

Report On

Town Of Middlesex

Middlesex, North Carolina

June 30, 2019

Town Board Members

Luther H. Lewis, Jr., Mayor  
Danny Alford, Commissioner  
Cherrye Davis, Commissioner  
Ann Lewis, Commissioner  
Harold Meacombs, Commissioner  
J. W. McClenny, Commissioner

Administrative and Financial Staff

Gloria Vinson, Town Clerk and Finance Officer

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June 30, 2019**

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the Town Board  
Middlesex, 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 Middlesex, 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.

#### ***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 *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order 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 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 statement referred to above represent 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 Middlesex, North Carolina as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows, 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 8 through 16 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 53 and 55 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 Middlesex, North Carolina. The combining and individual fund statements, budgetary 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 by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2019 on our consideration of the Town of Middlesex’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is 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 Middlesex’s internal control over financial reporting and compliance.



Anthony & Tabb, P.A.  
Certified Public Accountants  
Wilson, North Carolina

October 16, 2019

## **Management's Discussion and Analysis**

## Management's Discussion and Analysis

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

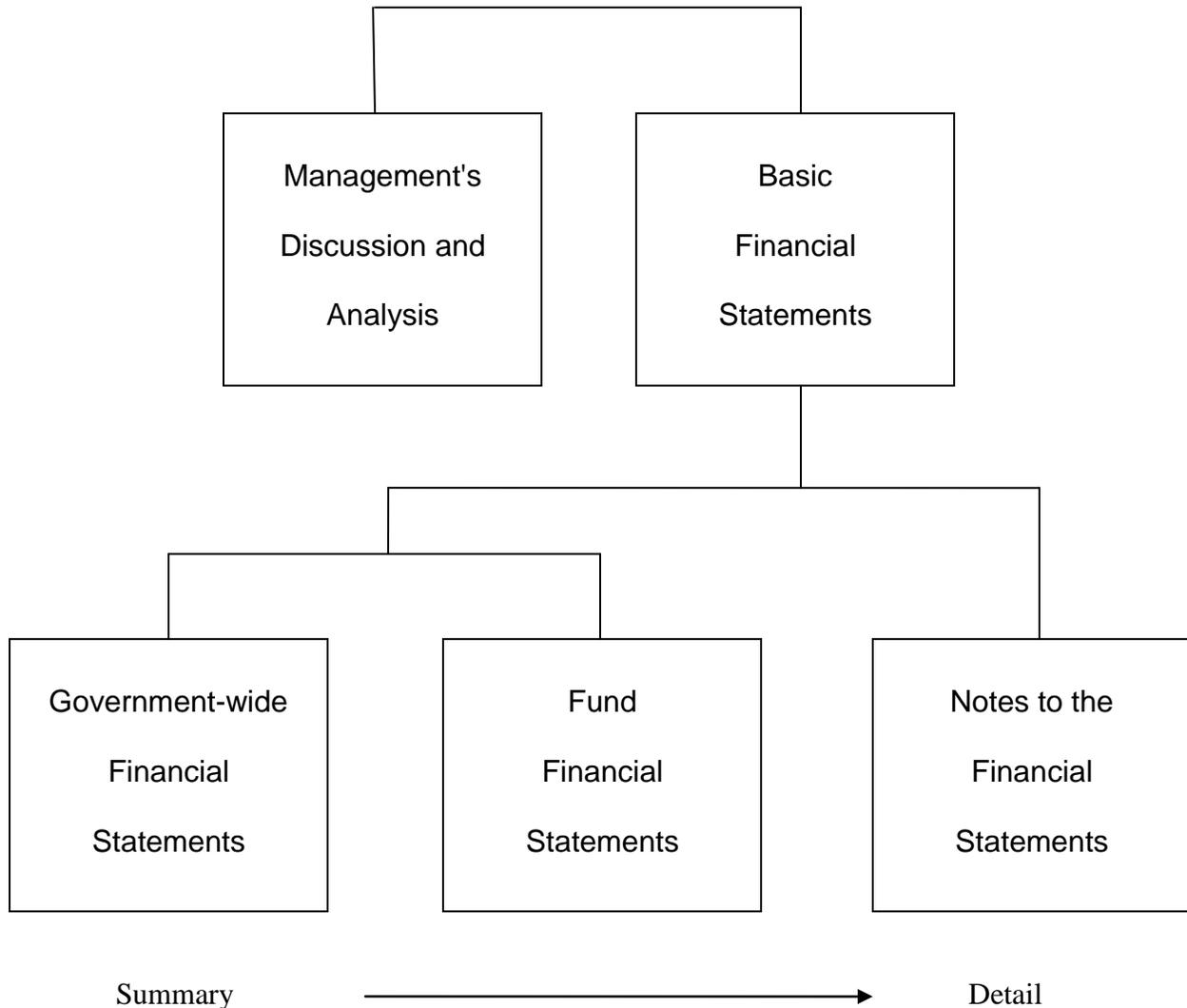
- The assets and deferred outflows of resources of the Town of Middlesex exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,689,709 (*net position*).
- The government's total net position increased by \$98,193, primarily due to increases in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Middlesex's governmental funds reported combined ending fund balances of \$930,867 with a net change of \$79,186 in fund balance. Approximately 19.52 percent of this total amount, or \$181,694, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$659,015, or 77.79 percent of total general fund expenditures for the fiscal year.
- The Town's total debt decreased by \$19,829 as a result of making the required payments on its four items of debt.

### Overview of the Financial Statements

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

**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town 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 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 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 financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position are the difference between the Town total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Middlesex.

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

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Middlesex, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Middlesex can be divided into two categories: governmental funds and proprietary funds.

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

Management Discussion and Analysis  
Town of Middlesex

The Town of Middlesex 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** – Town of Middlesex has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Middlesex uses its enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 29 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 Middlesex's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 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.

Management Discussion and Analysis  
Town of Middlesex

Government-Wide Financial Analysis

**Town of Middlesex's Net Position**  
**Figure 2**

|  | Governmental<br>Activities |                     | Business-Type<br>Activities |                     | Total               |                     |
|--|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
|  | 2019                       | 2018                | 2019                        | 2018                | 2019                | 2018                |
| Current and other assets                                       | \$ 987,527                 | \$ 898,339          | \$ 700,484                  | \$ 635,041          | \$ 1,688,011        | \$ 1,533,380        |
| Capital assets   | 736,238                    | 661,627             | 3,550,974                   | 3,682,871           | 4,287,212           | 4,344,498           |
| Deferred outflow of resources                                  | 48,746                     | 39,941              | 21,781                      | 19,007              | 70,527              | 58,948              |
| <b>Total assets and deferred<br/>outflow of resources</b>      | <b>1,772,511</b>           | <b>1,599,907</b>    | <b>4,273,239</b>            | <b>4,336,919</b>    | <b>6,045,750</b>    | <b>5,936,826</b>    |
| Long-term liabilities outstanding                              | 131,329                    | 100,262             | 102,591                     | 151,409             | 233,920             | 251,671             |
| Other liabilities  | 25,847                     | 2,959               | 73,432                      | 63,353              | 99,279              | 66,312              |
| Deferred inflows of resources                                  | 19,717                     | 23,569              | 3,125                       | 3,758               | 22,842              | 27,327              |
| <b>Total liabilities and deferred<br/>inflows of resources</b> | <b>176,893</b>             | <b>126,790</b>      | <b>179,148</b>              | <b>218,520</b>      | <b>356,041</b>      | <b>345,310</b>      |
| <b>Net Position</b>  |                            |                     |                             |                     |                     |                     |
| Net Investment in capital assets                               | 684,867                    | 639,627             | 3,474,174                   | 3,556,871           | 4,159,041           | 4,196,498           |
| Restricted   | 181,694                    | 150,505             | -                           | -                   | 181,694             | 150,505             |
| Unrestricted   | 729,057                    | 682,985             | 619,917                     | 561,528             | 1,348,974           | 1,244,513           |
| <b>Total net position</b>                                      | <b>\$ 1,595,618</b>        | <b>\$ 1,473,117</b> | <b>\$ 4,094,091</b>         | <b>\$ 4,118,399</b> | <b>\$ 5,689,709</b> | <b>\$ 5,591,516</b> |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Middlesex exceeded liabilities and deferred inflows by \$5,689,709 as of June 30, 2019. The Town's net position increased by \$98,193 for the fiscal year ended June 30, 2019. However, the largest portion (73.10%) reflects the Town's net investment in capital assets (e.g. land, building, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Middlesex uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's net investment in capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Middlesex's net position \$181,694 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,348,974 is unrestricted.

Management Discussion and Analysis  
Town of Middlesex

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.04%. The statewide average in fiscal year 2019 was 98.78%.
- Property tax revenues increased by \$11,673 compared to the prior year, mainly due to a \$2,047,895 increase in the tax base (3.69%).

**Town of Middlesex's Changes in Net Position**  
**Figure 3**

|  | Governmental<br>Activities |                     | Business-Type<br>Activities |                     | Total               |                     |
|--|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
|  | 2019                       | 2018                | 2019                        | 2018                | 2019                | 2018                |
| <b>Revenues:</b>   |                            |                     |                             |                     |                     |                     |
| Program revenues:  |                            |                     |                             |                     |                     |                     |
| Charges for services   | \$ 161,561                 | \$ 149,314          | \$ 547,358                  | \$ 535,293          | \$ 708,919          | \$ 684,607          |
| Operating grants and contributions                           | 66,013                     | 34,247              | -                           | -                   | 66,013              | 34,247              |
| Capital grants and contributions                             | 77,000                     | 50,000              | 52,750                      | -                   | 129,750             | 50,000              |
| General revenues:  |                            |                     |                             |                     |                     |                     |
| Property taxes   | 331,907                    | 317,180             | -                           | -                   | 331,907             | 317,180             |
| Other taxes  | -                          | -                   | -                           | -                   | -                   | -                   |
| Grants and contributions not restricted to specific programs | 237,689                    | 219,930             | -                           | -                   | 237,689             | 219,930             |
| Other  | 7,063                      | 3,068               | 6,188                       | 2,326               | 13,251              | 5,394               |
| <b>Total revenue</b>   | <b>881,233</b>             | <b>773,739</b>      | <b>606,296</b>              | <b>537,619</b>      | <b>1,487,529</b>    | <b>1,311,358</b>    |
| <b>Expenses:</b>   |                            |                     |                             |                     |                     |                     |
| General government   | 176,406                    | 171,248             | -                           | -                   | 176,406             | 171,248             |
| Public safety  | 345,228                    | 263,482             | -                           | -                   | 345,228             | 263,482             |
| Transportation   | 65,010                     | 93,663              | -                           | -                   | 65,010              | 93,663              |
| Environmental protection                                     | 126,371                    | 104,116             | -                           | -                   | 126,371             | 104,116             |
| Cultural and recreation                                      | 44,947                     | 48,032              | -                           | -                   | 44,947              | 48,032              |
| Interest on long-term debt                                   | 770                        | -                   | 2,269                       | -                   | 3,039               | -                   |
| Water and sewer  | -                          | -                   | 628,335                     | 569,516             | 628,335             | 569,516             |
| <b>Total expenses</b>  | <b>758,732</b>             | <b>680,541</b>      | <b>630,604</b>              | <b>569,516</b>      | <b>1,389,336</b>    | <b>1,250,057</b>    |
| Increase in net position before transfers                    | 122,501                    | 93,198              | (24,308)                    | (31,897)            | 98,193              | 61,301              |
| Transfers  | -                          | -                   | -                           | -                   | -                   | -                   |
| <b>Net increase in net position</b>                          | <b>122,501</b>             | <b>93,198</b>       | <b>(24,308)</b>             | <b>(31,897)</b>     | <b>98,193</b>       | <b>61,301</b>       |
| Net position, July 1   | 1,473,117                  | 1,379,919           | 4,118,399                   | 4,150,296           | 5,591,516           | 5,530,215           |
| <b>Net position, June 30</b>                                 | <b>\$ 1,595,618</b>        | <b>\$ 1,473,117</b> | <b>\$ 4,094,091</b>         | <b>\$ 4,118,399</b> | <b>\$ 5,689,709</b> | <b>\$ 5,591,516</b> |

**Governmental activities.** Governmental activities increased the Town net position by \$122,501, thereby accounting for 100.00% of the total increase in the net position of the Town of Middlesex.

**Business-type activities.** Business-type activities decreased the Town's net position by \$(24,308), accounting for 0.00% of the total increase in the government's net position. The major cause for the net decrease was depreciation expense, which was \$173,350 in the current year.

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

**Governmental Funds.** The focus of the Town of Middlesex's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Middlesex'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 Middlesex. At the end of the current fiscal year, the Town of Middlesex's fund balance available in the General Fund was \$749,173, while total fund balance reached \$930,867. The Town has an available fund balance of 88.44% of general fund expenditures, while total fund balance represents 109.88% of the same amount.

At June 30, 2019, the governmental funds of the Town of Middlesex reported a fund balance of \$930,867 with a net increase in fund balance of \$79,186.

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

Revenues were more than budgeted amounts primarily because the Town did not expect to receive some of the unrestricted intergovernmental funds that became available, and also an unexpected increase in sales and services. The ad valorem tax rate was not increased in the current year. Expenditures were held in check to comply with budgetary requirements.

Management Discussion and Analysis  
Town of Middlesex

**Proprietary Funds.** The Town’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$619,917. Other factors concerning the finances of this fund has already been addressed in the discussion of the Town’s business-type activities.

Capital Asset and Debt Administration

**Capital assets.** The Town of Middlesex’s investment in capital assets for its governmental and business–type activities as of June 30, 2019, totals \$4,287,212 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Middlesex's Capital Assets  
(net of depreciation)  
Figure 4**

|                                     | Governmental<br>Activities |                   | Business-Type<br>Activities |                     | Total               |                     |
|-------------------------------------|----------------------------|-------------------|-----------------------------|---------------------|---------------------|---------------------|
|                                     | 2019                       | 2018              | 2019                        | 2018                | 2019                | 2018                |
| Land                                | \$ 57,345                  | \$ 57,345         | \$ -                        | \$ -                | \$ 57,345           | \$ 57,345           |
| Building and systems                | 442,300                    | 460,642           | 3,504,986                   | 3,671,861           | 3,947,286           | 4,132,503           |
| Machinery and equipment             | 69,236                     | 65,730            | 45,988                      | 11,010              | 115,224             | 76,740              |
| Infrastructure                      | -                          | -                 | -                           | -                   | -                   | -                   |
| Vehicles and motorized<br>equipment | 167,357                    | 77,910            | -                           | -                   | 167,357             | 77,910              |
| Construction in progress            | -                          | -                 | -                           | -                   | -                   | -                   |
| <b>Total</b>                        | <b>\$ 736,238</b>          | <b>\$ 661,627</b> | <b>\$ 3,550,974</b>         | <b>\$ 3,682,871</b> | <b>\$ 4,287,212</b> | <b>\$ 4,344,498</b> |

Additional information on the Town’s capital assets can be found in note III.A.3 of the basic financial statements.

**Long-term Debt.** As of June 30, 2019, the Town of Middlesex had total debt outstanding of \$128,171. Of this, \$128,171 is debt backed by the full faith and credit of the Town of Middlesex.

Management Discussion and Analysis  
Town of Middlesex

Additional information regarding the Town of Middlesex's long-term debt can be found in note III.B.5.

**Budget Highlights for the Fiscal Year Ending June 30, 2020**

**Governmental Activities:** Property taxes will remain at the same rate of \$0.57 per one hundred dollars (\$100) valuation of taxable property.

**Business-Type Activities:** Water and sewer rates will remain constant.

*Requests for Information*

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Middlesex, PO Box 69, Middlesex, NC, 27557.

## **Basic Financial Statements**

**Town of Middlesex, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**

|  | <b>Primary Government</b>          |                                      |                     |
|--|------------------------------------|--------------------------------------|---------------------|
|  | <b>Governmental<br/>Activities</b> | <b>Business-<br/>type Activities</b> | <b>Total</b>        |
| <b>ASSETS</b>  |                                    |                                      |                     |
| Current assets:  |                                    |                                      |                     |
| Cash and cash equivalents  | \$ 775,020                         | \$ 591,592                           | \$ 1,366,612        |
| Taxes receivables (net)  | 30,813                             | -                                    | 30,813              |
| Accounts receivable (net)  | 14,678                             | 46,040                               | 60,718              |
| Due from other governments                                       | 56,227                             | -                                    | 56,227              |
| Internal balances  | -                                  | -                                    | -                   |
| Restricted cash and cash equivalents                             | 110,789                            | 62,852                               | 173,641             |
| Total current assets   | <u>987,527</u>                     | <u>700,484</u>                       | <u>1,688,011</u>    |
| Non-current assets:  |                                    |                                      |                     |
| Capital assets (Note 1):   |                                    |                                      |                     |
| Land, non-depreciable improvements, and construction in progress | 57,345                             | -                                    | 57,345              |
| Other capital assets, net of depreciation                        | 678,893                            | 3,550,974                            | 4,229,867           |
| Total capital assets   | <u>736,238</u>                     | <u>3,550,974</u>                     | <u>4,287,212</u>    |
| Total assets   | <u>1,723,765</u>                   | <u>4,251,458</u>                     | <u>5,975,223</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                            |                                    |                                      |                     |
| Pension deferrals  | 48,746                             | 21,781                               | 70,527              |
| <b>LIABILITIES</b>   |                                    |                                      |                     |
| Current liabilities:   |                                    |                                      |                     |
| Accounts payable   | 25,847                             | 9,872                                | 35,719              |
| Accrued interest payable   | -                                  | 708                                  | 708                 |
| Current portion of long-term liabilities                         | 11,756                             | 67,765                               | 79,521              |
| Payable from restricted assets                                   | -                                  | 62,852                               | 62,852              |
| Total current liabilities  | <u>37,603</u>                      | <u>141,197</u>                       | <u>178,800</u>      |
| Long-term liabilities:   |                                    |                                      |                     |
| Due in more than one year  | 119,573                            | 34,826                               | 154,399             |
| Total liabilities  | <u>157,176</u>                     | <u>176,023</u>                       | <u>333,199</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                             |                                    |                                      |                     |
| Pension deferrals  | 19,717                             | 3,125                                | 22,842              |
| OPEB deferrals   | -                                  | -                                    | -                   |
| Total deferred inflows of resources                              | <u>19,717</u>                      | <u>3,125</u>                         | <u>22,842</u>       |
| <b>NET POSITION</b>  |                                    |                                      |                     |
| Net investment in capital assets                                 | 684,867                            | 3,474,174                            | 4,159,041           |
| Restricted for:  |                                    |                                      |                     |
| Stabilization by State Statute                                   | 70,905                             | -                                    | 70,905              |
| Other functions  | 110,789                            | -                                    | 110,789             |
| Unrestricted   | 729,057                            | 619,917                              | 1,348,974           |
| Total net position   | <u>\$ 1,595,618</u>                | <u>\$ 4,094,091</u>                  | <u>\$ 5,689,709</u> |

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

**Town of Middlesex, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2019**

| 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        |
| <b>Primary government:</b>                                   |                  |                      |                                    |                                  |   |                          |              |
| Governmental Activities:                                     |                  |                      |                                    |                                  |   |                          |              |
| General government   | \$ 176,406       | \$ 13,365            | \$ -                               | \$ -                             | \$ (163,041)                                      | \$ -                     | \$ (163,041) |
| Public safety  | 345,228          | 1,461                | 37,998                             | 77,000                           | (228,769)   | -                        | (228,769)    |
| Transportation   | 65,010           | -                    | 25,992                             | -                                | (39,018)  | -                        | (39,018)     |
| Environmental protection                                     | 126,371          | 133,609              | 606                                | -                                | 7,844   | -                        | 7,844        |
| Cultural and recreation                                      | 44,947           | 13,126               | 1,417                              | -                                | (30,404)  | -                        | (30,404)     |
| Interest on long-term debt                                   | 770              | -                    | -                                  | -                                | (770)   | -                        | (770)        |
| Total governmental activities<br>(See Note 1)                | 758,732          | 161,561              | 66,013                             | 77,000                           | (454,158)   | -                        | (454,158)    |
| Business-type activities:                                    |                  |                      |                                    |                                  |   |                          |              |
| Water and sewer  | 630,604          | 547,358              | -                                  | 52,750                           | -   | (30,496)                 | (30,496)     |
| Total business-type activities                               | 630,604          | 547,358              | -                                  | 52,750                           | -   | (30,496)                 | (30,496)     |
| Total primary government                                     | \$ 1,389,336     | \$ 708,919           | \$ 66,013                          | \$ 129,750                       | (454,158)   | (30,496)                 | (484,654)    |
| General revenues:  |                  |                      |                                    |                                  |   |                          |              |
| Taxes:   |                  |                      |                                    |                                  |   |                          |              |
| Property taxes, levied for general purpose                   |                  |                      |                                    |                                  | 331,907   | -                        | 331,907      |
| Other taxes  |                  |                      |                                    |                                  | -   | -                        | -            |
| Grants and contributions not restricted to specific programs |                  |                      |                                    |                                  | 237,689   | -                        | 237,689      |
| Unrestricted investment earnings                             |                  |                      |                                    |                                  | 2,192   | 6,188                    | 8,380        |
| Miscellaneous  |                  |                      |                                    |                                  | 4,871   | -                        | 4,871        |
| Total general revenues, not including transfers              |                  |                      |                                    |                                  | 576,659   | 6,188                    | 582,847      |
| Transfers  |                  |                      |                                    |                                  |   |                          |              |
| Total general revenues and transfers                         |                  |                      |                                    |                                  | 576,659   | 6,188                    | 582,847      |
| Change in net assets   |                  |                      |                                    |                                  | 122,501   | (24,308)                 | 98,193       |
| Net position, beginning                                      |                  |                      |                                    |                                  | 1,473,117   | 4,118,399                | 5,591,516    |
| Net position-ending  |                  |                      |                                    |                                  | \$ 1,595,618                                      | \$ 4,094,091             | \$ 5,689,709 |

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

**Town of Middlesex  
Balance Sheet  
Governmental Funds  
June 30, 2019**

|   | Major Funds<br>General | Total Non-Major<br>Funds | Total<br>Governmental<br>Funds |
|---|------------------------|--------------------------|--------------------------------|
| <b>ASSETS</b>   |                        |                          |                                |
| Cash and cash equivalents   | \$ 775,020             | \$ -                     | \$ 775,020                     |
| Restricted cash and cash equivalents                                  | 110,789                | -                        | 110,789                        |
| Receivables, net:   |                        |                          |                                |
| Taxes   | 30,813                 | -                        | 30,813                         |
| Accounts  | 14,678                 | -                        | 14,678                         |
| Due from other governments  | 56,227                 | -                        | 56,227                         |
| Due from other funds  | -                      | -                        | -                              |
| Advance to other funds  | -                      | -                        | -                              |
| Total assets  | <u>987,527</u>         | <u>-</u>                 | <u>987,527</u>                 |
| <b>LIABILITIES</b>  |                        |                          |                                |
| Liabilities:  |                        |                          |                                |
| Accounts payable and accrued liabilities                              | 25,847                 | -                        | 25,847                         |
| Due to other funds  | -                      | -                        | -                              |
| Total liabilities   | <u>25,847</u>          | <u>-</u>                 | <u>25,847</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                        |                          |                                |
| Property taxes receivable   | 30,813                 | -                        | 30,813                         |
| Prepaid taxes   | -                      | -                        | -                              |
| Total deferred inflows of resources                                   | <u>30,813</u>          | <u>-</u>                 | <u>30,813</u>                  |
| <b>FUND BALANCES</b>  |                        |                          |                                |
| Non Spendable   |                        |                          |                                |
| Perpetual maintenance   | -                      | -                        | -                              |
| Restricted  |                        |                          |                                |
| Stabilization by State Statute  | 70,905                 | -                        | 70,905                         |
| Streets   | 108,825                | -                        | 108,825                        |
| Public safety   | 1,964                  | -                        | 1,964                          |
| Committed   |                        |                          |                                |
| Cultural and recreation   | -                      | -                        | -                              |
| Assigned  |                        |                          |                                |
| Culture and recreation  | -                      | -                        | -                              |
| Subsequent year's expenditures  | 90,158                 | -                        | 90,158                         |
| Unassigned  | 659,015                | -                        | 659,015                        |
| Total fund balances   | <u>930,867</u>         | <u>-</u>                 | <u>930,867</u>                 |
| Total liabilities, deferred inflows of resources<br>and fund balances | <u>\$ 987,527</u>      | <u>\$</u>                |                                |

(cont)

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

**Town of Middlesex  
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  |    | \$                 | 930,867             |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. |    |                    |                     |
| Gross capital assets at historical cost   | \$ | 1,740,750          |                     |
| Accumulated depreciation  |    | <u>(1,004,512)</u> | 736,238             |
| Deferred outflows of resources related to pensions are not reported in the funds  |    |                    | 48,746              |
| Earned revenues considered deferred inflows of resources in fund statements   |    |                    | 30,813              |
| Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds    |    |                    |                     |
| Gross long term debt  |    | 56,108             |                     |
| Net pension liability (LGERS)   |    | 49,814             |                     |
| Total pension liability (LEO)   |    | <u>25,407</u>      | (131,329)           |
| Deferred inflows of resources related to pensions are not reported in the funds   |    |                    | (19,717)            |
| Net position of governmental activities   |    |                    | <u>\$ 1,595,618</u> |

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

**Town of Middlesex**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

|  | Major Funds<br>General Fund | Total Non-<br>Major Funds | Total<br>Governmental<br>Funds |
|--|-----------------------------|---------------------------|--------------------------------|
| <b>REVENUES</b>                                      |                             |                           |                                |
| Ad valorem taxes                                     | \$ 344,793                  | \$ -                      | \$ 344,793                     |
| Other taxes and licenses                             | 15                          | -                         | 15                             |
| Unrestricted intergovernmental                       | 237,689                     | -                         | 237,689                        |
| Restricted intergovernmental                         | 142,808                     | -                         | 142,808                        |
| Permits and fees                                     | 2,300                       | -                         | 2,300                          |
| Sales and services                                   | 158,034                     | -                         | 158,034                        |
| Investment earnings                                  | 2,192                       | -                         | 2,192                          |
| Miscellaneous  | 2,288                       | -                         | 2,288                          |
| Total revenues                                       | <u>890,119</u>              | <u>-</u>                  | <u>890,119</u>                 |
| <b>EXPENDITURES</b>                                  |                             |                           |                                |
| Current:   |                             |                           |                                |
| General government                                   | 168,213                     | -                         | 168,213                        |
| Public safety  | 448,273                     | -                         | 448,273                        |
| Transportation                                       | 61,791                      | -                         | 61,791                         |
| Environmental protection                             | 120,608                     | -                         | 120,608                        |
| Culture and recreation                               | 44,649                      | -                         | 44,649                         |
| Debt service:  |                             |                           |                                |
| Principal  | 2,829.00                    | -                         | 2,829.00                       |
| Interest   | 770.00                      | -                         | 770.00                         |
| Total expenditures                                   | <u>847,133</u>              | <u>-</u>                  | <u>847,133</u>                 |
| Excess (deficiency) of<br>revenues over expenditures | 42,986                      | -                         | 42,986                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                             |                           |                                |
| Installment purchase obligation issued               | 32,200                      | -                         | 32,200                         |
| Sale of capital assets                               | 4,000                       | -                         | 4,000                          |
| Total other financing sources<br>(uses)              | <u>36,200</u>               | <u>-</u>                  | <u>36,200</u>                  |
| Net change in fund balance                           | 79,186                      | -                         | 79,186                         |
| Fund balances-beginning                              | 851,681                     | -                         | 851,681                        |
| Fund balances-ending                                 | <u>\$ 930,867</u>           | <u>\$ -</u>               | <u>\$ 930,867</u>              |

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

**Town of Middlesex**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

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

|   |  |           |
|---|--|-----------|
| Net changes in fund balances - total governmental funds |  | \$ 79,186 |
|---|--|-----------|

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 expense in the current period

|  |                 |        |
|--|-----------------|--------|
| Capital outlay expenditures which were capitalized | \$ 138,889      |        |
| Depreciation expense for governmental assets       | <u>(64,278)</u> | 74,611 |

|  |  |        |
|--|--|--------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities |  | 17,078 |
|--|--|--------|

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

|  |                 |          |
|--|-----------------|----------|
| Amount of donated assets                       | -               |          |
| Change in unavailable revenue for tax revenues | <u>(12,886)</u> | (12,886) |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. 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.

|                                      |              |          |
|--------------------------------------|--------------|----------|
| New long-term debt issued            | (32,200)     |          |
| Principal payments on long-term debt | <u>2,829</u> | (29,371) |

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.

|                      |              |                |
|----------------------|--------------|----------------|
| Compensated absences | 3,671        |                |
| Pension expense      | (11,507)     |                |
| OPEB plan canceled   | <u>1,710</u> | <u>(6,126)</u> |

|  |  |                   |
|--|--|-------------------|
| Total changes in net position of governmental activities |  | <u>\$ 122,501</u> |
|--|--|-------------------|

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

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

|  | <b>General Fund</b> |                  |                   | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------|------------------|-------------------|--|
|  | Original<br>Budget  | Final<br>Budget  | Actual<br>Amounts |  |
| <b>Revenues:</b>                       |                     |                  |                   |  |
| Ad valorem taxes                       | \$ 311,100          | \$ 311,100       | \$ 344,793        | \$ 33,693  |
| Other taxes and licenses               | 50                  | 50               | 15                | (35)   |
| Unrestricted intergovernmental         | 212,100             | 212,100          | 237,689           | 25,589   |
| Restricted intergovernmental           | 27,750              | 141,280          | 142,808           | 1,528  |
| Permits and fees                       | 1,750               | 1,750            | 2,300             | 550  |
| Sales and services                     | 147,150             | 147,150          | 158,034           | 10,884   |
| Investment earnings                    | 3,100               | 3,100            | 2,192             | (908)  |
| Miscellaneous                          | 1,300               | 1,300            | 2,288             | 988  |
| Total revenues                         | <u>704,300</u>      | <u>817,830</u>   | <u>890,119</u>    | <u>72,289</u>  |
| <b>Expenditures:</b>                   |                     |                  |                   |  |
| <b>Current:</b>                        |                     |                  |                   |  |
| General government                     | 183,565             | 195,530          | 168,213           | 27,317   |
| Public safety                          | 299,095             | 448,871          | 448,273           | 598  |
| Transportation                         | 123,125             | 74,356           | 61,791            | 12,565   |
| Environmental protection               | 123,715             | 124,946          | 120,608           | 4,338  |
| Cultural and recreation                | 73,185              | 76,785           | 44,649            | 32,136   |
| <b>Debt service:</b>                   |                     |                  |                   |  |
| Principal                              | 3,145               | 3,145            | 2,829             | 316  |
| Interest                               | 455                 | 455              | 770               | (315)  |
| Total expenditures                     | <u>806,285</u>      | <u>924,088</u>   | <u>847,133</u>    | <u>76,955</u>  |
| Revenues over (under) expenditures     | <u>(101,985)</u>    | <u>(106,258)</u> | <u>42,986</u>     | <u>149,244</u>   |
| <b>Other financing sources (uses):</b> |                     |                  |                   |  |
| Installment purchase obligation issued | -                   | 32,200           | 32,200            | -  |
| Sale of capital assets                 | -                   | 4,000            | 4,000             | -  |
| Total other financing sources (uses)   | <u>-</u>            | <u>36,200</u>    | <u>36,200</u>     | <u>-</u>   |
| Fund balance appropriated              | 101,985             | 70,058           | -                 | (70,058)   |
| Net change in fund balance             | <u>\$ -</u>         | <u>\$ -</u>      | <u>79,186</u>     | <u>\$ 79,186</u>   |
| Fund balances, beginning of year       |                     |                  | <u>851,681</u>    |  |
| Fund balances, end of year             |                     |                  | <u>\$ 930,867</u> |  |

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

**Town of Middlesex  
Statement of Net Position  
Proprietary Funds  
June 30, 2019**

|   | <b>Enterprise Funds</b>         |                     |
|---|---------------------------------|---------------------|
|   | <b>Water and<br/>Sewer Fund</b> | <b>Total</b>        |
| <b>ASSETS</b>                               |                                 |                     |
| Current assets:                             |                                 |                     |
| Cash and cash equivalents                   | \$ 591,592                      | \$ 591,592          |
| Accounts receivable (net) - billed          | 46,040                          | 46,040              |
| Due from other funds                        | -                               | -                   |
| Restricted cash and cash equivalents        | 62,852                          | 62,852              |
| Total current assets                        | <u>700,484</u>                  | <u>700,484</u>      |
| Noncurrent assets:                          |                                 |                     |
| Capital assets:                             |                                 |                     |
| Land and construction in progress           | -                               | -                   |
| Other capital assets, net of depreciation   | 3,550,974                       | 3,550,974           |
| Capital assets (net)                        | <u>3,550,974</u>                | <u>3,550,974</u>    |
| Total noncurrent assets                     | <u>3,550,974</u>                | <u>3,550,974</u>    |
| Total assets                                | <u>\$ 4,251,458</u>             | <u>\$ 4,251,458</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                                 |                     |
| Pension deferrals                           | \$ 21,781                       | \$ 21,781           |
| <b>LIABILITIES</b>                          |                                 |                     |
| Current liabilities:                        |                                 |                     |
| Accounts payable and accrued liabilities    | 10,580                          | 10,580              |
| Compensated absences - current              | 3,011                           | 3,011               |
| General obligation bonds payable - current  | -                               | -                   |
| Installment purchases - current             | 64,754                          | 64,754              |
| Liabilities payable from restricted assets: |                                 |                     |
| Customer deposits                           | 62,852                          | 62,852              |
| Total current liabilities                   | <u>141,197</u>                  | <u>141,197</u>      |
| Noncurrent liabilities:                     |                                 |                     |
| Total OPEB liability                        | -                               | -                   |
| Net pension liability                       | 22,780                          | 22,780              |
| Installment purchases - noncurrent          | 12,046                          | 12,046              |
| Total noncurrent liabilities                | <u>34,826</u>                   | <u>34,826</u>       |
| Total liabilities                           | <u>176,023</u>                  | <u>176,023</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |                                 |                     |
| Pension deferrals                           | 3,125                           | 3,125               |
| OPEB deferrals                              | -                               | -                   |
| <b>NET POSITION</b>                         |                                 |                     |
| Net investment in capital assets            | 3,474,174                       | 3,474,174           |
| Unrestricted                                | 619,917                         | 619,917             |
| Total net position                          | <u>\$ 4,094,091</u>             | <u>\$ 4,094,091</u> |

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

**Town of Middlesex**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

|   | <b>Enterprise Funds</b>         |                     |
|---|---------------------------------|---------------------|
|   | <b>Water and<br/>Sewer Fund</b> | <b>Total</b>        |
| <b>OPERATING REVENUES</b>                               |                                 |                     |
| Charges for services                                    | \$ 504,977                      | \$ 504,977          |
| Water and sewer taps                                    | 2,800                           | 2,800               |
| Other operating revenues                                | 39,581                          | 39,581              |
| <b>Total operating revenues</b>                         | <u>547,358</u>                  | <u>547,358</u>      |
| <b>OPERATING EXPENSES</b>                               |                                 |                     |
| Water treatment and distribution                        | 169,945                         | 169,945             |
| Waste collection and treatment                          | 285,040                         | 285,040             |
| Depreciation  | 173,350                         | 173,350             |
| <b>Total operating expenses</b>                         | <u>628,335</u>                  | <u>628,335</u>      |
| <b>Operating income (loss)</b>                          | <u>(80,977)</u>                 | <u>(80,977)</u>     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                 |                                 |                     |
| Investment earnings                                     | 6,188                           | 6,188               |
| Interest and other charges                              | (2,269)                         | (2,269)             |
| Gain on sale of assets                                  | -                               | -                   |
| <b>Total nonoperating revenue (expenses)</b>            | <u>3,919</u>                    | <u>3,919</u>        |
| <b>Income (loss) before contributions and transfers</b> | <u>(77,058)</u>                 | <u>(77,058)</u>     |
| Capital contributions - federal grants                  | 52,750                          | 52,750              |
| Transfers to other funds                                | -                               | -                   |
| <b>Change in net position</b>                           | <u>(24,308)</u>                 | <u>(24,308)</u>     |
| <b>Total net position, previously reported</b>          | <u>4,118,399</u>                | <u>4,118,399</u>    |
| <b>Total net position - ending</b>                      | <u>\$ 4,094,091</u>             | <u>\$ 4,094,091</u> |

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

**Town of Middlesex  
Statement of Cash Flows  
Proprietary Funds  
June 30, 2019**

|   | <b>Business-Type Activities<br/>Enterprise Funds</b> |                   |
|---|--|-------------------|
|   | <b>Water and<br/>Sewer<br/>Fund</b>                  | <b>Totals</b>     |
| <b>CASH FLOWS FROM OPERATING<br/>ACTIVITIES</b>                         |  |                   |
| Cash received from customers  | \$ 504,170   | \$ 504,170        |
| Cash paid for goods and services  | (297,588)  | (297,588)         |
| Cash paid to or on behalf of employees for<br>services                  | (154,157)  | (154,157)         |
| Customer deposits received  | 12,050   | 12,050            |
| Customer deposits returned  | (8,175)  | (8,175)           |
| Other operating revenues  | <u>39,581</u>  | <u>39,581</u>     |
| Net cash provided (used) by operating activities                        | <u>95,881</u>  | <u>95,881</u>     |
| <b>CASH FLOWS FROM NONCAPITAL</b>                                       |  |                   |
| Transfers from other funds  | -  | -                 |
| Transfers to other funds  | -  | -                 |
| Total cash flows from noncapital financing activities                   | <u>-</u>   | <u>-</u>          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>     |  |                   |
| Acquisition and construction of capital assets                          | (41,453)   | (41,453)          |
| Proceeds from sale of assets  | -  | -                 |
| Principal paid on bond and equipment contracts                          | (63,000)   | (63,000)          |
| Proceeds of long-term debt  | 13,800   | 13,800            |
| Interest paid on bond and equipment contracts                           | (2,330)  | (2,330)           |
| Capital contributions-State grant                                       | -  | -                 |
| Capital contributions-federal grant                                     | <u>52,750</u>  | <u>52,750</u>     |
| Net cash provided (used) by capital and related<br>financing activities | <u>(40,233)</u>                                      | <u>(40,233)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |  |                   |
| Interest income   | <u>6,188</u>   | <u>6,188</u>      |
| Net increase (decrease) in cash and cash<br>equivalents                 | 61,836   | 61,836            |
| Balances-beginning of the year  | <u>592,608</u>                                       | <u>592,608</u>    |
| Balances-end of the year  | <u>\$ 654,444</u>                                    | <u>\$ 654,444</u> |

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

**Town of Middlesex  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2019**

|   | <b>Business-Type Activities<br/>Enterprise Funds</b> |                    |
|---|--|--------------------|
|   | <b>Water and<br/>Sewer<br/>Fund</b>                  | <b>Totals</b>      |
| Reconciliation of operating income to net cash provided by operating activities         |  |                    |
| Operating income (loss)   | <u>\$ (80,977)</u>                                   | <u>\$ (80,977)</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: |  |                    |
| Depreciation  | 173,350  | 173,350            |
| Changes in assets and liabilities:  |  |                    |
| (Increase) in accounts receivable   | (3,607)  | (3,607)            |
| Increase in accounts payable and accrued liabilities other than accrued interest        | 6,265  | 6,265              |
| Increase in customer deposits   | 3,875  | 3,875              |
| (Increase) decrease in deferred outflows of resources - pensions                        | (2,774)  | (2,774)            |
| Increase (decrease) in net pension liability  | 1,170  | 1,170              |
| Increase (decrease) in deferred inflows of resources - pensions                         | (575)  | (575)              |
| Increase in compensated absences payable  | 67   | 67                 |
| (Decrease) in deferred inflows of resources - OPEB                                      | (58)   | (58)               |
| (Decrease) in accrued OPEB liability  | <u>(855)</u>   | <u>(855)</u>       |
| Total adjustments   | <u>176,858</u>                                       | <u>176,858</u>     |
| Net cash provided by operating activities   | <u>\$ 95,881</u>                                     | <u>\$ 95,881</u>   |

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

## Town of Middlesex, North Carolina

### Notes to the Financial Statements

#### For the Fiscal Year Ended June 30, 2019

##### I. Summary of Significant Accounting Policies

The accounting policies of the Town of Middlesex (the Town) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

##### A. Reporting Entity

The Town of Middlesex is a municipal corporation, which is governed by an elected mayor and a five-member board. These financial statements include only the Town, as there were no component units required to be included.

##### B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a 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 and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. 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 administration, public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental fund:

**Grant Project Special Revenue Fund.** This fund is used to account for grant funds that are restricted for use for a particular purpose.

The Town reports the following major enterprise funds:

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

#### 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, entitlements, 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 connection new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 the 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 a shared revenue for the Town of Middlesex because the tax is levied by Nash County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

#### D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances (when they exist) are adopted for the Enterprise Fund Capital Projects Fund, which is consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

### 1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of 11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

### 2. Cash and Cash Equivalents

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

### 3. Restricted Assets

The unexpended bond proceeds, if any, of Water and Sewer Fund serial bonds issued by the Town are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. 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 it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Middlesex Restricted Cash

|                                |                   |
|--------------------------------|-------------------|
| Governmental Activities        |                   |
| General Fund                   |                   |
| Streets                        | \$ 108,825        |
| Public Safety                  | 1,964             |
| Cultural and recreation        | -                 |
| Total governmental activities  | <u>110,789</u>    |
| Business-type Activities       |                   |
| Water and Sewer Fund           |                   |
| Customer deposits              | <u>62,852</u>     |
| Total Business-type Activities | <u>62,852</u>     |
| Total Restricted Cash          | <u>\$ 173,641</u> |

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. Discounts are not provided for payments made prior to the due date.

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. Inventory Items

The Town does not maintain any inventories.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$10,000; infrastructure, \$50,000; furniture and equipment, \$2,500; and vehicles, \$2,500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed

capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| <u>Asset Class</u>      | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Infrastructure          | 30                            |
| Buildings               | 50                            |
| Improvements            | 10-25                         |
| Vehicles                | 6                             |
| Furniture and equipment | 10                            |
| Computer equipment      | 3                             |

#### 8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals in the 2019 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 three items that meet the criterion for this category – prepaid taxes, property taxes receivable, and pension deferrals.

#### 9. Long-Term Obligations

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

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

#### 10. Compensated Absences

Beginning July 1, 2006 the Town amended its personnel policy to allow the accumulation of unused leave for vacation, sick pay, and compensatory time. The policy allows for the accumulation of up to

five days of earned vacation leave as well as an unlimited amount of compensatory time, with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an

expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

## 11. Net Position/Fund Balances

### Net Position

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

### Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-spendable 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.

Inventories – portion of the fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Perpetual maintenance – cemetery resources that are required to be retained in perpetuity for maintenance of the Town of Middlesex cemetery.

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.

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

Assigned for Parks and Recreation – portion of fund balance that has been budgeted by the Board for construction of a public park.

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

## 12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net

position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Middlesex's employer contributions are recognized when due and the Town of Middlesex has a legal requirement to provide the contributions. Benefit and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

## II. Stewardship, Compliance, and Accountability

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

#### 1. Non-compliance with North Carolina General Statutes

None during the year ended June 30, 2019.

#### 2. Contractual Violations

None during the year ended June 30, 2019.

### B. Excess of Expenditures over Appropriations

During the year ended June 30, 2019, no Town departments exceeded their legally adopted budgets.

## 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 these units' 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's agents in their names. 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 credit risk for deposits, nor does it have a formal investment policy, 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, 2019, the Town's deposits had a carrying amount of \$1,539,763 and a bank balance of \$1,543,506. 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, 2019, the Town's petty cash fund totaled \$490.

## 2. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of no allowances for doubtful accounts.

## 3. Capital Assets

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

|  | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances |
|--|-----------------------|-----------|-----------|--------------------|
| <b>Governmental activities:</b>                  |                       |           |           |                    |
| <b>Capital assets not being depreciated:</b>     |                       |           |           |                    |
| Land   | \$ 57,345             | \$ -      | \$ -      | \$ 57,345          |
| Construction in progress                         | -                     | -         | -         | -                  |
| Total capital assets not being depreciated       | 57,345                | -         | -         | 57,345             |
| <b>Capital assets being depreciated:</b>         |                       |           |           |                    |
| Building and improvements                        | 797,713               | -         | -         | 797,713            |
| Streets and sidewalks                            | -                     | -         | -         | -                  |
| Equipment  | 411,192               | 25,535    | -         | 436,727            |
| Vehicles and motorized equipment                 | 377,057               | 113,354   | 41,446    | 448,965            |
| Total capital assets being depreciated           | 1,585,962             | 138,889   | 41,446    | 1,683,405          |
| <b>Less accumulated depreciation for:</b>        |                       |           |           |                    |
| Building and improvements                        | 337,071               | 18,342    | -         | 355,413            |
| Streets and sidewalks                            | -                     | -         | -         | -                  |
| Equipment  | 345,462               | 22,029    | -         | 367,491            |
| Vehicles and motorized equipment                 | 299,147               | 23,907    | 41,446    | 281,608            |
| Total accumulated appreciation                   | 981,680               | 64,278    | 41,446    | 1,004,512          |
| Total capital assets being depreciated, net      | 604,282               |           |           | 678,893            |
| <b>Governmental activity capital assets, net</b> | <b>\$ 661,627</b>     |           |           | <b>\$ 736,238</b>  |

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

|                            |                  |
|----------------------------|------------------|
| General government         | \$ 9,058         |
| Public safety              | 29,336           |
| Transportation             | 3,600            |
| Environmental protection   | 9,760            |
| Cultural and recreational  | 12,524           |
| Total depreciation expense | <u>\$ 64,278</u> |

|   | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances |
|---|-----------------------|-----------|-----------|--------------------|
| <b>Business-type activities:</b>                    |                       |           |           |                    |
| <i>Water and Sewer Fund</i>                         |                       |           |           |                    |
| <b>Capital assets not being depreciated:</b>        |                       |           |           |                    |
| Land  | \$ -                  | \$ -      | \$ -      | \$ -               |
| Construction in progress                            | -                     | -         | -         | -                  |
| Total capital assets not being depreciated          | -                     | -         | -         | -                  |
| <b>Capital assets being depreciated:</b>            |                       |           |           |                    |
| Plant and distribution systems                      | 7,021,698             | -         | -         | 7,021,698          |
| Furniture and maintenance equipment                 | 151,669               | 41,453    | -         | 193,122            |
| Total capital assets being depreciated              | 7,173,367             | 41,453    | -         | 7,214,820          |
| <b>Less accumulated depreciation for:</b>           |                       |           |           |                    |
| Plant and distribution systems                      | 3,349,837             | 166,875   | -         | 3,516,712          |
| Furniture and maintenance equipment                 | 140,659               | 6,475     | -         | 147,134            |
| Total accumulated depreciation                      | 3,490,496             | 173,350   | -         | 3,663,846          |
| Total capital assets being depreciated, net         | 3,682,871             |           |           | 3,550,974          |
| <b>Business-type activities capital assets, net</b> | <u>\$3,682,871</u>    |           |           | <u>\$3,550,974</u> |

### Construction Commitments

The Town has no active construction projects as of June 30, 2019.

#### B. Liabilities

##### 1. Pension Plan Obligations and Postemployment Obligations

###### a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Middlesex 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 – 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 Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*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 Middlesex 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 Middlesex's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.90% 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 Middlesex were \$24,900 for the year ended June 30, 2019.

*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, 2019, the Town reported a liability of \$72,594 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town’s proportion was 0.00428%, which was a decrease of 0.00133% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$18,175. At June 30, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
|  | <u>                    </u>                   | <u>                    </u>                  |
| Differences between expected and actual experience   | \$ 11,199                                     | \$ 376                                       |
| Changes of assumptions   | 19,264  | -  |
| Net difference between projected and actual earnings<br>on pension plan investments                          | 9,965   | -  |
| Changes in proportion and differences between Town<br>contributions and proportionate share of contributions | 4,082   | 9,581  |
| Town contributions subsequent to the measurement date  | 24,900  | -  |
| Total  | <u>\$ 69,410</u>                              | <u>\$ 9,957</u>                              |

\$24,900 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

|            |    |        |
|------------|----|--------|
| 2019       | \$ | 18,183 |
| 2020       |    | 11,799 |
| 2021       |    | (407)  |
| 2022       |    | 4,978  |
| Thereafter |    | -      |

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 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, 2017 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, 2018 are summarized in the following table:

| <b>Asset Class</b>   | <b>Target Allocation</b> | <b>Long Term Expected<br/>Real Rate of Return</b> |
|----------------------|--------------------------|---|
| 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%  |
|                      | <u>100.0%</u>            |   |

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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 3.0%. 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 asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

|   | <b>1%<br/>Decrease<br/>(6.00%)</b> | <b>Discount<br/>Rate<br/>(7.00%)</b> | <b>1%<br/>Increase<br/>(8.00%)</b> |
|---|------------------------------------|--------------------------------------|------------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 174,377                         | \$ 72,594                            | \$ (12,457)                        |

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

b. Law Enforcement Officers Special Separation Allowance

*1. Plan Description.*

The Town of Middlesex 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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance’s membership consisted of:

|  |                 |
|--|-----------------|
| Retirees receiving benefits  | 0               |
| Terminated plan members entitled to but not yet receiving benefits | 0               |
| Active plan members  | <u>3</u>        |
| Total  | <u><u>3</u></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 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, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |   |
|------------------|---|
| Inflation        | 2.5 percent   |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Discount rate    | 3.64 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, 2017.

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 \$0 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$25,407. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019 the Town recognized pension expense of \$(921).

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ -  | \$ 11,770                                    |
| Changes of assumptions   | 1,117   | 1,115  |
| Town benefit payments and plan administrative<br>expense made subsequent to the measurement date | -   | -  |
| Total  | \$ 1,117                                      | \$ 12,885                                    |

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ended June 30:

|            |            |
|------------|------------|
| 2020       | \$ (3,381) |
| 2021       | (3,381)    |
| 2022       | (3,381)    |
| 2023       | (1,625)    |
| Thereafter | -          |

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*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 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

|                         | <b>1%<br/>Decrease<br/>(2.64%)</b> | <b>Discount<br/>Rate<br/>(3.64%)</b> | <b>1%<br/>Increase<br/>(4.64%)</b> |
|-------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Total pension liability | \$ 26,576                          | \$ 25,407                            | \$ 24,261                          |

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

|  | <b>2019</b>      |
|--|------------------|
| Beginning balance  | \$ 24,367        |
| Service cost   | 1,690            |
| Interest on the total pension liability  | 770              |
| Changes of benefit terms   | -                |
| Differences between expected and actual experience in the measurement of the total pension liability | (861)            |
| Changes of assumptions or other inputs   | (559)            |
| Benefit payments   | -                |
| Other changes  | -                |
| Ending balance of the total pension liability  | <u>\$ 25,407</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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

|  | LGERS     | LEOSSA   | Total     |
|--|-----------|----------|-----------|
| Pension Expense (Benefit)  | \$ 18,175 | \$ (921) | \$ 17,254 |
| Pension Liability  | 72,594    | 25,407   | 98,001    |
| Proportionate share of the net pension liability   | 0.00428%  | N/A      |           |
| <b>Deferred of Outflows of Resources</b>   |           |          |           |
| Differences between expected and actual experience   | 11,199    | -        | 11,199    |
| Changes of assumptions   | 19,264    | 1,117    | 20,381    |
| Net difference between projected and actual earnings on plan investments                             | 9,965     | -        | 9,965     |
| Changes in proportion and differences between contributions and proportionate share of contributions | 4,082     | -        | 4,082     |
| Benefit payments and administrative costs paid subsequent to the measurement date                    | 24,900    | -        | 24,900    |
| <b>Deferred of Inflows of Resources</b>  |           |          |           |
| Differences between expected and actual experience   | 376       | 11,770   | 12,146    |
| Changes of assumptions   | -         | 1,115    | 1,115     |
| Net difference between projected and actual earnings on plan investments                             | -         | -        | -         |
| Changes in proportion and differences between contributions and proportionate share of contributions | 9,581     | -        | 9,581     |

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5 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. Contributions for the

year ended June 30, 2019 were \$8,504 which consisted of \$7,204 from the Town and \$1,300 from the law enforcement officers.

d. Supplemental Retirement Income Plan for General Employees

*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 general employees of the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 3.5 percent of each general employee’s salary, and current year contributions were \$5,241 from the Town and \$3,210 from the general employees.

e. Other Post-Employment Benefit

Healthcare Benefits

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

*Benefits Provided.* The Town provided post-employment health care benefits (the HCB Plan) to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (System) and have at least thirty years of credible service with the Town. The Town pays the full cost of coverage for these benefits. Also, the Town’s retirees can purchase coverage for their dependents at the Town’s group rates. Currently no retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2019, the Town made payments for post-employment health benefit premiums of \$0. The Town obtains health care coverage through private insurers. At the June, 2019 Board of Commissioners’ meeting, the board voted to abolish this plan.

| Retired Employees' Years of Credible Service | Coverage                  |
|--|---------------------------|
| Less than 30 years                           | Not eligible for coverage |
| 30+ years                                    | Full coverage by the Town |

Membership of the HCB Plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

|  | General<br>Employees: | Law<br>Enforcement<br>Officers: |
|--|-----------------------|---------------------------------|
| Retirees and dependents receiving benefits                         | 0                     | 0                               |
| Terminated plan members entitled to but not yet receiving benefits | 0                     | 0                               |
| Active plan members  | 3                     | 3                               |
| <b>Total</b>   | <u>3</u>              | <u>3</u>                        |

### Total OPEB Liability

The Town's total OPEB liability of \$0 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

|                             |  |
|-----------------------------|--|
| Inflation                   | N/A percent  |
| Salary increases            | N/A percent, average, including inflation                        |
| Discount rate               | N/A percent  |
| Healthcare cost trend rates | Medical - N/A %<br>Prescription - N/A %<br>Admin Expenses - N/A% |

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

### Changes in the Total OPEB Liability

|  | <b>Total OPEB Liability</b> |
|--|-----------------------------|
| <b>Balance at July 1/2018</b>                      | \$ 2,565                    |
| <b>Changes for the year</b>                        |                             |
| Service cost                                       | -                           |
| Interest   | -                           |
| Changes of benefit terms                           | (2,565)                     |
| Differences between expected and actual experience | -                           |
| Changes in assumptions or other inputs             | -                           |
| Benefit payments                                   | -                           |
| <b>Net changes</b>                                 | <u>(2,565)</u>              |
| <b>Balance at 06/30/2019</b>                       | <u><u>\$ -</u></u>          |

Changes in assumptions and other inputs reflect a change in the discount rate from N/A % to N/A %.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

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

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

|                      | <b>Discount</b>       |                   |
|----------------------|-----------------------|-------------------|
|                      | <b>N/A % Decrease</b> | <b>Rate N/A %</b> |
|                      | <b>N/A % Increase</b> |                   |
| Total OPEB liability | \$ N/A                | \$ N/A            |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower or 1- percentage-point higher than the current healthcare cost trend rates:

|                      | <b>Discount Rate</b>   |  |  |
|----------------------|--|--|--|
|                      | <b>(Medical - N/A %, Prescription - N/A %, Admin Expenses - N/A %)</b> | <b>(Medical - N/A %, Prescription - N/A %, Admin Expenses - N/A %)</b> | <b>(Medical - N/A %, Prescription - N/A %, Admin Expenses - N/A %)</b> |
| Total OPEB liability | \$ N/A   | \$ N/A   | \$ N/A   |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the Town recognized OPEB expense of \$0. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences between expected and actual experience                                | \$ -                           | \$ -                          |
| Changes of assumptions  | -                              | -                             |
| Benefit payments and administrative costs made subsequent to the measurement date | -                              | -                             |
| Total   | \$ -                           | \$ -                          |

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

|            |             |
|------------|-------------|
| 2020       | \$ -        |
| 2021       | -           |
| 2022       | -           |
| Thereafter | -           |
|            | <u>\$ -</u> |

**2. Deferred Outflows and Inflows of Resources**

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

| <u>Source</u>   | <u>Amount</u>    |
|---|------------------|
| Contributions to the pension plan in current fiscal year  | \$ 24,900        |
| Differences between expected and actual experience  | 11,199           |
| Changes of assumption   | 20,381           |
| Net difference between projected and actual earnings on pension plan investments                              | 9,965            |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 4,082            |
| Total   | <u>\$ 70,527</u> |

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

|   | Statement of<br>Net Position | General Fund<br>Balance Sheet |
|---|------------------------------|-------------------------------|
| Prepaid taxes (General Fund)  | \$ -                         | \$ -                          |
| Taxes receivable  | -                            | 30,813                        |
| Changes in assumptions  | 1,115                        | -                             |
| Differences between expected and actual experience  | 12,146                       | -                             |
| Net difference between projected and actual earnings on pension plan investments                              | -                            | -                             |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 9,581                        | -                             |
| Total   | <u>\$ 22,842</u>             | <u>\$ 30,813</u>              |

## 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 \$300,000 per occurrence, property coverage up to \$500,000 per building per occurrence, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$100,000 lifetime limit. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit of \$1,000,000 for the aggregate losses in a single year. After the property pool has paid out \$1,000,000, then the pool will be liable for a \$10,000 per claim maintenance deductible on future property losses for that year. The remainder of each claim will be borne by the reinsurer.

The Town has chosen to not carry flood insurance, as flood damage during past hurricanes has not been a significant problem.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$75,000 each. These two positions are filled by one individual, and the Town has received permission from the State treasurer to do this.

The Town carries commercial coverage for all other risks of loss. Settled claims have not exceeded coverage in any of the past three fiscal years.

### 3. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town was not a defendant to any lawsuits.

### 4. Long-Term Obligations

#### a. Installment Purchases

In March, 2016, the Town entered into a \$150,000 installment purchase contract with Southern Bank and Trust to finance improvements to sewer lift stations. The financing contract requires principal payments beginning in the fiscal year 2017 with a fixed rate of 1.84 percent.

In June, 2018, the Town entered into a \$22,000 installment purchase contract with the USDA, Rural Development to finance a portion of the purchase of two police cars. The financing contract calls for principal and interest payments beginning in the fiscal year 2019 with a fixed interest rate of 3.50 percent.

In November, 2018, the Town entered into a \$46,000 installment purchase contract with the USDA,

Rural Development to finance a portion of the purchase of three police cars (\$32,200) and a public works truck (\$13,800). The financing contract calls for annual principal and interest payments

beginning in fiscal year 2020 of \$7,630 each year for seven years, with a fixed interest rate of 3.875 percent.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$10,674 of interest, are as follows:

| Year Ending<br>June 30 | <u>Governmental Activities</u> |                 | <u>Business-type Activities</u> |                 |
|------------------------|--------------------------------|-----------------|---------------------------------|-----------------|
|                        | Principal                      | Interest        | Principal                       | Interest        |
| 2020                   | \$ 7,019                       | \$ 1,921        | \$ 64,754                       | \$ 1,387        |
| 2021                   | 7,279                          | 1,660           | 1,821                           | 468             |
| 2022                   | 7,552                          | 1,386           | 1,893                           | 396             |
| 2023                   | 7,834                          | 1,106           | 1,966                           | 323             |
| 2024                   | 8,308                          | 632             | 2,121                           | 168             |
| 2025                   | 13,379                         | 895             | 4,245                           | 332             |
| Totals                 | <u>\$ 51,371</u>               | <u>\$ 7,600</u> | <u>\$ 76,800</u>                | <u>\$ 3,074</u> |

At June 30, 2019, the Town of Middlesex had no bonds authorized but unissued and a legal debt margin of \$4,477,261.

b. Changes in Long-Term Liabilities

|                                  | Balance<br>June 30, 2018 | Increase         | Decrease         | Balance<br>June 30, 2019 | Current Portion<br>of Balance |
|----------------------------------|--------------------------|------------------|------------------|--------------------------|-------------------------------|
| <b>Governmental activities:</b>  |                          |                  |                  |                          |                               |
| General obligation bonds         | \$ -                     | \$ -             | \$ -             | \$ -                     | \$ -                          |
| Installment purchases            | 22,000                   | 32,200           | 2,829            | 51,371                   | 7,019                         |
| Compensated absences             | 8,408                    | -                | 3,671            | 4,737                    | 4,737                         |
| Total OPEB liability             | 1,710                    | -                | 1,710            | -                        | -                             |
| Net pension liability (LGERS)    | 43,777                   | 6,037            | -                | 49,814                   | -                             |
| Total pension liability (LEO)    | 24,367                   | 1,040            | -                | 25,407                   | -                             |
| Governmental activity            |                          |                  |                  |                          |                               |
| Long-term liabilities            | <u>\$ 100,262</u>        | <u>\$ 39,277</u> | <u>\$ 8,210</u>  | <u>\$ 131,329</u>        | <u>\$ 11,756</u>              |
| <b>Business-type activities:</b> |                          |                  |                  |                          |                               |
| General obligation bonds         | \$ -                     | \$ -             | \$ -             | \$ -                     | \$ -                          |
| Installment purchases            | 126,000                  | 13,800           | 63,000           | 76,800                   | 64,754                        |
| Compensated absences             | 2,944                    | 67               | -                | 3,011                    | 3,011                         |
| Total OPEB liability             | 855                      | -                | 855              | -                        | -                             |
| Net pension liability (LGERS)    | 21,610                   | 1,170            | -                | 22,780                   | -                             |
| Business-type activity           |                          |                  |                  |                          |                               |
| Long-term liabilities            | <u>\$ 151,409</u>        | <u>\$ 15,037</u> | <u>\$ 63,855</u> | <u>\$ 102,591</u>        | <u>\$ 67,765</u>              |

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consisted of the following:

None.

Transfers to/from other funds at June 30, 2019, consist of the following: None this year.

D. Fund Balance

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

|  |                |                   |
|--|----------------|-------------------|
| Total fund balance - General Fund        |                | \$ 930,867        |
| Less:                                    |                |                   |
| Stabilization by State Statute           | 70,905         |                   |
| Streets - Powell Bill                    | 108,825        |                   |
| Police - Drug Fund                       | 1,964          |                   |
| Appropriated Fund Balance in 2020 budget | <u>118,258</u> | <u>(299,952)</u>  |
| Remaining Fund Balance                   |                | <u>\$ 630,915</u> |

**IV. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

**V. Subsequent Events**

Subsequent events were evaluated through October 16, 2019, which is the date the financial statements were available to be issued.

Required  
Supplementary Financial Data

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

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

**Town of Middlesex, North Carolina**  
**Town of Middlesex's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Six Fiscal Years \***  
**Local Government Employees' Retirement System**

|  | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Middlesex's proportion of the net pension liability (asset) (%)  | 0.00306%    | 0.00428%    | 0.00561%    | 0.00394%    | 0.00519%    | 0.00570%    |
| Middlesex's proportion of the net pension liability (asset) (\$)   | \$ 72,594   | \$ 65,387   | \$ 134,564  | \$ 17,682   | \$ (30,608) | \$ 68,707   |
| Middlesex's covered-employee payroll   | 304,246     | 282,048     | 283,446     | 328,418     | 324,171     | 301,101     |
| Middlesex's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 23.86%      | 23.18%      | 47.47%      | 5.38%       | ( 10.35%)   | 22.82%      |
| Plan fiduciary net position as a percentage of the total pension liability**   | 91.63%      | 94.18%      | 91.47%      | 98.09%      | 102.64%     | 94.35%      |

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

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

**Town of Middlesex, North Carolina  
Town of Middlesex Contributions  
Required Supplementary Information  
Last Six Fiscal Years**

**Local Government Employees' Retirement System**

|  | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution                                  | \$ 24,900   | \$ 22,251   | \$ 21,723   | \$ 22,877   | \$ 23,355   | \$ 21,171   |
| Contributions in relation to the contractually required contribution | 24,900      | 22,251      | 21,723      | 22,877      | 23,355      | 21,171      |
| Contribution deficiency (excess)                                     | <u>\$ -</u> |
| Middlesex's covered-employee payroll                                 | 304,246     | 282,048     | 283,446     | 328,418     | 324,171     | 301,101     |
| Contributions as a percentage of covered-employee payroll            | 8.18%       | 7.89%       | 7.66%       | 6.97%       | 7.20%       | 6.53%       |

**Town of Middlesex, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

|   | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      |
|---|------------------|------------------|------------------|
| Beginning balance   | \$ 24,367        | \$ 36,233        | \$ 32,245        |
| Service Cost  | 1,690            | 2,480            | 4,055            |
| Interest on the total pension liability   | 770              | 1,399            | 1,151            |
| Changes of benefit terms  | -                | -                | -                |
| Differences between expected and actual experience<br>in the measurement of the total pension liability | (861)            | (17,506)         | -                |
| Changes of assumptions or other inputs  | (559)            | 1,761            | (1,218)          |
| Benefit payments  | -                | -                | -                |
| Other changes   | -                | -                | -                |
| Ending balance of the total pension liability   | <u>\$ 25,407</u> | <u>\$ 24,367</u> | <u>\$ 36,233</u> |

**Town of Middlesex, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

|  | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|
| Total pension liability                                    | \$ 25,407   | \$ 24,367   |
| Covered payroll  | 116,418     | 149,088     |
| Total pension liability as a percentage of covered payroll | 21.82%      | 16.34%      |

Notes to the schedules:

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

**Town of Middlesex, North Carolina**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**June 30, 2019**

|  | <u><b>2019</b></u> |
|--|--------------------|
| <b>Total OPEB Liability</b>                                    |                    |
| Service cost   | \$ -               |
| Interest   | -                  |
| Changes of benefit terms                                       | (2,495)            |
| Differences between expected and actual experience             | -                  |
| Changes of assumption  | -                  |
| Benefit payments   | -                  |
| <b>Net change in total OPEB liability</b>                      | (2,495)            |
| <b>Total OPEB liability - beginning</b>                        | 2,495              |
| <b>Total OPEB liability - ending</b>                           | \$ -               |
| <br><b>Covered payroll</b>                                     |                    |
| <b>Total OPEB liability as a percentage of covered payroll</b> | N/A %              |

**Notes to Schedule**

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

| <u><b>Fiscal year</b></u> | <u><b>Rate</b></u> |
|---------------------------|--------------------|
| 2019                      | N/A %              |

In June, 2019 the Board of Commissioners voted to drop this plan, and the immaterial liability was taken into income at June 30, 2019.

**Individual Fund Statements and Schedules**

**Town of Middlesex, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

|                                 | Budget         | Actual         | Variance<br>Positive<br>(Negative) |
|---------------------------------|----------------|----------------|------------------------------------|
| <b>Revenues:</b>                |                |                |                                    |
| Ad valorem taxes:               |                |                |                                    |
| Taxes                           | \$             | \$ 339,727     | \$                                 |
| Interest                        |                | 5,066          |                                    |
| Total                           | <u>311,100</u> | <u>344,793</u> | <u>33,693</u>                      |
| Other taxes and licenses:       |                |                |                                    |
| Animal taxes                    |                | -              |                                    |
| Privilege licenses              |                | 15             |                                    |
| Total                           | <u>50</u>      | <u>15</u>      | <u>(35)</u>                        |
| Unrestricted intergovernmental: |                |                |                                    |
| Local option sales taxes        |                | 191,430        |                                    |
| Telecommunications sales tax    |                | 5,060          |                                    |
| Utilities sales tax             |                | 37,028         |                                    |
| Piped natural gas sales tax     |                | 17             |                                    |
| Beer and wine tax               |                | 3,526          |                                    |
| Video franchise fee             |                | 628            |                                    |
| Total                           | <u>212,100</u> | <u>237,689</u> | <u>25,589</u>                      |
| Restricted intergovernmental:   |                |                |                                    |
| Powell Bill allocation          |                | 25,992         |                                    |
| Solid waste disposal tax        |                | 606            |                                    |
| USDA grant                      |                | 77,000         |                                    |
| Police officer grant            |                | 37,998         |                                    |
| Police revenues                 |                | 1,212          |                                    |
| Total                           | <u>141,280</u> | <u>142,808</u> | <u>1,528</u>                       |
| Permits and fees:               |                |                |                                    |
| Zoning permits and fees         |                | 2,300          |                                    |
| Advertising                     |                | -              |                                    |
| Business registration fee       |                | -              |                                    |
| Total                           | <u>1,750</u>   | <u>2,300</u>   | <u>550</u>                         |

**Town of Middlesex, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2019**

|                                | Budget  | Actual  | Variance<br>Positive<br>(Negative) |
|--------------------------------|---------|---------|------------------------------------|
| Sales and services:            |         |         |                                    |
| Garbage collection             |         | 122,609 |                                    |
| Rentals                        |         | 11,050  |                                    |
| Cemetery sales                 |         | 11,000  |                                    |
| Swimming pool fees             |         | 13,126  |                                    |
| Officer fees                   |         | 249     |                                    |
| Total                          | 147,150 | 158,034 | 10,884                             |
| Investment earnings            | 3,100   | 2,192   | (908)                              |
| Miscellaneous:                 |         |         |                                    |
| National nite out              |         | 850     |                                    |
| Christmas program              |         | 567     |                                    |
| All Other                      |         | 871     |                                    |
| Total                          | 1,300   | 2,288   | 988                                |
| Total revenues                 | 817,830 | 890,119 | 72,289                             |
| <b>Expenditures:</b>           |         |         |                                    |
| General government:            |         |         |                                    |
| Governing body:                |         |         |                                    |
| Salaries and employee benefits |         | 4,910   |                                    |
| Elections                      |         | -       |                                    |
| Other operating expenditures   |         | 740     |                                    |
| Capital outlay                 |         | -       |                                    |
| Total                          |         | 5,650   |                                    |
| Administration:                |         |         |                                    |
| Salaries and employee benefits |         | 47,088  |                                    |
| Insurance and bonds            |         | 26,780  |                                    |
| Other operating expenditures   |         | 29,704  |                                    |
| Capital outlay                 |         | -       |                                    |
| Total                          |         | 103,572 |                                    |
| Tax collection:                |         |         |                                    |
| Collection fee                 |         | 6,160   |                                    |
| Other operating expenditures   |         | -       |                                    |
| Total                          |         | 6,160   |                                    |

**Town of Middlesex, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

|                                   | Budget  | Actual  | Variance<br>Positive<br>(Negative) |
|-----------------------------------|---------|---------|------------------------------------|
| Legal:                            |         |         |                                    |
| Professional services             |         | -       |                                    |
| Zoning, planning and development: |         |         |                                    |
| Salaries and employee benefits    |         | 16,008  |                                    |
| Other operating expenditures      |         | 65      |                                    |
| Capital outlay                    |         | -       |                                    |
| Total                             |         | 16,073  |                                    |
| Public buildings:                 |         |         |                                    |
| Salaries and employee benefits    |         | -       |                                    |
| Maintenance and repair            |         | 32,072  |                                    |
| Utilities                         |         | 3,899   |                                    |
| Other operating expenditures      |         | 787     |                                    |
| Capital outlay                    |         | -       |                                    |
| Total                             |         | 36,758  |                                    |
| Total general government          | 195,530 | 168,213 | 27,317                             |
| Public safety:                    |         |         |                                    |
| Police:                           |         |         |                                    |
| Salaries and employee benefits    |         | 268,245 |                                    |
| Vehicle maintenance               |         | 21,740  |                                    |
| Departmental supplies             |         | 8,973   |                                    |
| Other operating expenditures      |         | 25,867  |                                    |
| Capital outlay                    |         | 123,448 |                                    |
| Total public safety               | 448,871 | 448,273 | 598                                |
| Transportation:                   |         |         |                                    |
| Streets and highways:             |         |         |                                    |
| Salaries and employee benefits    |         | 22,482  |                                    |
| Vehicle maintenance               |         | 2,505   |                                    |
| Street Lights                     |         | 22,547  |                                    |
| Contracted services               |         | 3,530   |                                    |
| Other operating expenditures      |         | 10,727  |                                    |
| Capital outlay                    |         | -       |                                    |
| Total transportation              | 74,356  | 61,791  | 12,565                             |

**Town of Middlesex, North Carolina  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2019**

|                                | <u>Budget</u>  | <u>Actual</u>  | Variance<br>Positive<br>(Negative) |
|--------------------------------|----------------|----------------|------------------------------------|
| Environmental protection:      |                |                |                                    |
| Solid waste:                   |                |                |                                    |
| Salaries and employee benefits |                | 36,352         |                                    |
| Vehicle maintenance            |                | 6,618          |                                    |
| Other operating expenditures   |                | 4,856          |                                    |
| Contracted services            |                | 66,413         |                                    |
| Capital outlay                 |                | 3,215          |                                    |
| Total                          |                | <u>117,454</u> |                                    |
| Cemetery:                      |                |                |                                    |
| Other operating expenditures   |                | 3,154          |                                    |
| Capital outlay                 |                | -              |                                    |
| Total                          |                | <u>3,154</u>   |                                    |
| Total environmental protection | <u>124,946</u> | <u>120,608</u> | <u>4,338</u>                       |
| Culture and recreation:        |                |                |                                    |
| Library:                       |                |                |                                    |
| Salaries and employee benefits |                | -              |                                    |
| Other operating expenditures   |                | 14,325         |                                    |
| Capital outlay                 |                | -              |                                    |
| Total                          |                | <u>14,325</u>  |                                    |
| Parks and recreation:          |                |                |                                    |
| Other operating expenditures   |                | 2,531          |                                    |
| Capital outlay                 |                | 12,226         |                                    |
| Total                          |                | <u>14,757</u>  |                                    |
| Swimming pool:                 |                |                |                                    |
| Salaries and employee benefits |                | 7,097          |                                    |
| Buildings and grounds          |                | 2,197          |                                    |
| Other operating expenditures   |                | 4,337          |                                    |
| Capital outlay                 |                | -              |                                    |
| Total                          |                | <u>13,631</u>  |                                    |
| Other:                         |                |                |                                    |
| Christmas program              |                | 1,936          |                                    |
| Other operating expenditures   |                | -              |                                    |
| Total                          |                | <u>1,936</u>   |                                    |
| Total culture and recreation   | <u>76,785</u>  | <u>44,649</u>  | <u>32,136</u>                      |
| Debt Service:                  |                |                |                                    |
| Principal retirement           | 3,145          | 2,829          | 316                                |
| Interest                       | 455            | 770            | (315)                              |
| Total debt service             | <u>3,600</u>   | <u>3,599</u>   | <u>1</u>                           |
| Total expenditures             | <u>924,088</u> | <u>847,133</u> | <u>76,955</u>                      |

**Town of Middlesex, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

|  | <u>Budget</u> | <u>Actual</u>     | Variance<br>Positive<br>(Negative) |
|--|---------------|-------------------|------------------------------------|
| Revenues over (under) expenditures     | (106,258)     | 42,986            | 149,244                            |
| <b>OTHER FINANCING SOURCES (USES)</b>  |               |                   |                                    |
| Installment purchase obligation issued | 32,200        | 32,200            | -                                  |
| Sale of capital assets                 | 4,000         | 4,000             | -                                  |
| Fund balance appropriated              | <u>70,058</u> | <u>-</u>          | <u>(70,058)</u>                    |
| Net change in fund balance             | <u>\$ -</u>   | <u>79,186</u>     | <u>\$</u>                          |
| Fund balance, beginning                |               | <u>851,681</u>    |                                    |
| Fund balance, ending                   |               | <u>\$ 930,867</u> |                                    |

**Town of Middlesex, North Carolina  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2019**

|  | <u>Budget</u>  | <u>Actual</u>  | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|----------------|----------------|---|
| <b>Revenues:</b>                         |                |                |   |
| Water sales:                             |                |                |   |
| Residential and commercial               | \$             | \$ 168,241     | \$  |
| Municipal usage                          |                | -              |   |
| Total                                    | <u>160,100</u> | <u>168,241</u> | <u>8,141</u>                                |
| Sewer charges:                           |                |                |   |
| Residential and commercial               |                | 336,736        |   |
| Commercial and industrial                |                | -              |   |
| Total                                    | <u>302,355</u> | <u>336,736</u> | <u>34,381</u>                               |
| Water and sewer taps                     | <u>4,435</u>   | <u>2,800</u>   | <u>(1,635)</u>                              |
| Other operating revenues                 | <u>53,600</u>  | <u>39,581</u>  | <u>(14,019)</u>                             |
| Total operating revenues                 | <u>520,490</u> | <u>547,358</u> | <u>26,868</u>                               |
| <b>Nonoperating revenues:</b>            |                |                |   |
| Gain on sale of assets                   | -              | -              | -   |
| Interest earnings                        | <u>1,000</u>   | <u>6,188</u>   | <u>5,188</u>                                |
| Total                                    | <u>1,000</u>   | <u>6,188</u>   | <u>5,188</u>                                |
| Total revenues                           | <u>521,490</u> | <u>553,546</u> | <u>32,056</u>                               |
| <b>Water treatment and distribution:</b> |                |                |   |
| Salaries and employee benefits           |                | 78,952         |   |
| Electric power                           |                | 16,207         |   |
| Supplies                                 |                | 11,079         |   |
| Contracted services                      |                | 39,410         |   |
| Other operating expenditures             |                | 25,360         |   |
| Total water treatment and distribution   | <u>180,782</u> | <u>171,008</u> | <u>9,774</u>                                |
| <b>Waste collection and treatment:</b>   |                |                |   |
| Salaries and employee benefits           |                | 75,205         |   |
| Sewer flow charges                       |                | 87,731         |   |
| Electric power                           |                | 40,116         |   |
| Contracted services                      |                | 55,056         |   |
| Other operating expenditures             |                | 22,196         |   |
| Total waste collection                   | <u>415,872</u> | <u>280,304</u> | <u>135,568</u>                              |

**Town of Middlesex, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2019**

|  | <u>Budget</u>  | <u>Actual</u>      | Variance<br>Positive<br>(Negative) |
|--|----------------|--------------------|------------------------------------|
| <b>Debt service:</b>   |                |                    |                                    |
| Bond issuance costs  | -              | -                  | -                                  |
| Interest and other charges   | 2,330          | 2,330              | -                                  |
| Principal retirement   | 63,000         | 63,000             | -                                  |
| Total debt service   | <u>65,330</u>  | <u>65,330</u>      | <u>-</u>                           |
| <b>Capital outlay:</b>   |                |                    |                                    |
| Water extensions   | -              | -                  | -                                  |
| Miscellaneous water  | 21,000         | 20,726             | 274                                |
| Sewer extensions   | -              | -                  | -                                  |
| Miscellaneous sewer  | 21,000         | 20,727             | 273                                |
| Total capital outlay   | <u>42,000</u>  | <u>41,453</u>      | <u>547</u>                         |
| Total expenditures   | <u>703,984</u> | <u>558,095</u>     | <u>145,889</u>                     |
| Revenues over (under) expenditures   | (182,494)      | (4,549)            | 177,945                            |
| <b>Other financing sources (uses):</b>   |                |                    |                                    |
| Federal grants   | 150,000        | 52,750             | (97,250)                           |
| Installment obligations  | 13,800         | 13,800             | -                                  |
| Net position appropriated  | 18,694         | -                  | (18,694)                           |
| Total other financing sources (uses)   | <u>182,494</u> | <u>66,550</u>      | <u>(115,944)</u>                   |
| Revenues and other sources over<br>expenditures and other uses                     | <u>\$ -</u>    | <u>62,001</u>      | <u>62,001</u>                      |
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b> |                |                    |                                    |
| <b>Reconciling items:</b>  |                |                    |                                    |
| Principal retirement   |                | 63,000             |                                    |
| Capital outlay   |                | 41,453             |                                    |
| Decrease in bond interest accrued  |                | 61                 |                                    |
| (Increase) in accrued vacation pay   |                | (67)               |                                    |
| (Increase) in net pension liability  |                | (1,170)            |                                    |
| (Increase) in deferred outflows of resources - pensions                            |                | (2,774)            |                                    |
| Increase in deferred inflows of resources - pensions                               |                | (575)              |                                    |
| (Decrease) in deferred inflows of resources - OPEB                                 |                | 58                 |                                    |
| Decrease in accrued OPEB liability   |                | 855                |                                    |
| Depreciation   |                | (173,350)          |                                    |
| Installment obligation issued  |                | (13,800)           |                                    |
| Capital contributions  |                | -                  |                                    |
| Total reconciling items  |                | <u>(86,309)</u>    |                                    |
| Change in net position   |                | <u>\$ (24,308)</u> |                                    |

## Other Schedules

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This section contains additional information required on property taxes

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

**Town of Middlesex, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2019**

| <u>Fiscal Year</u> | <u>Uncollected<br/>Balance<br/>June 30, 2018</u> | <u>Additions</u>  | <u>Collections<br/>And Credits</u> | <u>Uncollected<br/>Balance<br/>June 30, 2019</u> |
|--------------------|--|-------------------|------------------------------------|--|
| 2018-2019          | \$ -   | \$ 328,137        | \$ 321,691                         | \$ 6,446   |
| 2017-2018          | 13,620   | 49                | 9,673                              | 3,996  |
| 2016-2017          | 7,498  | 3                 | 4,663                              | 2,838  |
| 2015-2016          | 4,081  | 29                | 1,912                              | 2,198  |
| 2014-2015          | 2,117  | 1                 | 684                                | 1,434  |
| 2013-2014          | 3,501  | -                 | 1,099                              | 2,402  |
| 2012-2013          | 3,135  | -                 | -                                  | 3,135  |
| 2011-2012          | 3,313  | -                 | 5                                  | 3,308  |
| 2010-2009          | 2,617  | -                 | -                                  | 2,617  |
| 2009-2010          | 2,439  | -                 | -                                  | 2,439  |
| 2008-2009          | 1,378  | -                 | 1,378                              | -  |
|                    | <u>\$ 43,699</u>                                 | <u>\$ 328,219</u> | <u>\$ 341,105</u>                  | <u>30,813</u>                                    |

Less: allowance for uncollectible accounts:  
General Fund

-

Ad valorem taxes receivable - net

\$ 30,813

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 344,793

Reconciling items:

Interest collected

(5,066)

Discounts allowed

-

Taxes written off and released

1,378

Subtotal

(3,688)

Total collections and credits

\$ 341,105

**Town of Middlesex, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2019**

|                                       | Town - Wide          |      | Total Levy        |  |                           |
|---------------------------------------|----------------------|------|-------------------|--|---------------------------|
|                                       | Property Valuation   | Rate | Total Levy        | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy:                        |                      |      |                   |  |                           |
| Property taxed at current year's rate | \$ 57,567,895        | 0.57 | \$ 328,137        | \$ 290,037                                   | \$ 38,100                 |
| Penalties                             | -                    |      | -                 | -  | -                         |
| Total                                 | <u>57,567,895</u>    |      | <u>328,137</u>    | <u>290,037</u>                               | <u>38,100</u>             |
| Discoveries:                          |                      |      |                   |  |                           |
| Current year taxes                    | -                    | 0.57 | -                 | -  | -                         |
| Prior year taxes                      | -                    | -    | -                 | -  | -                         |
| Penalties                             | -                    | -    | -                 | -  | -                         |
| Abatements                            | -                    | 0.57 | -                 | -  | -                         |
| Total property valuation              | <u>\$ 57,567,895</u> |      |                   |  |                           |
| Net levy                              |                      |      | 328,137           | 290,037                                      | 38,100                    |
| Uncollected taxes at June 30, 2019    |                      |      | <u>(6,446)</u>    | <u>(6,446)</u>                               | <u>-</u>                  |
| Current year's taxes collected        |                      |      | <u>\$ 321,691</u> | <u>\$ 283,591</u>                            | <u>\$ 38,100</u>          |
| Current levy collection percentage    |                      |      | <u>98.04%</u>     | <u>97.78%</u>                                | <u>100.00%</u>            |

## **Compliance Section**

# ANTHONY & TABB, P.A.

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

### Independent Auditor's Report

To the Honorable Mayor and  
Members of the Town Board  
Town of Middlesex, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Middlesex, North Carolina, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprises the Town of Middlesex's basic financial statements, and have issued our report thereon dated October 16, 2019.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Middlesex'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 Middlesex'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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for 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. 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 significant deficiencies. See finding 2019-1 in that schedule.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Middlesex's financial statements are free of 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 Middlesex's Response to Findings

The Town of Middlesex's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. We did not audit the Town's response 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 result 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.

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Anthony & Tabb, P.A.  
Certified Public Accountants  
Wilson, North Carolina

October 16, 2019

