commission do not have the opportunity to receive important, timely feedback from the independent auditor such as internal control deficiencies or financial statement trends.
Cause:	Management states that personnel and financial constraints of small units and COVID-related issues in the past have contributed to the late audits.
Repeat Finding:	This was not a repeat finding.
Recommendation:	We recommend that the Town research CPA firms and/or qualified outside contractors that may assist finance staff reconcile the subsidiary ledger accounts.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 72.

Town of Sharpsburg, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding: 2021 - 003 Material Prior Period Adjustments/Overstated Accounts Receivable

Criteria: Delinquent utility customer accounts receivable balance should be reviewed on a routine basis and a reasonable allowance for doubtful accounts should be calculated for delinquent utility customer accounts receivable so that net accounts receivables are not materially overstated in the financial statements.

Condition: Beginning Electric Fund net position at July 1, 2020 was materially overstated due to utility customer accounts receivable being overstated by \$276,759. Beginning Water and Sewer Fund net position at July 1, 2020 was materially overstated due to utility customer accounts receivable being overstated by \$319,843.

Effect: June 30, 2020 audited financial statements presented balances that were materially overstated, which could cause the users of the financial statements to be misinformed about the Town's financial position and operating results.

Cause: Management did not routinely monitor accounts receivables in the enterprise funds and management did not calculate a reasonable allowance for doubtful accounts for delinquent utility customer balances.

Repeat Finding: This was not a repeat finding.

Recommendation: We recommend that the Finance Officer routinely monitor accounts receivables in the enterprise funds and calculate a reasonable allowance for doubtful accounts for delinquent utility customer balances.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 73.

Town of Sharpsburg, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding: 2021 - 004 Noncompliance with Debt Service Coverage Ratio Requirements

Criteria: In accordance with Water and Sewer, Series 2012, USDA Revenue Bonds, Section 5 of the Bond Order requires the debt service ratio to be no less than 110%.

Condition: The debt service coverage ratio was -1,285% during the year ended June 30, 2021.

Effect: The Town was not in compliance with the debt covenants. The income available for debt service per the debt service ratio calculated needed to higher by \$223,198 in the Water and Sewer Fund to comply.

Cause: Management did not routinely monitor the debt service ratio components in the Water and Sewer Fund during the fiscal year.

Repeat Finding: This was not a repeat finding.

Recommendation: We recommend that the Finance Officer perform a review of the debt service coverage ratio.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 73.

Mayor
Robert Williams
Mayor Pro-Tem
David Pride
Town Administrator
Pauline Armstrong



Town of
Sharpsburg, NC
TRI-COUNTY HOSPITALITY EST. 1883

Commissioners

Beverly Davis
Michael Hughes
Pakaj (Don) Patel
Linda Virgil

Correction Action Plan

MATERIAL WEAKNESS

Finding: 2021 - 001 Segregation of Duties

Name of contact person: Marge Wiecek, Finance Officer

Corrective Action: The duties will be separated to the extent possible and alternative controls will be used to compensate for lack of separation. The Town will continue to monitor its internal controls in an effort to alleviate inherent limitations placed on small towns. It is our desire/plan to add s the Town's growth is expected to provide additional revenue. Additional staff would help with being able to separate duties however, the Town does not intend to add staff at this time due to financial constraints. The Finance staff will ensure that the Town Administrator position is incorporated into the approval process of all financial procedures. In the event that the Town Administrator position is vacant, the Mayor will provide this level of internal control.

Proposed Completion Date: The Town has implemented the above procedures.

MATERIAL WEAKNESS

Finding: 2021 - 002 Late Audit

Name of contact person: Marge Wiecek, Finance Officer

Corrective Action: Due to the Town having limited finance staff, we have contacted several CPA firms for quotes to assist the Finance Officer with year-end entries and closing procedures. This support will allow our Finance Officer the ability to provide information to the auditing firm in a timelier manner. We intend on hiring a CPA firm no later than August 30, 2022.

The Town has recently entered into an audit contract with a responsive and capable auditing firm which will have the staff and resources to enable the Town the capability of submitting a timely audit in 2022.

Proposed Completion Date: The Town will implement the above procedures immediately.

Mayor
Robert Williams
Mayor Pro-Tem
David Pride
Town Administrator
Pauline Armstrong



Town of
Sharpsburg, NC
TRI-COUNTY HOSPITALITY EST. 1883

Commissioners

Beverly Davis
Michael Hughes
Pakaj (Don) Patel
Linda Virgil

Correction Action Plan (continued)

MATERIAL WEAKNESS

Finding: 2021 - 003 Material Prior Period Adjustments/Overstated Accounts Receivable

Name of contact person: Marge Wiecek, Finance Officer

Corrective Action: The Finance staff will begin reviewing accounts receivable on an annual basis and present uncollectable debt to the Board of Commissioners for authorization to write the debt off. This process will rectify this finding moving forward.

Proposed Completion Date: The Town has implemented the above procedures.

MATERIAL WEAKNESS

Finding: 2021 - 004 Noncompliance with Debt Service Coverage Ratio Requirements

Name of contact person: Marge Wiecek, Finance Officer

Corrective Action: The Town was deemed, by the Local Government Commission (LGC) a distressed community due to the Water and Sewer fund operating at a deficit for the last several years. The Town is following the requirements set forth by LGC, such as Board and staff training as well as water and sewer rate studies. The Town has also received the award of a 100% grant funded sewer project, which we anticipate to assist with major infiltration within the sewer system. The correction of the infiltration is anticipated to reduce the amount of funds expended to the City of Rocky Mount for sewer treatment.

Proposed Completion Date: December 2024

**Town of Sharpsburg, North Carolina
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021**

None reported.