

TOWN OF MIDLAND

Audited Financial Statements

June 30, 2019

**TOWN OF MIDLAND
NORTH CAROLINA**

Town Council Members

**John Crump, Mayor
Darren Hartsell, Mayor Pro Tem
Mike Tallent
Allen Burnette
Rich Wise**

Administrative and Financial Staff

**Doug Paris, Town Manager
Beverly Love, Finance Officer
Nancy Boyden, Town Clerk**

Audited

Financial Statements

At

June 30, 2019

And

For The Year Then Ended

*** * * * ***

TOWN OF MIDLAND, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2019

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditors' Report	1 - 2
	Management's Discussion and Analysis	3 - 9
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
1	Statement of Net Position	11
2	Statement of Activities	12
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	13
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
4	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
5	Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	17
	Notes to Financial Statements	18 – 36
	Required Supplemental Financial Data:	
	Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees' Retirement System	37
	Schedule of Contributions – Local Government Employees' Retirement System	38
	Individual Fund Statements and Schedules:	
	Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	39 – 40
	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – From Inception – Capital Projects Fund	41
	Other Schedules:	
	Schedule of Ad Valorem Taxes Receivable	42
	Analysis of Current Tax Levy – Town-Wide Levy	43

TOWN OF MIDLAND, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2019

<u>Exhibit</u>	<u>Page</u>
Compliance Section:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Accounting Standards</i>	44 - 45
Schedule of Findings and Questioned Costs	46 - 47
Corrective Action Plan	48

FINANCIAL SECTION



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Town of Midland, 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 of Midland's** basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Town of Midland, North Carolina**, as of June 30, 2019, and the respective changes in financial position 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 Management's Discussion and Analysis on pages 3-9 and the Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Liability and Contributions, on pages 35 and 36 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019 on our consideration of **Town of Midland's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Town of Midland's** internal control over financial reporting and compliance.

Potter & Company, P.A.
Monroe, North Carolina
November 26, 2019



Management's Discussion and Analysis

Town of Midland

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

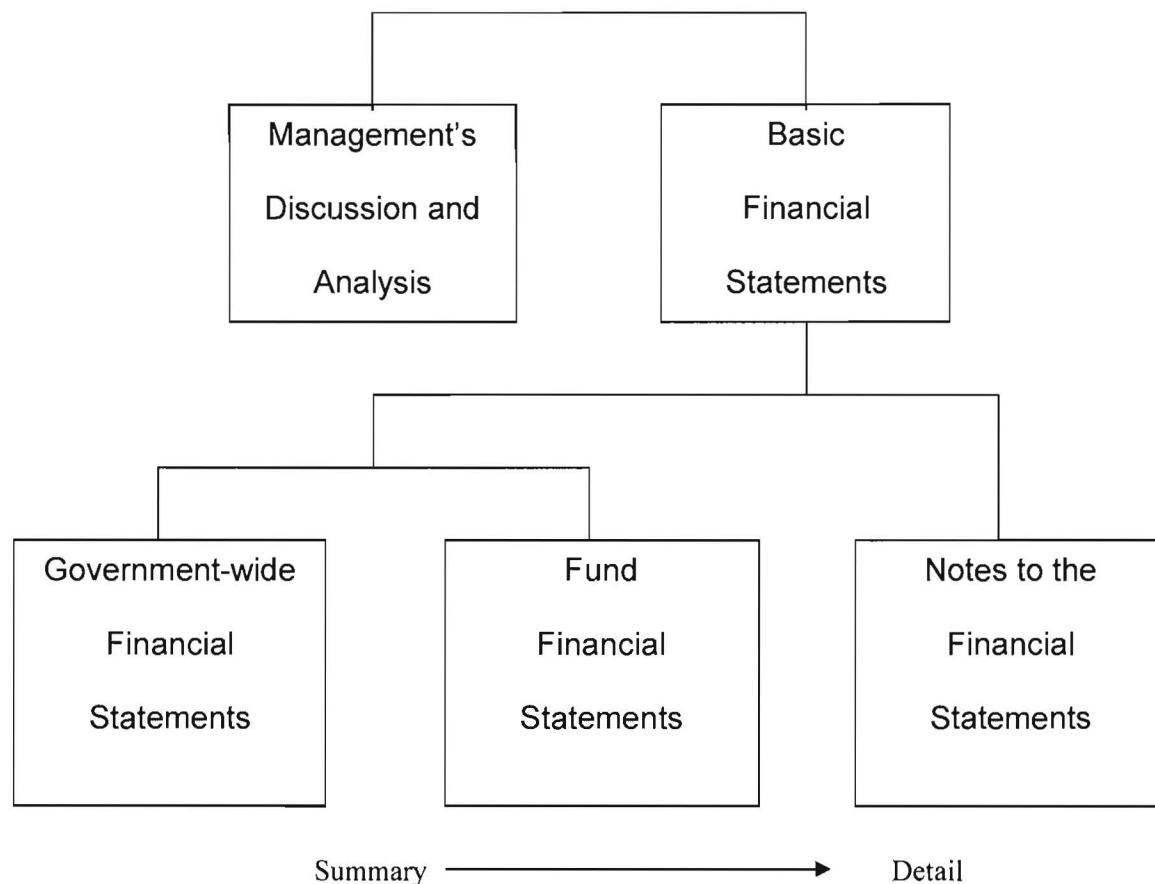
- The assets and deferred outflows of resources of the Town of Midland exceeded its liabilities at the close of the fiscal year by \$9,702,291 (*net position*).
- The government's total net position increased by \$84,835 due to increases in the governmental type activities net position.
- As of the close of the current fiscal year, the Town of Midland's governmental funds reported combined ending fund balances of \$4,130,773, an increase of \$141,435 in fund balance. \$398,864 is restricted for stabilization by state statute and \$211,409 is restricted for streets. \$2,046,769 is committed for the utility capital reserve.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,473,731 or 87.42 percent of total general fund expenditures of \$1,685,894 for the fiscal year.
- The Town of Midland's long-term obligations decreased by \$21,692 during the fiscal year. The key drivers were the reduction of \$39,522 in Clean Water State Revolving Fund loan balance related to the Cabarrus Acres Phase I sewer project and an increase in Net Pension liability of \$19,539 for the fiscal year. Annual debt service payments for the loan will be paid for by a community-wide \$8.50 per month sewer fee.

Overview of the Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information 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's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements report information about the Town's governmental activities. The governmental activities include most of the Town's basic services such as general administration, public safety, transportation, environmental protection, and economic and physical development. Property, franchise and sales taxes finance most of these activities.

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 Midland, 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. The Town of Midland has a general fund and capital projects fund.

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

The Town of Midland 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.

Management Discussion and Analysis
Town of Midland

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 are on pages 18-36 of this report.

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

Government-Wide Financial Analysis

**Town of Midland Net Position
Figure 2**

	Governmental Activities		Total	
	2019	2018	2019	2018
Current and other assets	\$ 4,271,306	\$ 4,077,703	\$ 4,271,306	\$ 4,077,703
Capital assets	6,172,107	3,720,204	6,172,107	3,720,204
Deferred outflows of resources	54,816	37,019	54,816	37,019
Total assets and deferred outflows of resources	10,498,229	7,834,926	10,498,229	7,834,926
Long-term liabilities outstanding	650,723	670,706	650,723	670,706
Other liabilities	143,771	104,192	143,771	104,192
Deferred inflows of resources	1,444	2,844	1,444	2,844
Total liabilities and deferred inflows of resources	795,938	777,742	795,938	777,742
Net position:				
Net investment in capital assets	5,539,748	3,048,321	5,539,748	3,048,321
Restricted	610,273	614,132	610,273	614,132
Unrestricted	3,552,270	3,394,731	3,552,270	3,394,731
Total net position	\$ 9,702,291	\$ 7,057,184	\$ 9,702,291	\$ 7,057,184

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 Midland exceeded liabilities and deferred inflows by \$9,702,291 as of June 30, 2019. The Town's net position increased by \$84,835 for the fiscal year ended June 30, 2019. However, the largest portion (57.10%) reflects the town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Midland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Midland's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Midland's net position, \$610,273, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,552,270 is unrestricted.

Town of Midland Changes in Net Position
Figure 3

	Governmental Activities		Total	
	2019	2018	2019	2018
Revenues:				
Program Revenue				
Charges for services	\$ 18,823	\$ 26,743	\$ 18,823	\$ 26,743
Operating grants and contributions	86,136	85,462	86,136	85,462
General Revenues:				
Property taxes	853,740	818,457	853,740	818,457
Other taxes	487,183	777,516	487,183	777,516
Other	417,266	38,259	417,266	38,259
Total revenues	<u>1,863,148</u>	<u>1,746,437</u>	<u>1,863,148</u>	<u>1,746,437</u>
Expenses:				
General government	702,033	545,884	702,033	545,884
Public safety	459,142	443,746	459,142	443,746
Transportation	162,070	48,780	162,070	48,780
Environmental protection	239,466	225,554	239,466	225,554
Economic and physical development	189,906	172,359	189,906	172,359
Parks and recreation	12,126	17,446	12,126	17,446
Interest on long-term debt	13,570	14,096	13,570	14,096
Total expenses	<u>1,778,313</u>	<u>1,467,865</u>	<u>1,778,313</u>	<u>1,467,865</u>
Increase in net position	84,835	278,572	84,835	278,572
Net position, beginning, previously reported	7,057,184	6,778,612	7,057,184	6,778,612
Restatement	<u>2,560,272</u>	<u>-</u>	<u>2,560,272</u>	<u>-</u>
Net position, beginning, restated	9,617,456	6,778,612	9,617,456	6,778,612
Net position, June 30	<u>\$ 9,702,291</u>	<u>\$ 7,057,184</u>	<u>\$ 9,702,291</u>	<u>\$ 7,057,184</u>

Governmental activities. Governmental activities increased the Town's net position by \$84,835 thereby accounting for 100% of the total growth in the net position of the Town of Midland. The Town of Midland is located in the growing Charlotte region in North Carolina, which is driving growth in governmental revenues. Coupled with strong budgetary and expenditure control, the Town continues to experience a favorable net position.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Midland'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 Midland's financing requirements. Specifically, unassigned 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 Midland. At the end of the current fiscal year, Town of Midland's unassigned fund balance of the General Fund was \$1,473,731, while total fund balance reached \$4,130,773. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to governmental funds expenditures. Unassigned fund balance represents 87.42 percent of total General Fund expenditures while total fund balance represents 245.02 percent of the same amount.

Management Discussion and Analysis

Town of Midland

At June 30, 2019, the governmental funds of the Town of Midland reported a combined fund balance of \$4,130,773 with a net increase in fund balance of \$141,435.

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. Budget amendments passed by the governing board include the following: operating costs related to newly installed streetlights desired by the governing board, unanticipated upfit of a new sheriff vehicle after a total loss, installation of a new audio system at Town Hall after the old one failed, and purchase of street barricades the Fire Department requested mid fiscal year.

Capital Asset and Debt Administration

Capital assets. The Town of Midland's investment in capital assets for its governmental activities as of June 30, 2019 totals \$6,172,107 (net of accumulated depreciation). These assets include office equipment, vehicles, parks & recreation, land, infrastructure and construction in progress.

2019 asset additions include:

Pump station expansion project expenditures
 Rob Wallace Walkway expenditures
 24/27 sewer extension expenditures
 Street resurfacing

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

	Governmental Activities		Total	
	2019	2018	2019	2018
Equipment and furniture	\$ 14,223	\$ 17,974	\$ 14,223	\$ 17,974
Infrastructure	4,981,324	2,526,656	4,981,324	2,526,656
Vehicles	39,234	53,028	39,234	53,028
Parks & Recreation	112,786	122,811	112,786	122,811
Land	254,017	254,017	254,017	254,017
Construction in progress	770,523	745,718	770,523	745,718
Total	\$ 6,172,107	\$ 3,720,204	\$ 6,172,107	\$ 3,720,204

Additional information on the Town's capital assets can be found in note 2 of the Basic Financial Statements.

Debt. In of June 30, 2016 the Town completed the Cabarrus Acres Phase I sewer line expansion with a state revolving fund loan from the North Carolina Department of Environmental and Natural Resources totaling \$790,450. During the fiscal year ending June 30, 2019, the town made a scheduled interest payment of \$13,436 and a scheduled principal payment of \$39,522. The maturity date on the loan is May 1, 2035. Annual debt service payments for the loan are being paid for by a community-wide \$8.50 per month sewer fee.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: The Town of Midland is experiencing growth in property tax and sales tax revenues and did not require a property tax or fee increase this year to balance the budget. Over the prior five year period the town's tax base has grown by 24%. Residential and commercial development from the Town's favorable position in the Charlotte region will continue to benefit the Town's revenue sources. The Town Council passed an \$8.50 sewer fee four years prior to cover the annual debt payments related to the Cabarrus Acres Phase 1 Sewer Project Loan. In FY16-17 the town completed a pavement condition rating (PCR) study of all town owned streets. This allowed for paving funds to be allocated annually based on need rather than random request. During FY18-19 the town resurfaced White Tail Lane. During FY17-18 the town initiated two capital projects: the crossroads pump station project and the Rob Wallace Park crosswalk project. During FY18-19 the town initiated a new capital project: the Highway 24/27 sewer project. Both sewer projects are aligned with the town's #1 goal to improve sewer infrastructure along the town's main commercial corridor to attract new tax base. The crosswalk is to improve pedestrian safety between the park and adjacent neighborhoods.

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:

Town of Midland
Post Office Box 589
Midland, NC 28107
www.townofmidland@midlandnc.us

BASIC FINANCIAL STATEMENTS

TOWN OF MIDLAND, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government Governmental Activities	Totals
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,621,262	\$ 3,621,262
Taxes receivable (net)	33,107	33,107
Accrued interest receivable on taxes	6,664	6,664
Due from other governments	398,864	398,864
Restricted cash and cash equivalents	211,409	211,409
Total Current Assets	<u>4,271,306</u>	<u>4,271,306</u>
Non-current Assets		
Capital assets		
Land and construction in progress	1,024,540	1,024,540
Other capital assets, net of depreciation	5,147,567	5,147,567
Total Capital Assets	<u>6,172,107</u>	<u>6,172,107</u>
 TOTAL ASSETS	 <u>10,443,413</u>	 <u>10,443,413</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	<u>54,816</u>	<u>54,816</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	100,762	100,762
Accrued interest payable	2,379	2,379
Current portion of long-term liabilities	40,630	40,630
Total Current Liabilities	<u>143,771</u>	<u>143,771</u>
Long-term Liabilities		
Net pension liability	57,885	57,885
Due in more than one year	592,838	592,838
 TOTAL LIABILITIES	 <u>794,494</u>	 <u>794,494</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	<u>1,444</u>	<u>1,444</u>
NET POSITION		
Net investment in capital assets	5,539,748	5,539,748
Restricted for:		
Streets - Powell Bill funds	211,409	211,409
Stabilization by State Statute	398,864	398,864
Unrestricted	<u>3,552,270</u>	<u>3,552,270</u>
 Total Net Position	 <u>\$ 9,702,291</u>	 <u>\$ 9,702,291</u>

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

TOWN OF MIDLAND, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

	Program Revenue			Net (Expense) Revenue And Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
FUNCTIONS/PROGRAMS					
Primary Government:					
Government Activities:					
General government	\$ 702,033	\$ -	\$ -	\$ (702,033)	\$ (702,033)
Public safety	459,142	-	-	(459,142)	(459,142)
Transportation	162,070	-	86,136	(75,934)	(75,934)
Environmental protection	239,466	-	-	(239,466)	(239,466)
Economic and physical development	189,906	18,823	-	(171,083)	(171,083)
Parks and recreation	12,126	-	-	(12,126)	(12,126)
Interest on long-term debt	13,570	-	-	(13,570)	(13,570)
Total Governmental Activities (See Note 1)	1,778,313	18,823	86,136	(1,673,354)	(1,673,354)
Total Primary Government	\$ 1,778,313	\$ 18,823	\$ 86,136	\$ (1,673,354)	\$ (1,673,354)
General Revenues					
Taxes:					
Property taxes, levied for general purpose	\$ 853,740	\$ 853,740			
Other taxes	487,183	487,183			
Unrestricted investment earnings	38,976	38,976			
Restricted investment earnings	1,921	1,921			
Miscellaneous	376,369	376,369			
Total general revenues not including transfers	1,758,189	1,758,189			
Change in net position	84,835	84,835			
Net position - beginning, previously reported	7,057,184	7,057,184			
Restatement (See Note 11)	2,560,272	2,560,272			
Net position - beginning, restated	9,617,456	9,617,456			
Net position - ending	\$ 9,702,291	\$ 9,702,291			

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

TOWN OF MIDLAND, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,621,262	\$ -	\$ 3,621,262
Restricted cash and cash equivalents	211,409	-	211,409
Taxes receivable (net)	33,107	-	33,107
Due from other governments	398,864	-	398,864
	<u>4,264,642</u>	<u>-</u>	<u>4,264,642</u>
Total Assets	\$ <u>4,264,642</u>	\$ <u>-</u>	\$ <u>4,264,642</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued liabilities	\$ 100,762	\$ -	\$ 100,762
	<u>100,762</u>	<u>-</u>	<u>100,762</u>
Total Liabilities	<u>100,762</u>	<u>-</u>	<u>100,762</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	33,107	-	33,107
	<u>33,107</u>	<u>-</u>	<u>33,107</u>
Total deferred inflows of resources	<u>33,107</u>	<u>-</u>	<u>33,107</u>
FUND BALANCES			
Restricted:			
Restriction for Stabilization by State Statute	398,864	-	398,864
Restriction for Streets	211,409	-	211,409
Committed			
Utility Capital Reserve	2,046,769	-	2,046,769
Unassigned	1,473,731	-	1,473,731
	<u>4,130,773</u>	<u>-</u>	<u>4,130,773</u>
Total Fund Balances	<u>4,130,773</u>	<u>-</u>	<u>4,130,773</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>4,264,642</u>	\$ <u>-</u>	\$ <u>4,231,535</u>

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

TOWN OF MIDLAND, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2019

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

Total Fund Balance, Governmental Funds	\$ 4,130,773
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Gross capital assets at historical cost	\$ 7,753,168
Accumulated depreciation	<u>(1,581,061)</u>
	6,172,107
Deferred outflows of resources related to pension are not reported in the funds	54,816
Other assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds	6,664
Earned revenues considered deferred inflows of resources in fund statements	33,107
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Installment obligation	(632,360)
Net pension liability	(57,885)
Deferred inflows of resources related to pensions are not reported in the funds	(1,444)
Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest	(2,379)
Compensated absences	<u>(1,108)</u>
Net position of governmental activities	<u>\$ 9,702,291</u>

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

TOWN OF MIDLAND, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE -- GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	Major Funds General Fund	Non-Major Funds Capital Projects Fund	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 842,727	\$ -	\$ 842,727
Unrestricted intergovernmental	845,073	-	845,073
Restricted intergovernmental	86,136	-	86,136
Permits and fees	20,383	-	20,383
Investment earnings	40,897	-	40,897
Miscellaneous	16,919	-	16,919
	<hr/>	<hr/>	<hr/>
Total Revenues	1,852,135	-	1,852,135
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
General government	640,675	-	640,675
Public safety	445,348	-	445,348
Environmental protection	239,466	-	239,466
Economic and physical development	189,344	-	189,344
Parks and recreation	2,100	-	2,100
Capital outlay	116,003	24,806	140,809
Debt service			
Principal	39,522	-	39,522
Interest	13,436	-	13,436
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,685,894	24,806	1,710,700
	<hr/>	<hr/>	<hr/>
Excess of revenues over (under) expenditures	166,241	(24,806)	141,435
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Transfers from other funds	-	24,806	24,806
Transfers to other funds	(24,806)	-	(24,806)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(24,806)	24,806	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	141,435	-	141,435
	<hr/>	<hr/>	<hr/>
Fund balances - beginning	3,989,338	-	3,989,338
	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 4,130,773	\$ -	\$ 4,130,773
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

TOWN OF MIDLAND, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
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	\$	141,435
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 outlay exceeded depreciation expense in the current period.		
Capital outlay expenditures which were capitalized	\$	140,809
Depreciation expense for governmental assets		<u>(249,178)</u>
		(108,369)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.		17,071
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in accrued interest receivable from taxes		6,664
Change in unavailable revenue for tax revenues		4,324
Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long-term debt		39,522
Increase in accrued interest payable		(132)
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		1,729
Pension expense		<u>(17,409)</u>
Total changes in net position of governmental activities	\$	<u><u>84,835</u></u>

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

TOWN OF MIDLAND, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 802,087	\$ 817,087	\$ 842,727	\$ 25,640
Unrestricted intergovernmental	765,225	765,225	845,073	79,848
Restricted intergovernmental	83,773	83,773	86,136	2,363
Permits and fees	11,400	11,400	20,383	8,983
Investment earnings	6,200	31,200	40,897	9,697
Miscellaneous	750	11,900	16,919	5,019
Total Revenues	<u>1,669,435</u>	<u>1,720,585</u>	<u>1,852,135</u>	<u>131,550</u>
Expenditures:				
Current:				
General government	521,491	692,256	640,675	51,581
Public safety	502,554	464,554	445,348	19,206
Transportation	83,973	117,525	116,003	1,522
Environmental protection	249,106	249,106	239,466	9,640
Economic and physical development	245,044	253,429	189,344	64,085
Parks and recreation	3,000	3,000	2,100	900
Debt service	52,961	52,961	52,958	3
Total Expenditures	<u>1,658,129</u>	<u>1,832,831</u>	<u>1,685,894</u>	<u>146,937</u>
Revenues Over (Under) Expenditures	<u>11,306</u>	<u>(112,246)</u>	<u>166,241</u>	<u>278,487</u>
Other financing uses:				
Transferred to other funds	<u>(24,806)</u>	<u>(24,806)</u>	<u>(24,806)</u>	<u>-</u>
Total other financing sources (uses)	<u>(24,806)</u>	<u>(24,806)</u>	<u>(24,806)</u>	<u>-</u>
Fund balance appropriated	<u>13,500</u>	<u>137,052</u>	<u>-</u>	<u>137,052</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>141,435</u>	<u>\$ 141,435</u>
Fund Balance - beginning			<u>3,989,338</u>	
Fund Balance - ending			<u>\$ 4,130,773</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Midland conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Midland is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town, which has no component units.

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

The Town reports the following non-major governmental funds:

Capital Projects Fund. This fund is used to account for all capital projects undertaken by the Town for sewer line expansion, building construction, and other capital projects.

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.

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Midland because the tax is levied by Cabarrus County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. *Budgetary Data*

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Budget Officer is authorized to transfer amounts between line item expenditures within a department without limitation, except that these transfers shall not be the result of increases in recurring obligations. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several 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*

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 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.

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Cash and Cash Equivalents

The Town pools money to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Midland Restricted Cash

Governmental Activities

General Fund

Restricted for Streets	<u>\$ 211,409</u>
Total restricted cash	<u>\$ 211,409</u>

Ad Valorem Taxes Receivable

In accordance with State Law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. The Town has no established schedule of discounts that apply to taxes that are paid prior to the due date.

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.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$1,000 for all asset classes. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at their 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 the assets' lives are not capitalized.

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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

Asset Class	Estimated Useful Lives
Infrastructure	15 - 30
Buildings	30
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment & software	3

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, contributions made to the pension plan 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 two items that meet the criterion for this category – property taxes receivable and pension deferrals.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide 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 the 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.

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town has no nonspendable fund balance

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

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

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

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Midland’s governing body (highest level of decision-making authority). 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.

Committed for Utility Capital Reserve – portion of the total fund balance that has been committed by the Town Council for use in utility repairs, maintenance and upgrades.

Assigned fund balance – portion of the fund balance that Town of Midland intends to use for specific purposes. The Town has no assigned fund balance.

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 Midland 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.

Defined Benefit Cost-Sharing Plan

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

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. Significant Violations of Finance-Related Legal and Contractual Provisions
 - 1. *Noncompliance with North Carolina General Statutes*
None
- B. Deficit in Fund Balance or Net Position of Individual Funds
None
- C. Excess of Expenditures over Appropriations
None

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. *Assets*

Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$504,458 and a bank balance of \$586,622. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$180.

Investments

At June 30, 2019, the Town of Midland had \$3,328,033 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

Capital Assets

Primary Government

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

	Balance June 30, 2018	Increases	Reclassify/ Decreases	Balance June 30, 2019
Government Activities:				
Capital assets not being depreciated:				
Land	\$ 254,017	\$ -	\$ -	\$ 254,017
Construction in progress	745,718	24,805	-	770,523
Total capital assets not being depreciated	999,735	24,805	-	1,024,540
Capital assets being depreciated:				
Leasehold Improvements	8,541	-	-	8,541
Equipment	64,090	-	-	64,090
Vehicles	68,971	-	-	68,971
Parks & recreation	150,380	-	-	150,380
Infrastructure	6,320,642	116,004	-	6,436,646
Total capital assets being depreciated	6,612,624	\$ 116,004	\$ -	6,728,628
Less accumulated depreciation for:				
Leasehold improvements	8,541	\$ -	\$ -	8,541
Equipment	46,116	3,752	-	49,868
Vehicles	15,943	13,794	-	29,737
Parks & recreation	27,569	10,025	-	37,594
Infrastructure	1,233,714	221,607	-	1,455,321
Total accumulated depreciation	1,331,883	\$ 249,178	\$ -	1,581,061
Total capital assets being depreciated, net	5,280,741			5,147,567
Governmental activity capital assets, net	\$ 6,280,476			\$ 6,172,107

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

General government	\$ 63,288
Public safety	13,794
Parks & recreation	10,026
Transportation	162,070
Total	\$ 249,178

Construction Commitments

The government had no active construction projects as of June 30, 2019.

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

B. Liabilities

Pension Plan and Postemployment Obligations

Local Government Employees' Retirement System

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

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. 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 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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Midland 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 Midland's contractually required contribution rate for the year ended June 30, 2019, was 7.75% 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 Midland were \$17,071 for the year ended June 30, 2019.

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

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

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

At June 30, 2019, the Town reported a liability of \$57,885 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 asset 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, 2019, the Town's proportion was 0.00244% (measured as of June 30, 2018), which was a decrease of .00007% from its proportion as of June 30, 2018 (measured as of June 30, 2017).

For the year ended June 30, 2019, the Town recognized pension expense of \$17,409. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,930	\$ 300
Changes of assumptions	15,360	-
Net difference between projected and actual earnings on pension plan investments	7,946	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,509	1,144
Town of Midland's contributions subsequent to the measurement date	17,071	-
Total	\$ <u>54,816</u>	\$ <u>1,444</u>

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

There was \$17,071 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date that will be recognized as an increase of the net pension asset 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:

<u>Year ended June 30:</u>		
2020	\$	16,556
2021		11,227
2022		3,530
2023		4,988
2024		-
Thereafter		-
Total	\$	<u>36,301</u>

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.

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

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:

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

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

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

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 139,045	\$ 57,885	\$ (9,933)

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.

Deferred Outflows and Inflows of Resources

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

Source	<u>Amount</u>
Employer contributions subsequent to the measurement date	\$ 17,071
Differences between expected and actual experience	8,930
Change of assumptions	15,360
Net difference between projected and actual earnings on pension plan investments	7,946
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>5,509</u>
Total	\$ <u>54,816</u>

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

	<u>Statement of Net Position</u>	<u>General Fund - Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$ 33,107
Difference between expected and actual experience	300	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>1,144</u>	<u>-</u>
Total	\$ <u>1,444</u>	\$ <u>33,107</u>

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town has chosen not to carry flood insurance. This decision is based on the facts that the Town does not lie in a flood zone, owns little property and rents its main facility. As the Town grows, it will re-evaluate the need for flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

Claims, Judgements and Contingent Liabilities

At June 30, 2019, the Town was the defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Long-Term Obligations

Installment Purchase

As of June 30, 2016, the Town had received reimbursements in the amount of \$790,450 for expenditures to complete the Cabarrus Acres Phase I sewer line expansion from the North Carolina Department of Environmental and Natural Resources in accordance with the rules governing the Clean Water State Revolving Fund within the Water Infrastructure Fund and the Federal Clean Water Act Amendments of 1987. The Town is obligated to repay these funds, including principal and interest at a rate of 2.00% beginning in November 2015.

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

Annual debt service payments of the installment obligation as of June 30, 2019, including \$107,500 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 39,523	\$ 12,647
2021	39,523	11,857
2022	39,522	11,066
2023	39,523	10,276
2024	39,522	9,485
2025-2029	197,612	35,570
2030-2034	197,613	15,809
2035	39,522	790
Total	\$ 632,360	\$ 107,500

Changes in Long-Term Obligations

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 2,817	\$ -	\$ 1,709	\$ 1,108	\$ 1,108
Installment obligation	671,882	-	39,522	632,360	39,522
Net pension liability (LGERS)	38,346	19,539	-	57,885	-
Governmental activity long-term liabilities	\$ 713,045	\$ 19,539	\$ 41,231	\$ 691,353	\$ 40,630

Operating Leases

The Town has a lease agreement for office space that runs through June 30, 2023. Office rent expense for the year ending June 30, 2019 was \$44,400. The Town had a lease agreement for office equipment that ran through October 2018, rent expense under this lease was \$1,651. The Town entered into a new lease agreement for office equipment that runs through October 31, 2023, rent expense under this lease was \$661. In addition, the Town signed a lease for library space running through December 31, 2023. Library rent expense for the year ending June 30, 2019 was \$15,750.

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

Future minimum lease payments are as follows:

For the Year Ending June 30:

2020	\$	88,480
2021		88,480
2022		88,480
2023		88,480
2024		<u>21,693</u>
Total	\$	<u>375,613</u>

NOTE 4 - INTERFUND BALANCES AND ACTIVITY

Transfers to/from other funds at June 30, 2019, consist of the following:

From the General Fund to the Capital Projects Fund \$24,806

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs. During the 2019 fiscal year, the Town made various transfers from the General Fund to the Capital Projects Fund for expansion of a pump station, 24/27 extension and park walkway.

NOTE 5 - FUND BALANCE

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

Total fund balance – General Fund	\$	4,130,773
Less:		
Stabilization by State Statute		398,864
Streets – Powell Bill		211,409
Committed for Utility Capital Reserve		<u>2,046,769</u>
Remaining Fund Balance	\$	<u>1,473,731</u>

NOTE 6 - JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with five counties and thirty-eight other municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$902 to the Council during the fiscal year ended June 30, 2019.

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 7 - JOINT VENTURES

The Town is party to Section 36 of a joint venture agreement between the City of Monroe, North Carolina (Monroe) and the Public Service Company of North Carolina (PSNC) to construct a 43-mile natural gas pipeline. Pursuant to an Interlocal Agreement between the Town and Monroe dated November 15, 2005, amended September 2008, the Town is responsible for securing all easements, rights-of-way, and real property required for the construction, operation, and maintenance of the gas pipeline in Cabarrus County. Rights-of-way and easements acquired are permitted to be utilized by the Town for other public utilities such as water lines, sewer lines, telecommunication systems, and other public utilities. The Town has the right to locate and install one service tap from the pipeline to serve customers within the corporate limits of the Town as of December 4, 2008. Monroe agrees to reimburse the Town for all costs incurred by the Town associated with right of way acquisitions including legal fees and litigation costs for condemnation proceedings.

NOTE 8 - CONDUIT DEBT OBLIGATION

During the year ending June 30, 2006, the Town entered into an agreement with Flowes Store Volunteer Fire Department, Inc. for the purpose of debt assumption relating to property annexations. Payments to the Fire Department in the amount of \$350 are due annually beginning May 31, 2006 until the debt service is retired by the Fire Department. The debt is not reported as a liability in the accompanying financial statements.

NOTE 9 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 10 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 26, 2019, the date the financial statements were available to be issued.

After June 30, 2019, the Town of Midland entered into an agreement with the City of Concord to sale an easement to the City for \$183,000.

***TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019***

NOTE 11 - RESTATEMENT

Prior Period Adjustment

During the year ending June 30, 2019, it was discovered that the Town had not assigned a value to the infrastructure acquired during annexations and assumptions of infrastructure into the Town's maintenance system. The total cost of the infrastructure added to capital assets was \$3,305,280. Depreciation calculated up to the beginning of the year ending June 30, 2019 amounted to \$745,008 and is recorded as accumulated depreciation. The net effect on beginning net position was \$2,560,272.

REQUIRED SUPPLEMENTAL FINANCIAL DATA:

TOWN OF MIDLAND, NORTH CAROLINA
TOWN OF MIDLAND'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION - LAST SIX FISCAL YEARS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.00244%	0.00251%	0.00144%	0.002130%	0.001874%	0.00170%
Proportion of the net pension liability (asset)	\$ 57,885	\$ 38,346	\$ 30,560	\$ 9,559	\$(10,792)	\$ 20,492
Covered payroll	\$ 192,763	\$ 129,745	\$ 106,577	\$ 89,766	\$ 85,233	\$ 79,406
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	30.03%	29.55%	28.67%	10.65%	-12.66%	25.81%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

TOWN OF MIDLAND, NORTH CAROLINA
TOWN OF MIDLAND'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION - LAST SIX YEARS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 17,071	\$ 14,457	\$ 9,173	\$ 7,535	\$ 6,346	\$ 6,026
Contributions in relation to the contractually required contribution	\$ 17,071	\$ 14,457	\$ 9,173	\$ 7,535	\$ 6,346	\$ 6,026
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 220,276	\$ 192,763	\$ 129,745	\$ 106,577	\$ 89,766	\$ 85,233
Contributions as a percentage of covered payroll	7.75%	7.50%	7.07%	7.07%	7.07%	7.07%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF MIDLAND, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 817,087	\$ 840,602	\$ 23,515
Penalties and interest	-	2,125	2,125
Total	817,087	842,727	25,640
Unrestricted intergovernmental:			
Local option sales tax	252,769	286,519	33,750
Franchise taxes	165,000	180,956	15,956
Beer and wine tax	15,685	16,817	1,132
Solid waste tax	2,668	2,891	223
Natural gas pipeline fee	266,850	277,052	10,202
Capital recovery fee	61,353	80,223	18,870
Capacity fee loan income	900	615	(285)
Total	765,225	845,073	79,848
Restricted intergovernmental:			
Powell Bill allocation	83,773	86,136	2,363
Total	83,773	86,136	2,363
Permits and fees:			
Business license fees	1,400	1,560	160
Zoning fees	10,000	18,823	8,823
Total	11,400	20,383	8,983
Investment earnings	31,200	40,897	9,697
Miscellaneous	11,900	16,919	5,019
Total Revenues	1,720,585	1,852,135	131,550
Expenditures:			
General Government			
Salaries and employee benefits		228,149	
Professional services		250,102	
Membership dues		11,790	
Other operating expenditures		150,634	
Capital outlay		-	
Total	692,256	640,675	51,581

TOWN OF MIDLAND, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
Expenditures, Continued			
Public Safety:			
Contracted Services:			
Fire protection	\$	\$ 316,817	\$
Police protection		127,901	
Traffic control		630	
Capital outlay		-	
	<u>464,554</u>	<u>445,348</u>	<u>19,206</u>
Transportation:			
Streets and highways:			
Capital outlay		116,003	
	<u>117,525</u>	<u>116,003</u>	<u>1,522</u>
Environmental protection:			
Solid waste:			
Contracted services	<u>249,106</u>	<u>239,466</u>	<u>9,640</u>
Economic & Physical Development:			
Planning and Zoning			
Salaries and employee benefits		103,079	
Operating expenditures		86,265	
Capital Outlay		-	
	<u>253,429</u>	<u>189,344</u>	<u>64,085</u>
Parks and Recreation			
Operating expenditures		2,100	
Capital Outlay		-	
	<u>3,000</u>	<u>2,100</u>	<u>900</u>
Debt Service:			
Principal		39,522	
Interest		13,436	
	<u>52,961</u>	<u>52,958</u>	<u>3</u>
Total Expenditures - General Government	<u>1,832,831</u>	<u>1,685,894</u>	<u>146,937</u>
Revenues Over (Under) Expenditures	<u>(112,246)</u>	<u>166,241</u>	<u>278,487</u>
Other financing uses:			
Transfers to other funds:			
Capital Projects fund	(24,806)	(24,806)	-
Total	<u>(24,806)</u>	<u>(24,806)</u>	<u>-</u>
Fund balance appropriated	<u>137,052</u>	<u>-</u>	<u>137,052</u>
Net change in fund balance	\$ <u>-</u>	<u>141,435</u>	\$ <u>141,435</u>
Fund balance - beginning		<u>3,989,338</u>	
Fund balance - ending		\$ <u>4,130,773</u>	

TOWN OF MIDLAND, NORTH CAROLINA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Cabarrus Acres Phase II					
Capital Outlay	2,230,000	179,060	-	179,060	2,050,940
Main Street Phase 1B					
Capital Outlay	105,000	103,220	-	103,220	1,780
Town Hall Building					
Capital Outlay	2,500,000	137,953	-	137,953	2,362,047
Pump Station Expansion					
Capital Outlay	106,360	8,955	14,878	23,833	82,527
Rob Wallace Park Walkway					
Capital Outlay	166,905	2,091	9,225	11,316	155,589
NC 24/27 Extension					
Capital Outlay	845,500	-	703	703	844,797
Total Expenditures	5,953,765	431,279	24,806	456,085	5,497,680
Revenues under expenditures	(5,953,765)	(431,279)	(24,806)	(456,085)	(5,497,680)
Other Financing Sources:					
Sewer Project:					
Cabarrus Acres Phase II					
NC SRF Loan Proceeds	1,839,000	-	-	-	1,839,000
Transfers from general fund	391,000	81,540	-	81,540	309,460
Main Street Phase 1B					
Transfers from general fund	105,000	105,000	-	105,000	-
Town Hall Building					
USDA loan proceeds	990,000	-	-	-	990,000
Transfers from general fund	1,510,000	233,693	-	233,693	1,276,307
Pump Station Expansion					
Transfers from general fund	106,360	8,955	14,878	23,833	82,527
Rob Wallace Park Walkway					
CMAQ Funds	108,029	-	-	-	108,029
Transfers from general fund	58,876	2,091	9,225	11,316	47,560
NC 24/27 Extension					
Transfers from general fund	845,500	-	703	703	844,797
Total other financing sources	5,953,765	431,279	24,806	456,085	5,497,680
Revenues and other sources over (under) expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund Balance - beginning			-		
Fund Balance - ending			\$ -		

OTHER SCHEDULES

This section contains additional information required on property taxes.

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

TOWN OF MIDLAND, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018 - 2019	\$ -	\$ 845,530	\$ 831,102	\$ 14,428
2017 - 2018	16,372	-	7,258	9,114
2016 - 2017	3,433	-	1,468	1,965
2015 - 2016	2,225	-	255	1,970
2014 - 2015	1,659	-	137	1,522
2013 - 2014	1,322	-	1	1,321
2012 - 2013	517	-	24	493
2011 - 2012	831	-	27	804
2010 - 2011	777	-	30	747
2009 - 2010	777	-	34	743
2008 - 2009	838	-	838	-
	<u>\$ 28,751</u>	<u>\$ 845,530</u>	<u>\$ 841,174</u>	<u>\$ 33,107</u>

Reconciliation with revenues:

Ad valorem taxes - General fund	\$ 842,727
Reconciling items:	
Interest and penalties collected	(2,125)
Taxes written off	838
Refunds	(266)
	<u>\$ 841,174</u>

TOWN OF MIDLAND
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	\$ 421,357,193	0.20	\$ 842,907	\$ 747,654	\$ 95,253
Registered motor vehicles taxed at prior year's rate	-	0.20	-	-	-
Penalties	-		984	984	-
Total	421,357,193		843,891	748,638	95,253
Discoveries:					
Current year taxes	1,278,835	0.20	2,558	2,436	122
Prior year taxes	-	0.20	3,052	3,052	-
Penalties	-		494	494	-
Total	1,278,835		6,104	5,982	122
Abatements					
Current year's rate	(2,174,431)		(4,350)	(4,350)	-
Prior years' rate	-		-	-	-
Penalties abated	-		(115)	(115)	-
Total	(2,174,431)		(4,465)	(4,465)	-
Total property valuation	\$ 420,461,597				
Net levy			845,530	750,155	95,375
Less uncollected tax at June 30, 2018			14,428	14,428	-
Current year's taxes collected			\$ 831,102	\$ 735,727	\$ 95,375
Current levy collection percentage			98.29%	98.08%	100.00%

COMPLIANCE SECTION



**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 Auditors' Report

To the Honorable Mayor and
Members of the Town Council
Town of Midland, 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, each major fund, and the aggregate remaining fund information of the **Town of Midland, North Carolina**, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises the **Town of Midland's** basic financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **Town of Midland'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 Midland'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Finding 2019-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Town of Midland's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an

opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Monroe, North Carolina
November 26, 2019

Potter & Company

**TOWN OF MIDLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I. Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes X No
- Significant deficiency(s)? X Yes None reported
- Non-compliance material to financial statements noted? Yes X No

**TOWN OF MIDLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II. Financial Statement Findings

Current Year Findings Related to the Financial Statements Required to be Reported in Accordance with Government Auditing Standards

SIGNIFICANT DEFICIENCIES

2019-1 Financial Statement Preparation

Criteria: The Town should have the internal controls over financial reporting in place to prepare its own financial statements and note disclosures for audit. The audit firm may prepare the financial statements and related note disclosures so long as the independence safeguards are complied with.

Condition: The Town does not have internal controls in place to prepare their own financial statements and related note disclosures. The Town has chosen to rely on the audit firm to prepare their annual financial statements and related note disclosures. Repeat of finding 2016-1.

Effect: The decision by the Town to place the burden for financial statement preparation with the audit firm results in a de facto significant deficiency in internal control over financial reporting. This internal control deficiency is mitigated from a material weakness to a significant deficiency by the fact that the finance officer is a certified public accountant who could prepare the Town's financial statements but chooses not to for cost effectiveness reasons.

Cause: The Town chooses not to prepare the financial statements for cost effectiveness reasons.

Recommendation: Financial statement preparation must continue to be monitored by a qualified Town employee and the responsibility for all management decisions must continue to lie with Town personnel.

Views of responsible officials and planned corrective actions: Management has evaluated the costs and benefits to the Town in making their determination and has concluded that the financial and time burdens that would be placed on the resources of the Town, should they elect to prepare the financial statements and related note disclosures would not be cost effective and could negatively impact the delivery of Town services.

Section III. Compliance Findings

None reported.



PO Box 589 * 4293-B Hwy. 24/27 E Midland, NC 28107
Town Hall: 704-888-2232 * Town Fax: 704-888-2234
www.townofmidlandnc.us

**TOWN OF MIDLAND
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

Financial Statement Preparation

SIGNIFICANT DEFICIENCY

2019-1 Financial Statement Preparation

Name of Contact Person: Beverly Love, Finance Officer

Corrective Action: Financial statement preparation will continue to be monitored by a qualified Town employee and Town personnel assume responsibility from all management decisions.

Proposed Completion Date: Immediately