

**TOWN OF GOLDSTON
NORTH CAROLINA**

Financial Statements and
Supplementary Information

Year Ended June 30, 2019

Town Council Members

Timothy J. Cunnup, Mayor
Steve Cunnup
Jonathan Hensley
Lynn R. Gaines
Charles A. Fields, III
M. Wayne Woody

Administrative and Financial Staff

Annie Kay King Gaines, Town Clerk



Rives & Associates, LLP
Certified Public Accountants and Consultants

TOWN OF GOLDSTON, NORTH CAROLINA

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June 30, 2019

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FINANCIAL SECTION



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American Institute of
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Member:
North Carolina Association of
Certified Public Accountants

Independent Auditors' Report

To the Honorable Mayor
and Members of the Town Council
Town of Goldston
Goldston, 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 Goldston, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Goldston, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 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 Goldston, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, the 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 reports dated November 17, 2019 on our consideration of the Town of Goldston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Goldston's internal control over financial reporting and compliance.

River & Associates LLP

Raleigh, North Carolina
November 17, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF GOLDSTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Goldston, we offer readers of the Town of Goldston's financial statements this narrative overview and analysis of the financial activities of the Town of Goldston for the fiscal year ended June 30, 2019. 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

- 1 During the year the Town received the final installment of the USDA Grant for \$392,839. The Grant completed construction and upgrades on the Sewer pump station.
- 2 The assets of the Town of Goldston exceeded its liabilities at the close of the fiscal year by \$5,917,640 (net assets).
- 3 The government's total net assets increased by \$327,380, primarily due to \$297,189 increase in Proprietary Fund net position due to the USDA Grant described in 1 above.
- 4 As of the close of the current fiscal year, Goldston's governmental funds reported combined ending fund balances of \$681,839, an increase of \$58,113 in comparison with the prior year. Approximately 82% of this total amount, or \$559,285, is available for spending at the government's discretion (unassigned).
- 5 At the end of the current fiscal year, unassigned fund balance for the General Fund was \$559,285 or 4.7 times the total general fund expenditures for the fiscal year. Excluding the property received as described in 1 above, the unreserved fund balance for the General Fund of \$503,827 would be 4.1 times the total general fund expenditures for the fiscal year.
- 6 During the current fiscal year the Goldston Sewer Fund had revenues of \$241,304 and expenses of \$336,954 resulted in a loss of \$95,650 for the year. Expenses included \$180,580 in depreciation, a non-cash expense. A USDA grant of \$392,839 resulted in an increase in Sewer Fund net position of \$297,189 for the year

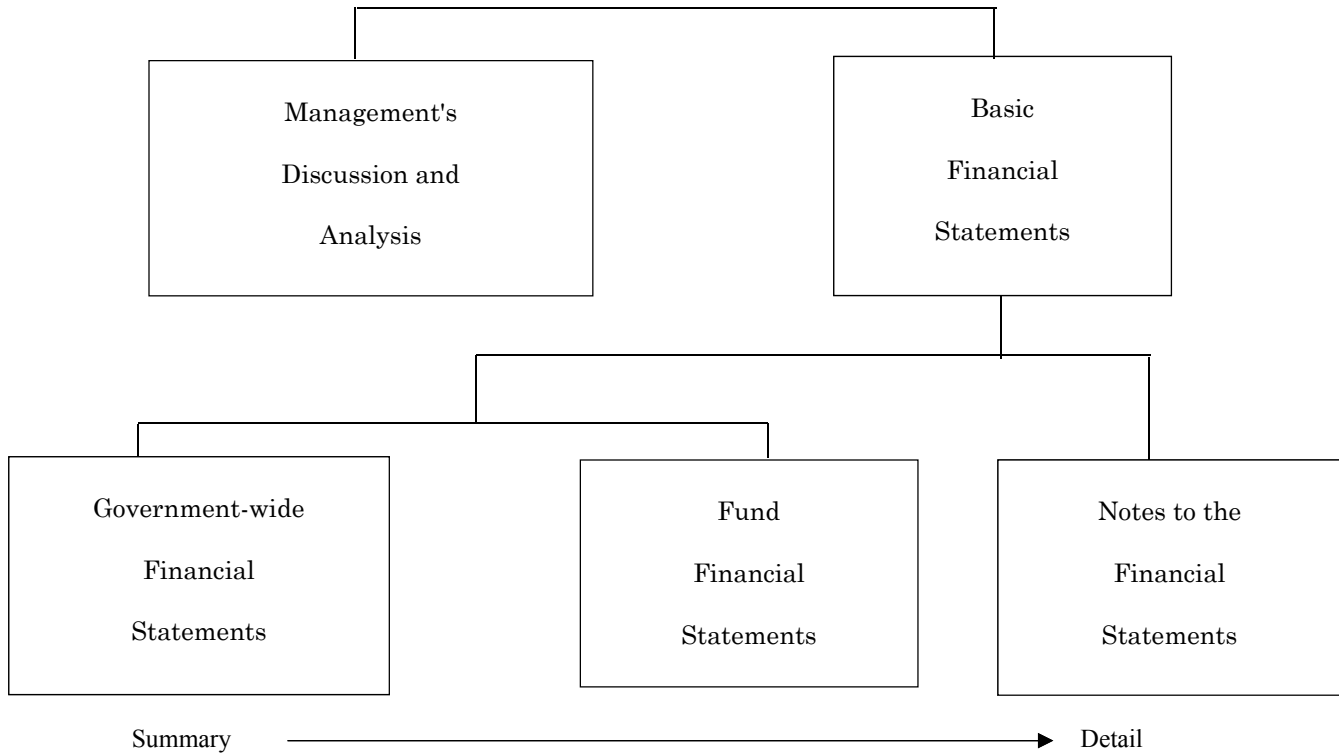
Overview of the Financial Statements

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

TOWN OF GOLDSTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town of Goldston's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

TOWN OF GOLDSTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The two government-wide statements report the Town of Goldston'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 outflows of resources. Measuring net position is one way to gauge the Town of Goldston's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town of Goldston's basic services such as sanitation, recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These will include the sewer services offered by the Town of Goldston when the Goldston Sewer Project is complete.

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

Fund Financial Statements

The fund financial statements (Exhibit 3 through Exhibit 8) provide a more detailed look at the Town of Goldston'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 Goldston, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town of Goldston's budget ordinance. All of the funds of the Town of Goldston can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town of Goldston's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps 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 Assets 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 Goldston 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 of Goldston succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

TOWN OF GOLDSTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Proprietary Funds – The Town of Goldston has one kind of proprietary fund. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Goldston uses an Enterprise Fund to account for its sewer activities. The fund is the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

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

Government-Wide Financial Analysis

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 687,164	\$ 625,965	\$ 328,411	\$ 226,766	\$ 1,015,575	\$ 852,731
Capital assets	633,538	664,546	7,088,598	6,876,339	7,722,136	7,540,885
Total assets	1,320,702	1,290,511	7,417,009	7,103,105	8,737,711	8,393,616
Long-term liabilities outstanding			2,705,996	2,755,942	2,705,996	2,755,942
Other liabilities			113,812	47,151	113,812	47,151
Deferred inflows of resources	263	263	-	-	263	263
Total liabilities	263	263	2,819,808	2,803,093	2,820,071	2,803,356
Net position						
Net investments in capital assets	633,538	664,546	4,335,602	4,120,397	4,969,140	4,784,943
Restricted	122,554	119,899	3,695	3,695	126,249	123,594
Unrestricted	564,347	505,803	257,904	175,920	822,251	681,723
	\$ 1,320,439	\$ 1,290,248	\$ 4,597,201	\$ 4,300,012	\$ 5,917,640	\$ 5,590,260

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Goldston exceeded liabilities by \$5,917,640 as of June 30, 2019. The Town's net assets increased by \$327,380 for the fiscal year ended June 30, 2019. The increase is primarily the result of the USDA grant. Although the Town of Goldston's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Additional portions of the Town of Goldston's net position represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 822,251, or 13.9%, is unrestricted.

TOWN OF GOLDSTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

- Continued diligence in the collection of property taxes.
- Conservative spending habits.

Town of Goldston's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Operating grants and contributions	\$ 11,522	\$ 11,842	\$ 126,000	\$ 126,000	\$ 137,522	\$ 137,842
Capital grants and contributions			392,839	26,190	392,839	26,190
General revenues						
Property taxes	60,861	58,300			60,861	58,300
Other taxes	77,831	75,278	9,835	324	87,666	75,602
Grants and contribution not restricted to specific programs	19,003	223,699			19,003	223,699
Charges for Services	10,450	10,425	105,469	103,636	115,919	114,061
Other	1,071	1,111			1,071	1,111
Total revenues	<u>180,738</u>	<u>380,655</u>	<u>634,143</u>	<u>256,150</u>	<u>814,881</u>	<u>636,805</u>
Expenses						
General government	83,038	87,862			83,038	87,862
Transportation	21,372	23,842			21,372	23,842
Environmental protection	30,098	40,129			30,098	40,129
Culture and recreation	14,039	14,454			14,039	14,454
Special appropriations	2,000	2,092			2,000	2,092
Goldston Sewer System			336,954	331,112	336,954	331,112
Total Expenses	<u>150,547</u>	<u>168,379</u>	<u>336,954</u>	<u>331,112</u>	<u>487,501</u>	<u>499,491</u>
Increase (decrease in net assets)	30,191	212,276	297,189	(74,962)	327,380	137,314
Net assets, beginning of year	<u>1,290,248</u>	<u>1,077,972</u>	<u>4,300,012</u>	<u>4,374,974</u>	<u>5,590,260</u>	<u>5,452,946</u>
Net assets, end of year	<u>\$ 1,320,439</u>	<u>\$ 1,290,248</u>	<u>\$ 4,597,201</u>	<u>\$ 4,300,012</u>	<u>\$ 5,917,640</u>	<u>\$ 5,590,260</u>

TOWN OF GOLDSTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental Activities - Governmental activities increased the Town's net assets by \$30,191 due to expenses kept below budget and revenues above budget .

Business-type activities - Business-type activities increased Town of Goldston's net assets by \$297,189 Key elements of this net increase are as follows:

- Interest expense of \$77,054, and an operating loss of \$95,650 which including depreciation of \$180,580.
- The operating loss was offset by USDA grant of \$392,839 resulting in an increase in net assets overall.

Financial Analysis of the Town of Goldston's Funds

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

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

The General Fund is the chief operating fund of the Town of Goldston. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$559,285 while total fund balance reached \$681,839. The Governing Body of the Town of Goldston has determined that the Town should maintain an available fund balance of 25% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. Unreserved fund balance represents 467% of total General Fund expenditures, while total fund balance represents 570% of the same amount.

At June 30,2019 the governmental funds of the Town of Goldston reported a combined fund balance of, and \$681,839 a 9.3 % increase from last year.

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

Proprietary Funds - The Town of Goldston's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Restricted net assets of the Sewer Fund at the end of the fiscal year amounted to \$3,695. This amount is restricted for use by the Goldston Sewer Project fund. The total change in net position for the Sewer Fund was a decrease of \$297,189 due primarily to the USDA grant of \$392,839.

Capital Asset and Debt Administration

Capital Assets - The Town of Goldston's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$7,722,136 (net of accumulated depreciation). These assets include buildings, land, furniture and equipment, construction in progress and park facilities.

TOWN OF GOLDSTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**The Town of Goldston's Capital Assets
Figure 4**

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 169,500	\$ 169,500			\$ 169,500	\$ 169,500
Construction in progress						
Buildings and improvements	464,038	495,046			464,038	495,046
Lines and related equipment			7,088,598	6,876,339	7,088,598	6,876,339
Total	\$ 633,538	\$ 664,546	\$ 7,088,598	\$ 6,876,339	\$ 7,722,136	\$ 7,540,885

Additional information on the Town of Goldston’s capital assets can be found in Notes to Financial Statements #3 (page 31&32) of the Basic Financial Statements.

Long-term Debt - As of June 30, 2019, the Town of Goldston had total debt outstanding of \$2,752,996. This entire amount of debt is backed by the full faith and credit of the Town of Goldston.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Long-Term Obligations	-	-	\$ 2,752,996	\$ 2,801,942	\$ 2,752,996	\$ 2,801,942
Total	\$ -	\$ -	\$ 2,752,996	\$ 2,801,942	\$ 2,752,996	\$ 2,801,942

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8.0% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Goldston is \$2,434,512.

Additional information regarding the Town of Goldston’s long-term debt can be found beginning on page 33 of this report.

Economic Factors and Next Year’s Budgets and Rates

The Town has experienced a slow but steady growth of the property tax base over the last several years with that trend likely continuing at least in the near future. The primary driver of this growth has been in residential development. Unemployment numbers for the area are running below the state average.

TOWN OF GOLDSTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Town of Goldston's Outstanding Debt

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities – For the year ended June 30, 2020, the tax rate remained at \$.19 per \$100 of valuation. Total property tax revenues are anticipated to be \$59,250. This is approximately 39.8% of the total General Fund revenue. Other major revenue streams for the Town include sales tax and utility franchise taxes. These revenues are projected to bring in \$78,640, or approximately 52.7% of the total General Fund revenues. Combined, these three revenue sources account for approximately 92.5% of the total General Fund revenues.

Business – type Activities: Construction of sewer lines began with the Goldston Sewer Project during the fall of 2013 and were substantially complete in the fall of 2015. For the year ended June 30, 2020 wastewater rates are \$46 per month plus \$3 per 1,000 gallons over 2,000 gallons per month. Additionally, tap, cleanout and miscellaneous fees were established. Revenues were budgeted at \$238,783 with budgeted expenses of \$126,000 for long term debt service and \$112,783 in operating and administrative expenses.

This report is designed to provide an overview of the Town of Goldston's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

TOWN OF GOLDSTON, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Requests for Information

Annie Kay King Gaines, Town Clerk, PO Box 527, Goldston,
North Carolina 27252

BASIC FINANCIAL STATEMENTS

TOWN OF GOLDSTON, NORTH CAROLINA

Exhibit 1

Statement of Net Position

June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 559,548	\$ 244,501	\$ 804,049
Taxes receivables (net)	5,062	-	5,062
Due from other governments	17,105	80,215	97,320
Restricted cash and cash equivalents	105,449	3,695	109,144
Total current assets	687,164	328,411	1,015,575
Non-current assets:			
Capital assets (Note III.A.3):			
Land, non-depreciable improvements and construction in progress	169,500	-	169,500
Other capital assets, net of depreciation	464,038	7,088,598	7,552,636
Total capital assets	633,538	7,088,598	7,722,136
Total assets	1,320,702	7,417,009	8,737,711
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	-	66,812	66,812
Current portion of long-term liabilities	-	47,000	47,000
Total current liabilities	-	113,812	113,812
Long-term liabilities:			
Due in more than one year	-	2,705,996	2,705,996
Total liabilities	-	2,819,808	2,819,808
DEFERRED INFLOWS OF RESOURCES			
Prepaid rent	263	-	263
NET POSITION			
Net investment in capital assets	633,538	4,335,602	4,969,140
Restricted for:			
Stabilization by State Statute	17,105	-	17,105
Streets	105,449	-	105,449
Capital projects	-	3,695	3,695
Unrestricted	564,347	257,904	822,251
Total net position	\$ 1,320,439	\$ 4,597,201	\$ 5,917,640

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF GOLDSTON, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2019

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	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	\$ 83,038	\$ 10,450	\$ -	\$ -	\$ (72,588)	\$ -	\$ (72,588)
Transportation	21,372	-	11,320	-	(10,052)	-	(10,052)
Environmental protection	30,098	-	202	-	(29,896)	-	(29,896)
Cultural and recreation	14,039	-	-	-	(14,039)	-	(14,039)
Special appropriations	2,000	-	-	-	(2,000)	-	(2,000)
Total governmental activities	<u>150,547</u>	<u>10,450</u>	<u>11,522</u>	<u>-</u>	<u>(128,575)</u>	<u>-</u>	<u>(128,575)</u>
Business-type activities:							
Sewer fund	<u>336,954</u>	<u>105,469</u>	<u>-</u>	<u>392,839</u>	<u>-</u>	<u>161,354</u>	<u>161,354</u>
Total primary government	<u>\$ 487,501</u>	<u>\$ 115,919</u>	<u>\$ 11,522</u>	<u>\$ 392,839</u>	<u>(128,575)</u>	<u>161,354</u>	<u>32,779</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					60,861	-	60,861
Other taxes and fees					77,831	9,835	87,666
Grants and contributions not restricted to specific programs					17,155	-	17,155
Contributions and donations					1,848	126,000	127,848
Unrestricted investment earnings					1,071	-	1,071
Total general revenues and transfers					<u>158,766</u>	<u>135,835</u>	<u>294,601</u>
Change in net position					<u>30,191</u>	<u>297,189</u>	<u>327,380</u>
Net position, beginning					<u>1,290,248</u>	<u>4,300,012</u>	<u>5,590,260</u>
Net position, ending					<u>\$ 1,320,439</u>	<u>\$ 4,597,201</u>	<u>\$ 5,917,640</u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF GOLDSTON, NORTH CAROLINA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2019

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 559,548	\$ 559,548
Restricted cash and cash equivalents	105,449	105,449
Taxes receivable - net	5,062	5,062
Due from other governments	17,105	17,105
Total assets	<u>\$ 687,164</u>	<u>\$ 687,164</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	5,062	5,062
Prepaid rent	263	263
Total deferred inflows of resources	<u>5,325</u>	<u>5,325</u>
FUND BALANCES		
Restricted:		
Stabilization by State Statute	17,105	17,105
Streets	105,449	105,449
Unassigned	559,285	559,285
Total fund balances	<u>681,839</u>	<u>681,839</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 687,164</u>	<u>\$ 687,164</u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF GOLDSTON, NORTH CAROLINA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2019**

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

Total Fund Balance, Governmental Funds		\$ 681,839
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 1,052,414	
Accumulated depreciation	<u>(418,876)</u>	633,538
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		<u>5,062</u>
Net position of governmental activities		<u><u>\$ 1,320,439</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF GOLDSTON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

Exhibit 4

	Major Fund	Total
	General Fund	Governmental
		Funds
REVENUES		
Ad valorem taxes	\$ 57,775	\$ 57,775
Other taxes and licenses	77,831	77,831
Unrestricted intergovernmental	17,155	17,155
Restricted intergovernmental	11,522	11,522
Sales and services	10,450	10,450
Investment earnings	1,071	1,071
Contributions	1,848	1,848
Total revenues	177,652	177,652
EXPENDITURES		
Current:		
General government	55,351	55,351
Transportation	21,372	21,372
Environmental protection	30,098	30,098
Cultural and recreational	10,718	10,718
Special appropriations	2,000	2,000
Total expenditures	119,539	119,539
Excess (deficiency) of revenues over expenditures	58,113	58,113
OTHER FINANCING SOURCES (USES)		
Transfer to Sewer Fund	-	-
Total other financing sources (uses)	-	-
Net change in fund balance	58,113	58,113
Fund balances, beginning	623,726	623,726
Fund balances, ending	\$ 681,839	\$ 681,839

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF GOLDSTON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

Exhibit 4

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

Net changes in fund balances- total governmental funds	\$	58,113
--	----	--------

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.

Capital outlay expenditures which were capitalized	-	
Depreciation expense for governmental assets	<u>(31,008)</u>	(31,008)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		<u>3,086</u>
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Total changes in net position of governmental activities	\$	<u><u>30,191</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF GOLDSTON, NORTH CAROLINA

Exhibit 5

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 59,550	\$ 59,550	\$ 57,775	\$ (1,775)
Other taxes and licenses	66,240	66,240	77,831	11,591
Unrestricted intergovernmental	12,465	12,465	17,155	4,690
Restricted intergovernmental	11,430	11,430	11,522	92
Sales and services	10,350	10,350	10,450	100
Investment earnings	200	200	1,071	871
Contributions	-	-	1,848	1,848
Total revenues	<u>160,235</u>	<u>160,235</u>	<u>177,652</u>	<u>17,417</u>
Expenditures:				
Current:				
General government	78,375	78,375	55,351	23,024
Transportation	29,560	29,560	21,372	8,188
Environmental protection	35,000	35,000	30,098	4,902
Cultural and recreational	14,300	14,300	10,718	3,582
Special appropriations	3,000	3,000	2,000	1,000
Total expenditures	<u>160,235</u>	<u>160,235</u>	<u>119,539</u>	<u>40,696</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>58,113</u>	<u>58,113</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>58,113</u>	<u>\$ 58,113</u>
Fund balances, beginning			<u>623,726</u>	
Fund balances, ending			<u>\$ 681,839</u>	

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF GOLDSTON, NORTH CAROLINA
Statement of Net Position
Proprietary Fund
June 30, 2019

Exhibit 6

	Major Enterprise Fund <hr/> Sewer Fund <hr/>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 244,501
Due from other governments	80,215
Restricted cash and cash equivalents	3,695
Total current assets	<hr/> 328,411 <hr/>
Noncurrent assets:	
Capital assets:	
Land, non-depreciable improvements and construction in progress	-
Other capital assets, net of depreciation	7,088,598
Capital assets	<hr/> 7,088,598 <hr/>
Total noncurrent assets	7,088,598
Total assets	<hr/> \$ 7,417,009 <hr/>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 66,812
Current portion of long-term liabilities	47,000
Total current liabilities	<hr/> 113,812 <hr/>
Noncurrent liabilities:	
Note payable - noncurrent	2,705,996
Total noncurrent liabilities	<hr/> 2,705,996 <hr/>
Total liabilities	<hr/> 2,819,808 <hr/>
NET POSITION	
Net investment in capital assets	4,335,602
Restricted for capital projects	3,695
Unrestricted	257,904
Total net position	<hr/> \$ 4,597,201 <hr/>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF GOLDSTON, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2019

Exhibit 7

	Major Enterprise Fund <hr/> Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 104,719
Sewer taps	750
Other operating revenues	9,835
Total operating revenues	<hr/> 115,304 <hr/>
OPERATING EXPENSES	
Administration	993
Operations	78,327
Depreciation	180,580
Total operating expenses	<hr/> 259,900 <hr/>
Operating income (loss)	<hr/> (144,596) <hr/>
NONOPERATING REVENUES (EXPENSES)	
Interest and other charges	(77,054)
USDA sewer grant	392,839
Chatham County capacity funding	126,000
Total nonoperating revenues (expenses)	<hr/> 441,785 <hr/>
Income (loss) before contributions and transfers	<hr/> 297,189 <hr/>
Change in net position	297,189
Total net position, beginning	<hr/> 4,300,012 <hr/>
Total net position, ending	<hr/> \$ 4,597,201 <hr/>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF GOLDSTON, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

Exhibit 8

	<u>Major Enterprise Fund Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 105,469
Cash paid for goods and services	(75,474)
Other operating revenues	784
Total cash flow from operating activities	<u>30,779</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from Capital Project Fund	-
Total cash flow from noncapital financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
USDA sewer grant	331,024
Chatham County capacity funding	126,000
Capital assets purchased	(331,024)
Interest payments on debt	(77,054)
Principal payments on debt	(48,946)
Net cash provided (used) by capital and related financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	30,779
Balances, beginning	<u>217,417</u>
Balances, ending	<u><u>\$ 248,196</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (144,596)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	180,580
Changes in assets, deferred outflows of resources, and liabilities:	
Increase (decrease) in accounts payable and accrued liabilities	3,846
Increase (decrease) in due from other governments	(9,051)
Net cash provided by operating activities	<u><u>\$ 30,779</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Goldston (“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 Goldston is a municipal corporation that is governed by an elected mayor and a five-member council. The Town provides services which include general government, streets, sanitation and recreation. There are no additional entities included in the accompanying financial statements.

B. Basis of Presentation

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

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

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

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

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

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 and various other taxes and licenses. The primary expenditures are for street maintenance, sanitation, recreation and general government services.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 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.

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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 in the County, including the Town of Goldston. 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 during this period 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 a shared revenue for the Town of Goldston because the tax is levied by Chatham County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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.

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Enterprise Fund and Capital Projects Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund. The budget is prepared using the modified accrual basis of accounting. Appropriations are made at the departmental level and are amended as necessary by the governing board. Expenditures may not legally exceed appropriations at the departmental 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 State or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The Town has no investments nor an investment policy at year end.

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

Any unexpended balance of loan proceeds and other sources for the Capital Projects Sewer Fund – Goldston Sewer Project are classified as restricted assets in the Sewer Fund because their use is completely restricted to the purpose for which the loan was intended. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintain, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

3. Restricted Assets (continued)

Town of Goldston Restricted Cash

Governmental activities:

General Fund	
Streets	\$ 105,449
Total governmental activities	105,449

Business-type activities:

Sewer Fund	
Unexpended grant funds	3,695
Total business-type activities	3,695
Total restricted cash	\$ 109,144

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016. 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 revenues are 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 \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network 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.

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

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

Asset Class	Estimated Useful Lives
Buildings and improvements	15 – 30 years
Infrastructure	40 years
Furniture and equipment	7 – 10 years

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 no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and prepaid rent.

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.

9. Compensated Absences

The Town has no full time employees and no liability for vacation and sick leave.

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

10. Net Position/Fund Balances

Net Position

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

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. The Town has no nonspendable fund balance.

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 for Capital Projects – portion of fund balance that is restricted by revenue source for sewer capital outlay or debt retirement.

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

10. Net Position/Fund Balances (continued)

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Goldston’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the 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 (the adoption of another ordinance) to remove or revise the limitation.

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

Subsequent Year’s Expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

The Town of Goldston has a revenue spending policy that provides guidance for programs with multiple revenue sources. 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 Town of Goldston has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is no less than 25% of budgeted expenditures.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, no expenditures in the Town’s General Fund exceeded the authorized appropriations made by the governing board.

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Town has no formal policy regarding custodial risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$913,193 and a bank balance of \$927,107. Of the bank balance, \$650,732 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Receivables - Allowances for Doubtful Accounts

The amounts of taxes receivable presented in the Balance Sheet and the Statement of Net Position include penalties levied and outstanding in the amount of \$0.

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of an allowance for uncollectible taxes of \$0.

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (continued)

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 169,500	\$ -	\$ -	\$ 169,500
Total capital assets not being depreciated	<u>169,500</u>	<u>-</u>	<u>-</u>	<u>169,500</u>
Capital assets being depreciated:				
Buildings and improvements	797,804	-	-	797,804
Furniture and equipment	<u>85,110</u>	<u>-</u>	<u>-</u>	<u>85,110</u>
Total assets being depreciated	<u>882,914</u>	<u>-</u>	<u>-</u>	<u>882,914</u>
Less accumulated depreciation for:				
Buildings and improvements	302,758	31,008	-	333,766
Furniture and equipment	<u>85,110</u>	<u>-</u>	<u>-</u>	<u>85,110</u>
Total accumulated depreciation	<u>387,868</u>	<u>31,008</u>	<u>-</u>	<u>418,876</u>
Total capital assets being depreciated, net	<u>495,046</u>			<u>464,038</u>
Total governmental activities capital assets, net	<u>\$ 664,546</u>			<u>\$ 633,538</u>

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

General government	\$ 27,687
Recreation	<u>3,321</u>
	<u>\$ 31,008</u>

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (continued)

3. Capital Assets (Continued)

	Beginning Balances <i>(as restated)</i>	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 7,223,198	\$ 416,509	\$ -	\$ 7,639,707
Construction in progress	23,670	392,839	416,509	-
Total assets being depreciated	7,246,868	809,348	416,509	7,639,707
Less accumulated depreciation for:				
Sewer system	370,529	180,580	-	551,109
Total accumulated depreciation	370,529	180,580	-	551,109
Total capital assets being depreciated, net	6,876,339			7,088,598
Total business-type activities capital assets, net	\$ 6,876,339			\$ 7,088,598

B. Liabilities

1. Pension Plan and Postemployment Obligations

For the year ended June 30, 2019, the Town did not participate in a pension plan.

2. Deferred Outflows and Inflows of Resources

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

Taxes receivable (General Fund)	\$	5,062	
Prepaid rent (General Fund)		263	
		5,325	
		\$ 5,325	

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (continued)

3. 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, and workers' compensation coverage up to statutory limits. 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.

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.

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 town clerk and mayor are bonded for \$50,000 each through a commercial surety bond.

4. Claims, Judgments and Contingent Liabilities

The Town is contingently liable in respect to other claims in the normal course of its operations. Should the Town become liable in these matters, such liability would be satisfied by budgetary appropriation in excess of insurance coverage in a subsequent year.

5. Long-Term Obligations

a. GO Bond Payable

During the year ended June 30, 2015, bond anticipation notes previously issued by the Town were converted to a GO Bond Payable. This loan is scheduled to be repaid in varying annual payments of principal during a period of 40 years with interest accruing at 2.75%. The first principal payment was due June 1, 2018 and the final payment is due June 1, 2055. The loan was obtained to assist in the financing the cost of the Goldston Sewer Project. The bonds are serviced by the Town's Sewer Fund and are collateralized by the full faith, credit and taxing power of the Town.

The Town has entered into an interlocal wastewater agreement with Chatham County dated November 5, 2012 in which the County has agreed to pay the Town \$126,000 annually for the purposes of assisting the Town with the bond payments and for no other purpose.

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (continued)

Annual debt service payments of the USDA GO Bond Payable as of June 30, 2019, are as follows:

Year Ending June 30	Business-type activities		
	Principal	Interest	Total
2020	\$ 47,000	\$ 78,513	\$ 125,513
2021	49,000	77,220	126,220
2022	50,000	75,873	125,873
2023	52,000	74,498	126,498
2024	53,000	73,068	126,068
2025-2029	287,000	342,733	629,733
2030-2034	329,000	300,988	629,988
2035-2039	375,000	253,275	628,275
2040-2044	432,000	198,660	630,660
2045-2049	494,000	135,905	629,905
2050-2054	565,000	64,213	629,213
2055	19,996	3,355	23,351
Total	<u>\$ 2,752,996</u>	<u>\$ 1,678,298</u>	<u>\$ 4,431,294</u>

b. Change in Long-Term Liabilities

<u>Business-type activities:</u>	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<u>Sewer Fund</u>					
GO Bond Payable	\$ 2,801,942	\$ -	\$ 48,946	\$ 2,752,996	\$ 47,000

The Town has a legal debt margin of \$2,434,512.

c. Interfund Balances and Activity

There were no interfund transfers during the year ended June 30, 2019.

TOWN OF GOLDSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (continued)

d. Fund Balance

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

Total fund balance-General Fund	\$ 681,839
Less:	
Stabilization by State Statute	17,105
Streets-Powell Bill	105,449
Remaining fund balance	\$ 559,285

IV. Jointly Governed Organization

The Town, in conjunction with various other counties and other municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$100 to the Council during the fiscal year ended June 30, 2019.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

Subsequent events have been evaluated through November 17, 2019, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

SUPPLEMENTARY INFORMATION

TOWN OF GOLDSTON, NORTH CAROLINA

Schedule 1

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 51,400	\$ 49,827	\$ (1,573)
Motor vehicles	7,850	7,698	(152)
Prior years	150	160	10
Penalties and interest	150	90	(60)
Total	<u>59,550</u>	<u>57,775</u>	<u>(1,775)</u>
Other taxes and licenses:			
Local option sales tax	66,240	77,831	11,591
Total	<u>66,240</u>	<u>77,831</u>	<u>11,591</u>
Unrestricted intergovernmental:			
Sales tax refunds	65	173	108
Utilities sales tax	11,200	15,807	4,607
Beer and wine tax	1,200	1,175	(25)
Total	<u>12,465</u>	<u>17,155</u>	<u>4,690</u>
Restricted intergovernmental:			
Solid waste disposal tax	200	202	2
State street aid - Powell Bill	11,230	11,320	90
Total	<u>11,430</u>	<u>11,522</u>	<u>92</u>
Sales and services	<u>10,350</u>	<u>10,450</u>	<u>100</u>
Investment earnings	<u>200</u>	<u>1,071</u>	<u>871</u>
Miscellaneous	<u>-</u>	<u>1,848</u>	<u>1,848</u>
Total revenues	<u>160,235</u>	<u>177,652</u>	<u>17,417</u>
Expenditures:			
General government:			
Administration:			
Payroll taxes		2,037	
Professional services		23,358	
Postage		217	
Advertising		26	
Insurance		6,235	
Departmental supplies		321	
Dues and subscriptions		1,435	
Telephone		1,012	
Capital outlay		4,514	
Miscellaneous		3,843	
Total	<u>\$ 48,129</u>	<u>\$ 42,998</u>	<u>\$ 5,131</u>

TOWN OF GOLDSTON, NORTH CAROLINA

Schedule 1

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2019

(Continued)

	Budget	Actual	Variance Positive (Negative)
Governing body:			
Travel	\$ 7,400	7,400	\$ -
Total	<u>7,400</u>	<u>7,400</u>	<u>-</u>
Elections:			
Contracted services	1,600	-	1,600
Total	<u>1,600</u>	<u>-</u>	<u>1,600</u>
Legal:			
Professional services	1,000	975	25
Total	<u>1,000</u>	<u>975</u>	<u>25</u>
Public buildings:			
Maintenance repairs		1,120	
Utilities		2,858	
Total	<u>20,246</u>	<u>3,978</u>	<u>16,268</u>
Total general government	<u>78,375</u>	<u>55,351</u>	<u>23,024</u>
Transportation:			
Salaries and employee benefits		2,423	
Streets and highways		9,531	
Utilities		9,418	
Total	<u>29,560</u>	<u>21,372</u>	<u>8,188</u>
Environmental protection:			
Contracted services	35,000	30,098	4,902
Total	<u>35,000</u>	<u>30,098</u>	<u>4,902</u>
Cultural and recreational:			
Salaries and employee benefits		4,800	
Utilities		1,118	
Maintenance and repairs		4,800	
Total	<u>14,300</u>	<u>10,718</u>	<u>3,582</u>
Special appropriations:			
Community development - contributions:			
Goldston Youth Recreation		1,000	
Goldston Lions Club		1,000	
Total	<u>\$ 3,000</u>	<u>\$ 2,000</u>	<u>\$ 1,000</u>

TOWN OF GOLDSTON, NORTH CAROLINA

Schedule 1

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2019

(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Total expenditures	\$ 160,235	\$ 119,539	\$ 40,696
Revenues over (under) expenditures	-	58,113	58,113
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	58,113	<u>\$ 58,113</u>
Fund balances, beginning		<u>623,726</u>	
Fund balances, ending		<u>\$ 681,839</u>	

TOWN OF GOLDSTON, NORTH CAROLINA

Schedule 2

Sewer Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services	\$ 107,283	\$ 104,719	\$ (2,564)
Sewer taps	1,500	750	(750)
Total	<u>108,783</u>	<u>105,469</u>	<u>(3,314)</u>
Other operating revenues:			
Other	4,000	9,835	5,835
Total operating revenues	<u>112,783</u>	<u>115,304</u>	<u>2,521</u>
Nonoperating revenues:			
Chatham County Capacity Purchase	126,000	126,000	-
Total revenues	<u>238,783</u>	<u>241,304</u>	<u>2,521</u>
Expenditures:			
Administration	3,000	993	2,007
Operations:			
Utilities	4,500	3,386	1,114
Mowing easements	3,150	2,650	500
Sewer Jetting	1,500	-	1,500
Equipment replacement reserves	6,433	-	6,433
Fuel	1,000	852	148
Repairs and maintenance	13,000	8,472	4,528
Chemicals	9,700	-	9,700
New sewer tap installation	1,500	750	750
Goldston Gulf Sanitary District contribution	43,000	42,660	340
City of Sanford - billable flow & MPA	20,000	19,557	443
Total	<u>103,783</u>	<u>78,327</u>	<u>25,456</u>
Debt service:			
Principal retirement	46,280	48,946	(2,666)
Interest and other charges	85,720	77,054	8,666
Total	<u>132,000</u>	<u>126,000</u>	<u>6,000</u>
Total expenditures	<u>238,783</u>	<u>205,320</u>	<u>33,463</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 35,984</u>	<u>\$ 35,984</u>

TOWN OF GOLDSTON, NORTH CAROLINA

Schedule 2

Sewer Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019**

Reconciliation from budgetary basis (modified accrual) to full accrual:	
Revenues and other sources over expenditures and other uses	\$ 35,984
Reconciling items:	
Principal retirement	48,946
Depreciation	(180,580)
Capital contributions	392,839
Total reconciling items	<u>261,205</u>
Change in net position	<u>\$ 297,189</u>

TOWN OF GOLDSTON, NORTH CAROLINA

Schedule 3

Capital Projects Fund - Primary Pump Station and Forcemain Improvements
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Grant - USDA	\$ 425,997	\$ 32,190	\$ 392,839	\$ 425,029	\$ 968
Total revenues	425,997	32,190	392,839	425,029	968
Expenditures:					
Construction	425,997	23,670	392,839	416,509	9,488
Total expenditures	425,997	23,670	392,839	416,509	9,488
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 8,520</u>	<u>\$ -</u>	<u>\$ 8,520</u>	<u>\$ (8,520)</u>

TOWN OF GOLDSTON, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Schedule 4

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 60,611	\$ 57,258	\$ 3,353
2017-2018	882	-	267	615
2016-2017	958	-	-	958
2015-2016	53	-	-	53
2014-2015	-	-	-	-
2013-2014	4	-	-	4
2012-2013	26	-	-	26
2011-2012	14	-	-	14
2010-2011	29	-	-	29
2009-2010	-	-	-	-
2008-2009	10	-	-	10
	\$ 1,976	\$ 60,611	\$ 57,525	\$ 5,062
Less: allowance for uncollectible accounts:				
	General Fund			-
	Ad valorem taxes receivable - net			\$ 5,062
<u>Reconciliation with revenues:</u>				
	Ad valorem taxes - General Fund			\$ 57,775
	Reconciling items:			
	Interest collected			(90)
	Other			(160)
	Subtotal			(250)
	Total collections and credits			\$ 57,525

TOWN OF GOLDSTON, NORTH CAROLINA
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2019

Schedule 5

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 30,431,399	0.19	\$ 61,304	\$ 53,606	\$ 7,698
Discoveries - current and prior years			-	-	-
Releases			(693)	(693)	-
Net levy			60,611	52,913	7,698
Uncollected taxes at June 30, 2019			(3,353)	(3,353)	-
Current year's taxes collected			<u>\$ 57,258</u>	<u>\$ 49,560</u>	<u>\$ 7,698</u>
Current levy collection percentage			<u>94.47%</u>	<u>93.66%</u>	<u>100.00%</u>

COMPLIANCE SECTION



Member:
American Institute of
Certified Public Accountants

Rives & Associates, LLP
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

**Independent Auditors' Report On
Internal Control Over Financial Reporting And On Compliance
And Other Matters Based On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards***

To the Honorable Mayor
And Members of the Town Council
Town of Goldston
Goldston, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Goldston (the "Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 17, 2019.

Internal Control Over Financial Reporting

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

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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness, 2019-001.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. 2019-002.

Compliance and Other Matters

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

Town of Goldston's Response to Findings

The Town of Goldston's response to the findings identified in our audit is described in the accompanying correct action plan. The Town's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Rives & Associates LLP

Raleigh, North Carolina
November 17, 2019

TOWN OF GOLDSTON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u>	No
Noncompliance material to financial statements noted	<u> </u>	Yes	<u> X </u>	None reported

Federal Awards

No Federal major programs were identified

State Awards

No State major programs were identified

TOWN OF GOLDSTON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Finding: **2019 - 001** Segregation of Duties

MATERIAL WEAKNESS

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: The is a lack of segregation over accounting duties among the Town's personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel at the Town and due to its size and budget, there is a limitation on the resources the Town can afford.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for the lack of segregation. The Town Council should provide some of these controls.

Questioned Costs: None

Finding: **2019 - 002** Financial Reporting

SIGNICANT DEFICIENCY

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and Governmental Accounting Standards requires a level of technical expertise not possessed by Town personnel with regards to drafting full accrual, full disclosure financial statements.

Effect: Financial statements could be misstated or have inadequate disclosures.

Cause: There are a limited number of personnel at the Town and due to its size and budget, there is a limitation on the resources the Town can afford.

Recommendation: The Town should exercise due care in reviewing the financial statements drafted by the external auditors as the Town is responsible for the financial statements.

Questioned Costs: None



TOWN OF GOLDSTON
P O BOX 527
GOLDSTON NC 27252

Timothy J. Cunnup, Mayor
PH: 919 898 4343

Annie Kay King-Gaines, Clerk
PH: 919 898 4459

TOWN OF GOLDSTON, NORTH CAROLINA
Corrective Action Plan
For the Year Ended June 30, 2019

Finding: 2019 - 001

Name of Contact Person: Annie Kay King Gaines, Town Clerk
Timothy J. Cunnup, Mayor

Correction Action: The Town agrees with this finding. However, due to the small size of the Town and its limited resources, the condition cannot be completely corrected. The Town Council will continue to monitor the controls and finances of the Town.

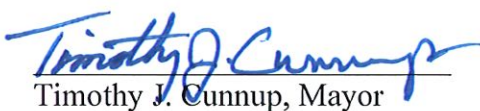
Proposed Completion Date: The Board will implement the above procedures immediately.

Finding: 2019 - 002

Name of Contact Person: Annie Kay King Gaines, Town Clerk
Timothy J. Cunnup, Mayor

Correction Action: The Town agrees with this finding. However, due to the small size of the Town and its limited resources, the condition cannot be completely corrected. The Town Council will continue to monitor the controls and finances of the Town.

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


Timothy J. Cunnup, Mayor


Annie K. King-Gaines, Town Clerk

TOWN OF GOLDSTON, NORTH CAROLINA
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019

Finding 2018 - 001 Segregation of Duties

Status: Ongoing
Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of segregation of duties. The Town Council is becoming more involved in providing some of these controls.

Finding 2018 - 002 Financial Reporting

Status: Ongoing
The governing board reviews the financial statements before issuance.

