

CITY OF MOUNT AIRY, NORTH CAROLINA

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

for the fiscal year ended June 30, 2019

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FINANCIAL REPORT**

for the fiscal year ended June 30, 2019

prepared by
Finance Department

Finance Director
Pamela M Stone



City of Mount Airy, North Carolina
Comprehensive Annual Financial Report
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INTRODUCTORY SECTION





City of Mount Airy

Post Office Box 70
Mount Airy, North Carolina 27030

October 16, 2019

To the Honorable Mayor and Board of Commissioners
City of Mount Airy, North Carolina

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Mount Airy for the fiscal year ended June 30, 2019. State law requires that all local governments publish within four months after the close of each fiscal year a complete set of financial statements presented in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019.

Management of the City of Mount Airy, North Carolina, assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Martin Starnes & Associates, CPAs, P.A. have issued an unmodified ("clean") opinion on the City of Mount Airy's financial statements for the fiscal year ended June 30, 2019. The independent auditor's report is presented as the first component of the financial section of this report.

The financial statements of the City of Mount Airy were audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, which require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal control over financial reporting and on compliance and other matters. That report is included in the compliance section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statement. MD&A complements this letter of transmittal and should be read in conjunction with it. The City of Mount Airy's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Mount Airy is a beautiful community nestled in the foothills of the Blue Ridge Mountains. Mount Airy, the largest of Surry County's four municipalities, is a post-card perfect community of 10,319 citizens that sits within easy reach of I-77, I-74, U.S. 52 and U.S. 601. It is within 40 miles of downtown Winston-Salem, 60 miles of the Piedmont Triad International Airport and 100 miles of downtown Charlotte. The Mount Airy Surry County Airport has a runway length of 4,305 feet and is in the process of being lengthened to 5,500 feet. A rich legacy as a manufacturing center and backdrop of corporate headquarters has created a unique infrastructure-rich environment for industrial and business service operations. We offer beautiful scenery, tourism attractions and a friendly hometown atmosphere that makes everyone visiting and living in our community feel welcome. Mount Airy is a growing destination for entrepreneurs and new residents at all stages of life. We want to help your business grow and succeed. Our location allows one day trucking to 75% of the population in the United States.

We are blessed with an abundance of water and beautiful natural resources. The Ararat River, along with other picturesque waterways, helped shape one of the nation's most vibrant local textile economies. Mount Airy continues to welcome and is home to apparel and textile production. There is a strong relationship between all local corporations, government and the community.

Along with abundant water, wastewater service and electric power, Mount Airy has two of the region's most attractive industrial parks. The 350-acre Piedmont Triad West Corporate Park is home to a diverse group of commercial and industrial tenants. Certified "shovel-ready" by the North Carolina Department of Commerce, the park has easy access from I-74 with connections to I-40, I-85 and I-77. It is a certified Foreign Trade Zone and has water, sewer, natural gas and electricity provided at the park. Westwood Industrial Park is a 200-acre park located off U.S. Highway 52. It houses a variety of manufacturers, service operations and administrative offices. Both parks hold status as a Foreign Trade Zone making them cost-effective locations for globally oriented logistics and assembly operations.

Mount Airy residents enjoy four distinct seasons, marked by warm summers and mild winters. The average annual temperature is 61 degrees F. The annual winter temperature is 46 degrees F, while the average summer temperature is 76 degrees F.

The City of Mount Airy, North Carolina was incorporated in 1885 and is located in the northwestern portion of North Carolina. Mount Airy has much to offer its businesses, families, retirees, and new residents. Many newcomers love the idea of living in a place where getting to know your neighbors is a must and where living near the Blue Ridge Parkway is a slice of heaven. With just over 10,000 residents **MOUNT AIRY IS A SMALL TOWN WITH A BIG PERSONALITY!** The City of Mount Airy has a unique and interesting history. Mount Airy is proud to be the home of a favorite son, Andy Griffith; our citizens are hardworking and have a dedicated work ethic. Mount Airy achieved the All-America City Status in 1994 and was the first city in the nation to win the **STAR** Award and was recertified in 2017 as a Public Sector Star Site for its superb safety program. The City of Mount Airy is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City operates under the "Manager-Council" form of government. Policy making and legislative authority are vested in the City Council, which consists of a Mayor and a five-member board. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the City's manager and attorney. The City Manager is responsible for carrying out the policies and ordinances of the Board, for overseeing the day-to-day operations of the government, and for appointment of employees. Four of the five voting members of the Board are elected on a nonpartisan basis at large with district residency requirements and serve staggered four-year terms. One voting member and the mayor, who is a nonvoting member, is elected on a nonpartisan basis at large without district residency requirements and each serve four-year terms.

The City of Mount Airy provides a wide range of services that include public safety, sanitation, cultural and recreational activities, general administration and others. This report includes all the City's activities in maintaining these services. The City of Mount Airy also is financially accountable for the legally separate Mount Airy Tourism Development Authority and the legally separate City of Mount Airy ABC Board, both of which are reported separately within the City of Mount Airy's financial statements. Additional information on these two legally separate entities can be found in Note 1.A. in the notes to the financial statements. The City also extends financial support to certain boards, agencies and commissions to assist their efforts in serving citizens. Among these are Northwest Piedmont Council of Governments and Northwestern Regional Library.

The annual budget serves as the foundation for the City of Mount Airy's financial planning and control. For the City of Mount Airy, annual budgets are adopted for the General, Special Revenue (excluding Grant Projects) and the Enterprise Fund. Appropriations for annually budgeted funds are made at the functional level for Special Revenue Funds and at the departmental level for the General and Enterprise Funds. A function is a group of related activities aimed at a major service, such as public safety; a department is a component of a function, such as police. The City Manager is authorized by the budget ordinance to transfer amounts between appropriations at these levels within a fund up to \$50,000. Any revisions that alter total appropriations of any fund or that change appropriations by more than \$50,000 at these levels must be approved by the Board.

Local Economy

The City has an economy with a solid residential, commercial and industrial tax base. The economy is sustained by the local employment markets, manufacturing and tourism. Economic vitality is a main focus area for the City and we continue to promote policies that encourage growth in all areas of our City. The Surry County Economic Development Partnership serves as the professional economic development entity for the County and surrounding municipalities, managing existing industry, marketing, product development and advocacy programs while impacting employment and investment in the local economy.

The County has a labor force of approximately 34,878 persons with a payroll in excess of \$1,213,287,275 annually and an average annual wage of \$36,306. The unemployment rate as of June 30, 2019 was 4.2%.

Long-term Financial Planning

Financial Stability - Financially the City remains healthy. The City still needs to continue to explore new methods of securing financial resources and seek ways to control expenditures in order to provide its citizens with a high quality of service through adequate planning.

The City of Mount Airy prepares a five-year Capital Improvement Plan ("CIP") as a planning tool for capital improvements and major capital equipment purchases. We are moving toward a more comprehensive CIP Process. We are planning to identify capital needs more comprehensively and formally adopt a plan to prioritize and fund our capital needs, as well as setting aside funds for unanticipated projects.

Relevant Financial Policies

The City follows the purchasing procedures as required by NC state statutes and has additionally adopted a Purchasing Policy and Procedures that adheres to competitive pricing, planning and efficient procurement, which allows the city to secure the lowest, most responsible cost for the City.

In our General Fund we have a total fund balance of \$12,836,876. The amount available for appropriation in the General Fund balance is \$9,326,225, which is the amount available after restrictions. At the close of fiscal year June 30, 2019, the City's governmental funds reported combined ending fund balances of \$14,236,419, with a net increase of \$299,888 in fund balance. Approximately \$5,638,768 (39.6%) of the governmental fund balance is non-spendable or restricted. General Fund expenditures were \$3,535,566 (20%) lower than the final budgeted amounts. Personnel costs were \$475,594 lower than final budgeted amounts. \$180,000 was not spent for debt service, this was due to the City Commissioners decision to fund construction for the Spencer's Mill Phase I Infrastructure Project with fund balance, rather than debt, and \$1,785,955 was due to delays of transfers to the Capital Projects Fund for the Spencer's Mill Phase I Infrastructure Project. The Water and Sewer Fund debt decreased by \$1,164,948 (13.1%).

As part of our Capital Planning process, the Board will be encouraged to develop and adopt a Unassigned Fund Balance policy setting a range for the percentage of budgeted expenditures for both the General and Water and Sewer Funds.

Our property tax rate is currently \$0.60 cents per hundred dollars of valuation. We have continued to work hard in the collection of property taxes. Sales tax revenues increased approximately \$141,700 from the prior year. We manage our budget with the intention of meeting the goals set forth by the City Mayor and Board of Commissioners along with managing our expenditures. Today, we are providing quality service. We are proud to be in the fiscal position we are currently in and we hope this speaks volumes to our current and future residents and corporate citizens.

Economic Development and jobs for our citizens continues to be one of the highest priorities set by the City Board and Manager. We want to create an environment to allow existing and new businesses to succeed.

The City Manager and Finance Director monitor budgeted revenues and expenditures on a monthly basis, allowing us to identify challenges early and develop plans to resolve any issues. Revenues are projected based on previous year trends and projects are evaluated for necessity to meet the goals of our Mayor and Board of Commissioners, the Manager and Management Team. We develop real budgets that meet our needs for service and manage purchases. Additional efforts to streamline services are made whenever possible.

Culture Amenities: There's no lack of performing arts venues in Mount Airy. Mount Airy is a source for old-time bluegrass music, beach music and a variety of entertainment. We have the annual Fiddlers' Convention, weekly jam sessions, downtown theatre and outdoor concert series at the outdoor amphitheater which brings many to our community. We have a Regional Museum along with the Andy Griffith Museum.

Education: The Mount Airy School system is consistently a top-performing school system in North Carolina. Mount Airy School's SAT critical reading and math scores are above the state and national average. Mount Airy schools are in the top 5% of school districts in North Carolina with the highest number of students proficient in EOGs and EOCs. Surry Community College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award Associate degrees, diplomas, and certificates. Surry Community College Small Business Center is part of a statewide network designed to support the development of growth of small businesses.

Public Safety: The City of Mount Airy continues to maintain an ISO rating of a 3 which is excellent for a community this size. Community policing continues to be a top priority for the City. We have continued to work hard and have been successful in our schools, more officers on foot in our downtown and community participation in numerous events.

Recreation: Mount Airy is the North Carolina retirement and relocation destination for those looking for recreation. The town is less than 45 minutes from three state parks and a 15 minute drive from the Blue Ridge Parkway. The city is a walkable town that boasts more than 30 miles of sidewalks and five city parks. The Granite City Greenway totals 6.6 miles of multi-purpose paved trails, along two scenic waterways and we are continuing to work and connect all sections to just shy of 10 miles. The Ararat River is accessible for fishing and is a stocked, delayed harvest waterway. The City's parks offer a variety of experiences, including 6 miles of mountain biking trails, 9 holes of disc golf, ball fields, soccer fields, 2 playgrounds and both reservoir and river fishing opportunities. In addition to private fitness facilities, Reeves Community Center, located one block from historic downtown, is a full-service 50,000 square foot fitness facility with an indoor pool, seasonal outdoor pool, gymnasium, racquetball courts, after-school/camp programs and more than 70 fitness class opportunities offered each week. Adult and youth athletics include a wide variety of sports for all ages. The City is working on the extension of the greenway that will connect to the other greenways making a total of approximately 10-miles of greenway in the City connecting to all of the City schools. Our next opportunity will be a southern connection to Pilot Mountain and a Regional Trail System.

Mount Airy is within a 30 minute drive from seven golf courses, including Primland Golf and Spa Resort, a mountain lodge and golf course that sits on 12,000 acres high in the Virginia Blue Ridge Mountains.

Downtown Growth: Over the last 6 years we have had the following capital investment/public improvement projects in our Downtown alone: 57 facades redone in the Downtown; 27 building rehabilitation projects; 15 public improvement projects; net gain full-time jobs created in our downtown was 68 and 45 part-time; 27 businesses created; 14 expansions and private investment of \$15,636,811. There have been 23 new housing units created. There are 117 total commercial spaces in downtown and 3 vacancies. Public Improvement Projects ranges from large projects like Market Street, Whittling Wall, Canteen Alley, 2 new redone parking lots, to smaller projects – new benches at Lowry Park, new public art/sculptures, new seating etc.

Tourism: Tourism continues to be a strong component of the regional comprehensive economic development strategy. Hundreds of thousands of visitors and tourists a year flock to Mount Airy for the celebration of our many events and festivals including Mayberry Food Truck Festivals held twice a year, Mayberry Cool Cars and Cruise Ins held monthly June through October, The Budbreak Wine Festival, Mount Airy Fiddlers Convention, Summer Concert Series at the Blackmon Amphitheatre and our 2 largest events which includes Mayberry Days and The Autumn Leaves Festival. Mayberry Days has grown to be a week-long event and Autumn Leaves is a three day event. We have added many new numerous eateries in and around the City limits and have maintained a thriving and vibrant downtown including the addition of many new vacation rentals in the downtown area and new Bed and Breakfasts also in this area. According to Visit North Carolina and the Economic Development Partnership of North Carolina, Mount Airy and Surry County has clearly demonstrated the importance of tourism as a strong economic engine in our community. The goal of our local tourism efforts in Mount Airy is to bring in more visitors annually who will spend more money and stay longer in our region, including new and repeat visitors. From 2010-2018 our Tourism expenditures have grown to 43.2% from \$95.02 million to \$130.90 million. The travel and tourism industry directly employs more than 860 people in Surry County. The total payroll generated by the tourism industry in Surry County was \$20.26 million. State tax revenue generated in Surry County totaled \$7.23 million through state sales and excise taxes, and taxes on

personal and corporate income. About \$2.83 million in local taxes were generated from sales and property tax revenue from travel-generated and travel-supported businesses. The Governor announced in May that visitors to North Carolina set a record for spending in 2018. The \$25.3 billion in total spending represented an increase of 5.6% in 2017. In 2018 the staff tracked over 79,000 visitors just into the Mount Airy Visitors Center and Greater Mount Airy Chamber of Commerce and are on trend to bring in more visitors than that in 2019 with representation from all 50 states in the United States. We have had 2 bus tours this year with over 40 people each from Canada in 2019 and another bus tour from England with 50 people in 2019 as well. We had representation from various countries including Argentina, Australia, Austria, Denmark, United Kingdom-(England, Scotland and Wales), Columbia-South America, New Zealand, Canada, China, Thailand, Ireland, Italy, France, Japan, Puerto Rico, Russia, South Africa, Spain, Switzerland, India, US Virgin Island, Norway, Cuba, Belgium, Mexico, Germany, Hungary, Brazil and Sweden. The Top 10 States in Ranking Order into the Mount Airy Visitors Center include: NC, VA, TN, OH, PA, FL, SC, GA, KY and WV.

Development

The City has permitted new non-residential & multi-family development in the amount of \$15.5 million dollars along with \$6.1 million in residential development and had 46-new businesses open in Mount Airy. We continue to partner with our fellow neighbors to provide quality water. The City and Pilot Mountain signed a memorandum of understanding for the City to supply water to their community this year. We also have contracts with Carroll County and the Town of Dobson.

Code Enforcement was a topic of much discussion. The City hired a full-time Code Enforcement Officer to enforce adopted housing standards. Work has begun on new National Register of Historic Places applications and an architectural survey has been completed.

Spencer's Mill Redevelopment – During the fiscal year the City continued working with the redevelopment of the Spencer's Mill Project. Belmont Sayre is in the process of building the apartment complex which should be completed by December 2019. Local developer Gene Rees has repurposed 34,925 square feet into 16 residential condominiums. The City entered a memorandum of understanding with PTRC for a culinary school along with a workforce development training center in Spencer's Mill. Phase 1 infrastructure for this project is underway.

Factory Street Water and Sewer Replacement - The City submitted and has received an Appalachian Regional Commission application for a \$300,000 grant to assist with the cost of replacing the water mains in the Factory Street Area. Progress is being made on this project.

Ararat River Greenway Extension – Working on easements for the expansion of the greenway. This extension will connect the greenway and will make the City of Mount Airy have just shy of 10-miles of greenway and recreational area.

Maple-Merritt Area Water and Sewer Rehab – Design of all phases is underway.

NC Area Wide Optimization Program – The F.G. Doggett and S.L. Spencer Water Treatment Plants were awarded this certificate for the sixth and fifth consecutive years, respectively.

Grants

We have successfully obtained and managed grants and Powell Bill funds in the amount of \$2.8 million dollars.

| Grant Amount | Grant Name |
|------------------------|---|
| \$ 317,480.00 | Powell Bill Funds |
| 150,000.00 | NC DOT Grant - Lovills Creek Repair |
| 94,340.00 | Downtown Revitalization Grant - Whittling Wall |
| 300,000.00 | Appalachian Regional Commission Grant - Factory Street |
| 30,000.00 | National Parks and Recreation - Disney Grant - Riverside Park |
| 27,000.00 | National Parks and Recreation - Walmart Grant - Healthy Eating |
| 110,000.00 | National Parks and Recreation - Youth Mentorship |
| 18,000.00 | Historic Preservation Grant - Architectural Survey |
| 15,000.00 | Community Waste Reduction and Recycling - Recycling in city schools |
| 1,731,600.00 | Community Development Block Grant - Maple/Merritt - Sewer lines |
| <u>\$ 2,793,420.00</u> | |

Commercial projects completed and in progress during the year:

- Aldi Supermarket- 1215 State Street new construction \$3,202,110
- Steel Buildings and Structures purchased 43 acres in PTWCP for \$334,180 to build two plants and an office building.
- Rivers Edge Car Wash - 139 Kodiak Lane new construction \$1,138,850.
- Tractor Supply - 2149 Rockford Street renovation \$63,378.
- State Employees Credit Union - 805 Franklin Road renovation \$232,000.
- Wake Forest Baptist Health - 450 Price Street renovation \$1,120,000.
- Jasper Pointe Apartments (60 units of affordable housing) - \$7,350,000 of construction value.
- Sheetz - 2905 Rockford Street renovation \$150,000.
- Eagle Carports - 64,710 square foot manufacturing facility located at 280 Holly Springs Road, \$2,358,250.
- Spencer's Mill Ventures began construction of 65 units of market rate apartments at 335 Willow Street \$7,800,000.
- Franklin Elementary- 519 S. Franklin Road renovation \$5,500,000.
- Terra Nova purchased a 4.13-acre lot at PTWCP for \$155,000 to build a 4000 square foot office/customer service/light manufacturing building.
- Surry Medical Associates Pharmacy - 865 Westlake Drive renovation \$400,000.
- Northern Hospital - 830 Rockford Street renovation \$530,000.
- Walmart - 2241 Rockford Street renovation \$86,000.
- Northern Hospital -, 830 Rockford Street renovation \$1,000,000.
- Burger King - 2106 Rockford Street renovation \$200,000.

Total: \$31,464,768

Utility System

The City of Mount Airy operates two surface water treatment facilities withdrawing water from both Stewarts and Lovills Creeks. Both water treatment facilities are equipped with the latest technologies, which help ensure the quality of the water supply.

The Doggett Water Plant began operation in 1970 and was upgraded in 1991. The plant has a treatment capacity of 6 million gallons per day. The S. L. Spencer Water Treatment Plant was upgraded in 1993 with a treatment capacity of 2.5 million gallons per day.

The City of Mount Airy is fortunate to have plenty of quality water for our citizens and businesses. The City continues to receive the highest ratings on the quality of our drinking water. We finalized an agreement with Carroll County to sell them more water and to assist with getting a grant to provide safe drinking water to additional residents in that area. Our water plant staff was recognized for having all plant operators achieving their Class A Certification.

Several major projects were started or continued during the fiscal year ended June 30, 2019 including the following:

- William Penn/London Lane - \$450,000
- FG Doggett Water Treatment Plant Backwash Basin Liner Replacement – \$192,000
- Factory Street Area Water and Sewer Rehab Project - \$1,463,000
- Spencer's Mill Phase I - \$1,925,000
- Shay Street Water Project - \$184,300 (50/50 split with County)

The City continues to plan for and complete our water and sewer rehabilitation projects to keep our water and sewer lines in good working order.

Financial Policies

The City's management has relied upon sound financial policies and procedures to manage the operations of the City to weather the economic downturn while maintaining core service levels. Maintaining an adequate fund balance has helped the City to weather the prospect of revenue shortfalls without an interruption of services. Efforts to maintain appropriate internal controls and sound financial practices are frequently updated. The City follows the purchasing procedures as required by NC state statutes and has additionally adopted a Purchasing Policy which, through competitive pricing, planning and efficient procurement, strives to secure the lowest, most responsible cost for the City in order to provide our citizens and customers with the quality services that they expect.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mount Airy for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the twenty-fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the skill, effort and dedication of the entire staff of the Finance Department. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. We also thank the members of the Board of Commissioners for their continued support throughout the past year.

Respectfully submitted,

The image shows two handwritten signatures in black ink. The first signature, on the left, is 'Barbara A. Jones' and the second, on the right, is 'Pamela M Stone'. Both are written in a cursive, flowing style.

Barbara A. Jones
City Manager

Pamela M Stone
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Mount Airy
North Carolina**

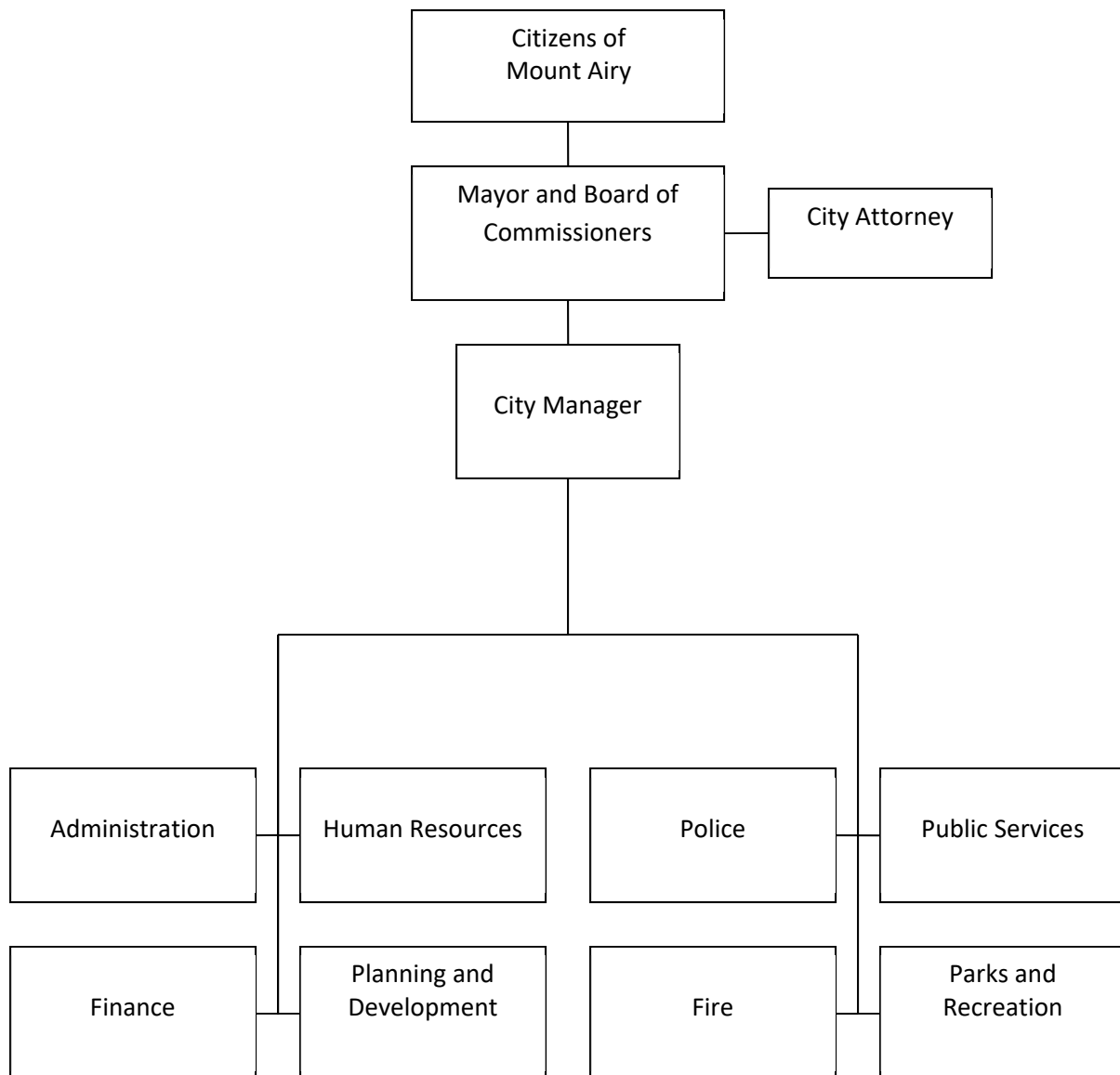
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Merrill

Executive Director/CEO

City of Mount Airy, North Carolina
Organizational Chart
June 30, 2019



City of Mount Airy, North Carolina
List of Principal Officials
June 30, 2019

**MAYOR AND
BOARD OF COMMISSIONERS**

David L. Rowe, Mayor
Jonathon L. Cawley, Mayor Pro-tem
James H. Armbrister
Shirley W. Brinkley
Dean W. Brown
Stephen A. Yokeley

CITY OFFICIALS

| | |
|--------------------------|-------------------------------|
| Barbara A. Jones | City Manager |
| Campbell Law Group, PLLC | City Attorney |
| Pamela M. Stone | Finance Director |
| Rebecca B. McCann | Human Resources Director |
| Dale A. Watson | Police Chief |
| Zane D. Poindexter | Fire Chief |
| Jeffrey M. Boyles | Public Services Director |
| C. Darren Lewis | Parks and Recreation Director |

FINANCIAL SECTION



MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Mount Airy
Mount Airy, North Carolina

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mount Airy, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Mount Airy ABC Board, which represents 73.33 percent, 69.67 percent, and 79.00 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by another auditor, whose report has been furnished to us and, our opinion, insofar as it relates to the amounts included for the City of Mount Airy ABC Board, is based solely on the report of another auditor. 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 basic financial statements are free from material misstatement. The financial statements of the Mount Airy Tourism Development Authority and the City of Mount Airy ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mount Airy, North Carolina, as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll, the Supplementary Pension Fund for Firefighter's Schedule of Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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 City of Mount Airy's basic financial statements. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical tables, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial 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 by us and other auditors.

In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, and other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated October 16, 2019, on our consideration of the City of Mount Airy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the City of Mount Airy's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 16, 2019

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Management's Discussion and Analysis

As management of the City of Mount Airy, we offer readers of the City of Mount Airy's financial statements this narrative overview and analysis of the financial activities of the City of Mount Airy 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 City's financial statements, which follow this narrative.

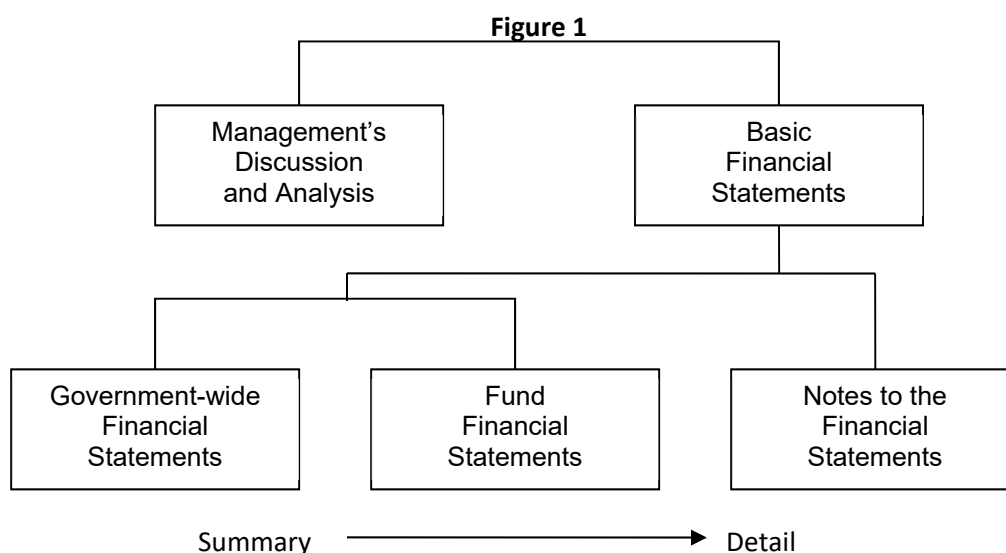
Financial Highlights

- The assets and deferred outflows of resources of the City of Mount Airy exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$75,909,227 (*net position*).
- The government's total net position increased by \$279,328, attributable to decreases in governmental activities net position of \$8,813 and increases in business-type activities net position of \$288,141.
- As of the close of the current fiscal year, the City of Mount Airy's governmental funds reported combined ending fund balances of \$14,236,419 with a net increase of \$299,888 in fund balance. Approximately 39 percent of this total amount, or \$5,638,768 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,587,951 or 55 percent of total general fund expenditures for the fiscal year.
- The City of Mount Airy's total debt decreased by \$1,200,948 (13.1%).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Mount Airy's basic financial statements. The City'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 City 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 City of Mount Airy.

Required Components of Annual Financial Report



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 City's financial status.

The next statements (Exhibits 3 through 9) are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City'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 City's financial status as a whole.

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, public works/transportation, sanitation, parks and recreation and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Mount Airy. The final category is the component units. These statements include two component units, Mount Airy Tourism Development Authority and City of Mount Airy ABC Board, both of which are legally separate from the City. The Mount Airy Tourism Development Authority receives revenue through a six percent occupancy tax which is levied and collected by the City of Mount Airy. In addition, the members of the Authority's governing board are appointed by the City Commissioners. The City exercises control over the City of Mount Airy ABC Board by appointing its members and because the ABC Board is required to distribute its profits to the City. Complete financial statements for the individual component units may be obtained at the administrative offices of those entities.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the City'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 City of Mount Airy, 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 City's budget ordinance. All of the funds of the City of Mount Airy can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City'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 City'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 City of Mount Airy 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 City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates whether or not the City 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, terminology, and classifications as the statement of revenues, expenditures and changes in fund balances. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. The City of Mount Airy has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Mount Airy uses an enterprise fund to account for its water and sewer activity. This fund is the same as that function shown in the business-type activities in the Statements of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Mount Airy. The City uses an internal service fund to account for one activity – its employee worker compensation program. Because this operation benefits predominantly governmental activities rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City of Mount Airy has two fiduciary funds, which are agency funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 2-33 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Mount Airy's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 2-66 of this report.

Interdependence with Other Entities

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

Government-Wide Financial Analysis

The following is a summary of net position for June 30, 2019 (as shown in Exhibit 1) with comparative data for June 30, 2018.

City of Mount Airy's Net Position

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2018 | 2017 |
| Current and other assets | \$ 16,358,583 | \$ 16,182,184 | \$ 6,191,381 | \$ 6,183,126 | \$ 22,549,964 | \$ 22,365,310 |
| Capital assets | 25,986,543 | 26,280,101 | 40,019,556 | 41,071,468 | 66,006,099 | 67,351,569 |
| Total assets | 42,345,126 | 42,462,285 | 46,210,937 | 47,254,594 | 88,556,063 | 89,716,879 |
| Deferred outflows of resources | 1,704,096 | 1,120,701 | 372,869 | 232,088 | 2,076,965 | 1,352,789 |
| Long-term liabilities outstanding | 4,396,504 | 3,708,206 | 8,256,980 | 9,258,072 | 12,653,484 | 12,966,278 |
| Other liabilities | 1,286,541 | 1,472,132 | 550,678 | 726,416 | 1,837,219 | 2,198,548 |
| Total liabilities | 5,683,045 | 5,180,338 | 8,807,658 | 9,984,488 | 14,490,703 | 15,164,826 |
| Deferred inflows of resources | 218,839 | 246,497 | 14,259 | 28,446 | 233,098 | 274,943 |
| Net position | | | | | | |
| Net investment in capital assets | 25,662,543 | 25,920,101 | 32,344,851 | 32,231,815 | 58,007,394 | 58,151,916 |
| Restricted | 5,523,873 | 3,883,357 | - | - | 5,523,873 | 3,883,357 |
| Unrestricted | 6,960,922 | 8,352,693 | 5,417,038 | 5,241,933 | 12,377,960 | 13,594,626 |
| Total net position | \$ 38,147,338 | \$ 38,156,151 | \$ 37,761,889 | \$ 37,473,748 | \$ 75,909,227 | \$ 75,629,899 |

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 City of Mount Airy exceeded liabilities and deferred inflows by \$75,909,227 as of June 30, 2019. The City's net position increased by \$279,328 for the fiscal year ended June 30, 2019. However, the largest portion of net position (76.4%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Mount Airy uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Mount Airy'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 City of Mount Airy's net position, \$5,523,873, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$12,377,960 is unrestricted.

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

- Spencer Mill Phase I Infrastructure Project at a projected remaining cost of \$1,636,000. This project is in progress and increased the restricted portion of net position.
- Increase in property tax rate from \$0.48 per one hundred valuation to \$0.60 per hundred valuation.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.47%, which is comparable to the statewide average of 99.12%.
- Increased sales tax revenues of approximately \$123,084.

City of Mount Airy's Changes in Net Position

Figure 3

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,368,463 | \$ 1,500,267 | \$ 6,062,842 | \$ 6,006,765 | \$ 7,431,305 | \$ 7,507,032 |
| Operating grants and contributions | 462,396 | 547,240 | - | - | 462,396 | 547,240 |
| Capital grants and contributions | - | 303,914 | 72,260 | 94,134 | 72,260 | 398,048 |
| General revenues: | | | | | | |
| Property taxes | 6,925,270 | 5,533,938 | - | - | 6,925,270 | 5,533,938 |
| Other taxes | 551,296 | 508,621 | - | - | 551,296 | 508,621 |
| Grants and contributions not restricted to specific programs | 4,421,607 | 4,218,866 | - | - | 4,421,607 | 4,218,866 |
| Investment earnings | 290,284 | 170,945 | 101,480 | 57,834 | 391,764 | 228,779 |
| Other | 195,044 | 259,447 | 46,968 | 24,643 | 242,012 | 284,090 |
| Total revenues | <u>14,214,360</u> | <u>13,043,238</u> | <u>6,283,550</u> | <u>6,183,376</u> | <u>20,497,910</u> | <u>19,226,614</u> |
| Expenses: | | | | | | |
| General government | 2,050,589 | 1,818,251 | - | - | 2,050,589 | 1,818,251 |
| Public safety | 5,960,903 | 5,382,108 | - | - | 5,960,903 | 5,382,108 |
| Public works/transportation | 1,650,784 | 1,756,552 | - | - | 1,650,784 | 1,756,552 |
| Environmental protection | 889,018 | 922,521 | - | - | 889,018 | 922,521 |
| Culture and recreation | 2,861,986 | 2,603,706 | - | - | 2,861,986 | 2,603,706 |
| Economic and physical development | 904,116 | 1,381,761 | - | - | 904,116 | 1,381,761 |
| Water and sewer | - | - | 5,901,186 | 5,808,455 | 5,901,186 | 5,808,455 |
| Total expenses | <u>14,317,396</u> | <u>13,864,899</u> | <u>5,901,186</u> | <u>5,808,455</u> | <u>20,218,582</u> | <u>19,673,354</u> |
| Change in net position before transfers | <u>(103,036)</u> | <u>(821,661)</u> | <u>382,364</u> | <u>374,921</u> | <u>279,328</u> | <u>(446,740)</u> |
| Transfers | <u>94,223</u> | <u>-</u> | <u>(94,223)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net position | <u>(8,813)</u> | <u>(821,661)</u> | <u>288,141</u> | <u>374,921</u> | <u>279,328</u> | <u>(446,740)</u> |
| Net position, July 1 | <u>38,156,151</u> | <u>38,977,812</u> | <u>37,473,748</u> | <u>37,098,827</u> | <u>75,629,899</u> | <u>76,076,639</u> |
| Net position, June 30 | <u>\$ 38,147,338</u> | <u>\$ 38,156,151</u> | <u>\$ 37,761,889</u> | <u>\$ 37,473,748</u> | <u>\$ 75,909,227</u> | <u>\$ 75,629,899</u> |

Governmental activities. Governmental activities decreased the City's net position by \$8,813, accounting for the decrease in the net position of the City of Mount Airy. Key elements of this decrease are as follows:

- Costs associated with the Spencer Mill Redevelopment Project.
- Completion of the Market Street Improvements Project.

Business-type activities. Business-type activities increased the City's net position by \$288,141. Key elements of this increase are as follows:

- Increase in water and sewer rates.
- Increase in investment earnings.
- Decrease in water rehabilitation costs in the Engineering Division.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Mount Airy's governmental funds is to provide information on near-term inflow, outflow, and balances of usable resources. Such information is useful in assessing the City of Mount Airy's financing requirements. Specifically, fund balance available for appropriation 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 City of Mount Airy. At the end of the current fiscal year, the City of Mount Airy's fund balance available in the General Fund was \$9,326,225, while total fund balance reached \$12,836,876. The City currently has an available fund balance of 67.57% of General Fund expenditures, while total fund balance represents 93.0% of the same amount. Of the fund balance available, \$841,777 is restricted in what it can be expended for. Also, the governing body has appropriated \$250,741 of the fund balance available for use in the year ending June 30, 2020.

At June 30, 2019, the governmental funds of the City of Mount Airy reported a combined fund balance of \$14,236,419 with a net increase in fund balance of \$299,888. Included in this change in fund balance is an increase of \$143,328 in the General Fund. Much of this increase resulted from an increase in the property tax rate.

Proprietary Fund. The City of Mount Airy's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$5,417,038. The total increase in net position was \$288,141, which includes an increase in net position invested in capital assets totaling \$113,036. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Mount Airy's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the City 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; and 3) increases in appropriations that become necessary to maintain services or add new services. Total amendments to the General Fund increased appropriations by \$2,688,910, representing an 18.4% increase from the original budget. Included amendments were \$1,874,039 for infrastructure for the Spencer Mill Phase I Infrastructure Project, \$350,000 for demolition related to the Spencer Mill Redevelopment Project, \$100,000 for increased special appropriation to the Surry Arts Council, \$122,930 for property purchased and \$70,000 for potential additional occupancy tax collections and their distribution.

Revenues were higher than the budgeted amounts primarily because property tax revenues exceeded those amounts estimated in the budget by \$153,215, primarily because the assessed valuation and the collection rate exceeded the original estimates used in the budget. In addition, unrestricted intergovernmental revenues exceeded those amounts estimated with the budget. Included in this category are the local option sales tax revenues which exceeded budgeted amounts by \$123,084 and the ABC profit distribution revenues which exceeded budgeted amounts by \$72,205. Investment earnings exceeded budgeted amounts by \$121,028.

Expenditures including other financing uses were \$3,535,566, or 20.4%, lower than the final budgeted amounts. Personnel costs were \$475,594 lower than the final budgeted amounts, primarily due to vacancies, delays in filling positions during the year, and partial outsourcing in selected areas. Another part of this variance is represented by outstanding encumbrances at June 30, 2019, which totaled \$1,964,282, the majority is related to a transfer to the Capital Projects Fund from General Fund. These purchase and contractual commitments,

although originally authorized under budgetary appropriations for the year ended June 30, 2019, will be reflected as expenditures in the subsequent fiscal year. In addition, planned property service expenditures, including cleaning services and repairs and maintenance, of \$122,289 were delayed or not performed. Professional service costs were \$267,990 lower than budgeted amounts. Capital costs, were \$102,588 lower than the final budgeted amounts. Other expenditures were held in check by management. The City was able to achieve significant reductions in planned expenditures as well as comply with its budgetary requirements.

Capital Asset and Debt Administration

Capital assets. The City of Mount Airy's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$66,006,099 (net of accumulated depreciation). These assets include land, buildings, plant and distribution systems, equipment, vehicles and motorized equipment, infrastructure, and construction in progress.

Major capital asset transactions during the year include the following additions and disposals:

- Street resurfacing at a cost of \$302,057
- Market Street improvements at a cost of \$197,948
- Storm drainage improvements at a cost of \$42,700
- Purchase of dump truck at a cost of \$99,661
- Purchase of real property at a cost of \$118,689
- Water and sewer line additions at a cost of \$822,831

City of Mount Airy's Capital Assets (net of depreciation)

Figure 4

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 7,942,462 | \$ 7,852,065 | \$ 745,155 | \$ 745,155 | \$ 8,687,617 | \$ 8,597,220 |
| Buildings | 2,717,545 | 2,855,239 | - | - | 2,717,545 | 2,855,239 |
| Other Improvements | 1,065,697 | 1,059,641 | 48,803 | 5,858 | 1,114,500 | 1,065,499 |
| Equipment | 151,718 | 115,958 | 431,040 | 437,091 | 582,758 | 553,049 |
| Vehicles and motorized equipment | 1,504,735 | 1,524,638 | 259,252 | 268,600 | 1,763,987 | 1,793,238 |
| Computer Software | 12,132 | - | - | - | 12,132 | - |
| Infrastructure | 12,064,316 | 12,615,351 | 38,243,435 | 39,116,938 | 50,307,751 | 51,732,289 |
| Contruction in progress | 527,938 | 257,209 | 291,871 | 497,826 | 819,809 | 755,035 |
| Total | \$ 25,986,543 | \$ 26,280,101 | \$ 40,019,556 | \$ 41,071,468 | \$ 66,006,099 | \$ 67,351,569 |

Additional information on the City's capital assets can be found in note 3.C. of the Basic Financial Statements.

Long-term debt. As of June 30, 2019, the City of Mount Airy had total debt outstanding of \$7,998,705. The City's debt represents installment purchase contracts entered into by the City for the acquisition or construction of capital assets.

City of Mount Airy's Outstanding Debt
General Obligation Bonds and Installment Purchase Contracts

Figure 5

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|------------|--------------------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Installment Purchase Contracts from direct placement | \$ 324,000 | \$ 360,000 | \$ 7,674,705 | \$ 8,839,653 | \$ 7,998,705 | \$ 9,199,653 |
| Total | \$ 324,000 | \$ 360,000 | \$ 7,674,705 | \$ 8,839,653 | \$ 7,998,705 | \$ 9,199,653 |

The City of Mount Airy's total debt decreased by \$1,200,948 (13.1%) during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Mount Airy is \$82,817,372.

Additional information regarding the City of Mount Airy's long-term debt can be found in note 3.J of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- Unemployment. The local unemployment rate of 4.2% was above the national rate of 3.8% and lower than the state rate of 4.4% at the end of the fiscal year.
- Principal property tax payers. Duke Energy Corporation is the largest taxpayer in the City, with 1.34% of our assessed valuation.
- Principal water and sewer customers. For the year ended June 30, 2019, The Town of Dobson was the largest water customer, using 13.8% of our utility systems' total water consumption and providing 3.55% of our total water and sewer related charges. Hanesbrands, Inc., our second largest customer announced they will be ceasing operations in the fall of 2019.
- The number of inspections for commercial construction in the City decreased in comparison to the previous year at 31 units with an increase in value of \$11,077,928.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities. The increase of approximately 1.89% in budgeted revenue over the final budgeted revenue for the year ended June 30, 2019 is primarily attributable to an increase in ad valorem property tax revenue by an increase of \$42,000 and an increase in unrestricted intergovernmental revenues of \$215,700. The City will use its revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to decrease 8.62%. Personnel costs reflect an increase of approximately \$100,611, primarily due to the planned increase in compensation. Professional services reflect a decrease of \$311,405. Other services and supplies reflect a decrease of approximately \$441,251, compared to the final budgeted expenditures for the year ended June 30, 2019. Capital outlay purchases decreased \$439,912. Debt Service of \$180,000 was planned for the year ended June 30, 2019 but the Board of Commissioners voted to use fund balance rather than borrow funds for the Spencer Mill Infrastructure project. The debt service was not included in the June 30, 2020 budget.

Business-type Activities. Budgeted water and sewer charges have decreased approximately 4.30% compared to amounts budgeted for the year ended June 30, 2019. This decrease is mainly due to Hanesbrands, Inc. ceasing operation in the fall of 2019. Budgeted expenditures are expected to decrease 14.64% overall. Personnel costs reflect a decrease of approximately \$10,342. Capital outlay purchases decreased \$987,414 compared to the final budgeted expenditures for the year ended June 30, 2019.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or request for additional information should be directed to the Finance Director, City of Mount Airy, PO Box 70, Mount Airy, NC 27030.

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BASIC FINANCIAL STATEMENTS



City of Mount Airy, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1

| | Primary Government | | | Component Units | |
|---|-------------------------|--------------------------|---------------|--|------------------------------|
| | Governmental Activities | Business-type Activities | Total | Mount Airy Tourism Development Authority | City of Mount Airy ABC Board |
| Assets | | | | | |
| Cash and cash equivalents | \$ 13,578,780 | \$ 4,961,795 | \$ 18,540,575 | \$ 101,246 | \$ 157,659 |
| Investments | - | - | - | - | 81,032 |
| Receivables (net) | 305,354 | 782,883 | 1,088,237 | 15,406 | - |
| Due from other governments | 1,310,624 | 35,881 | 1,346,505 | - | - |
| Due from component unit | 49,100 | - | 49,100 | - | - |
| Due from primary government | - | - | - | 148,699 | - |
| Internal balances | (108,560) | 108,560 | - | - | - |
| Inventories | 426 | 256,202 | 256,628 | - | 192,273 |
| Prepaid items | 114,469 | - | 114,469 | 148 | - |
| Restricted cash and cash equivalents | 1,105,262 | 46,060 | 1,151,322 | - | - |
| Restricted receivables | 3,128 | - | 3,128 | - | - |
| Capital assets | | | | | |
| Land and construction in progress | 8,470,400 | 1,037,026 | 9,507,426 | - | 40,786 |
| Other capital assets, net of depreciation | 17,516,143 | 38,982,530 | 56,498,673 | - | 206,537 |
| Total capital assets | 25,986,543 | 40,019,556 | 66,006,099 | - | 247,323 |
| Total assets | 42,345,126 | 46,210,937 | 88,556,063 | 265,499 | 678,287 |
| Deferred Outflows of Resources | 1,704,096 | 372,869 | 2,076,965 | - | 51,852 |
| Liabilities | | | | | |
| Accounts payable and accrued liabilities | 1,030,527 | 464,518 | 1,495,045 | 54,954 | 151,990 |
| Due to component unit | 148,699 | - | 148,699 | - | - |
| Unearned revenue | 91,087 | 40,100 | 131,187 | - | - |
| Due to primary government | - | - | - | - | 49,100 |
| Liabilities to be paid from restricted assets | 16,228 | 46,060 | 62,288 | - | - |
| Long-term liabilities | | | | | |
| Due within one year | 321,192 | 1,241,404 | 1,562,596 | - | - |
| Due in more than one year | 4,075,312 | 7,015,576 | 11,090,888 | - | 45,074 |
| Total liabilities | 5,683,045 | 8,807,658 | 14,490,703 | 54,954 | 246,164 |
| Deferred Inflows of Resources | 218,839 | 14,259 | 233,098 | - | 233 |
| Net Position | | | | | |
| Net investment in capital assets | 25,662,543 | 32,344,851 | 58,007,394 | - | 247,323 |
| Restricted for | | | | | |
| Cemetery perpetual care - nonspendable | 1,031,220 | - | 1,031,220 | - | - |
| Stabilization by state statute | 3,400,930 | - | 3,400,930 | 164,105 | - |
| Public safety | 276,629 | - | 276,629 | - | - |
| Streets | 613,130 | - | 613,130 | - | - |
| Other functions | 201,964 | - | 201,964 | 46,440 | 76,590 |
| Unrestricted | 6,960,922 | 5,417,038 | 12,377,960 | - | 159,829 |
| Total net position | \$ 38,147,338 | \$ 37,761,889 | \$ 75,909,227 | \$ 210,545 | \$ 483,742 |

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

Statement of Activities

For the Year Ended June 30, 2019

| | | Program Revenues | | |
|---|---------------|----------------------|------------------------------------|----------------------------------|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,050,589 | \$ 24,470 | \$ - | \$ - |
| Public safety | 5,960,903 | 56,307 | 63,125 | - |
| Public works/transportation | 1,650,784 | 1,441 | 351,502 | - |
| Environmental protection | 889,018 | 191,512 | 7,641 | - |
| Culture and recreation | 2,861,986 | 1,094,733 | 36,128 | - |
| Economic and physical development | 904,116 | - | 4,000 | - |
| Total governmental activities (See Note 1) | 14,317,396 | 1,368,463 | 462,396 | - |
| Business-type activities: | | | | |
| Water and sewer | 5,901,186 | 6,062,842 | - | 72,260 |
| Total business-type activities | 5,901,186 | 6,062,842 | - | 72,260 |
| Total primary government | \$ 20,218,582 | \$ 7,431,305 | \$ 462,396 | \$ 72,260 |
| Component units: | | | | |
| Mount Airy Tourism Development Authority | \$ 505,318 | \$ 8,144 | \$ - | \$ - |
| City of Mount Airy ABC Board | 1,991,986 | 1,997,865 | - | - |
| Total component units | \$ 2,497,304 | \$ 2,006,009 | \$ - | \$ - |

Continued on next page

Statement of Activities

For the Year Ended June 30, 2019

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | | | |
|--|---|--------------------------|----------------|--|------------------------------|
| | Primary Government | | | Component Units | |
| | Governmental Activities | Business-type Activities | Total | Mount Airy Tourism Development Authority | City of Mount Airy ABC Board |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ (2,026,119) | \$ - | \$ (2,026,119) | | |
| Public safety | (5,841,471) | - | (5,841,471) | | |
| Public works/transportation | (1,297,841) | - | (1,297,841) | | |
| Environmental protection | (689,865) | - | (689,865) | | |
| Culture and recreation | (1,731,125) | - | (1,731,125) | | |
| Economic and physical development | (900,116) | - | (900,116) | | |
| Total governmental activities (See Note 1) | (12,486,537) | - | (12,486,537) | | |
| Business-type activities: | | | | | |
| Water and sewer | - | 233,916 | 233,916 | | |
| Total business-type activities | - | 233,916 | 233,916 | | |
| Total primary government | (12,486,537) | 233,916 | (12,252,621) | | |
| Component units: | | | | | |
| Mount Airy Tourism Development Authority | | | | \$ (497,174) | \$ - |
| City of Mount Airy ABC Board | | | | - | 5,879 |
| Total component units | | | | (497,174) | 5,879 |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purposes | 6,925,270 | - | 6,925,270 | - | - |
| Other taxes | 551,296 | - | 551,296 | - | - |
| Payment from City of Mount Airy | - | - | - | 520,236 | - |
| Grants and contributions not restricted to specific programs | 4,421,607 | - | 4,421,607 | - | - |
| Investment earnings, unrestricted | 290,284 | 101,480 | 391,764 | 2,080 | 698 |
| Miscellaneous, unrestricted | 195,044 | 46,968 | 242,012 | 928 | 75 |
| Transfers | 94,223 | (94,223) | - | - | - |
| Total general revenues | 12,477,724 | 54,225 | 12,531,949 | 523,244 | 773 |
| Change in net position | (8,813) | 288,141 | 279,328 | 26,070 | 6,652 |
| Net position - beginning | 38,156,151 | 37,473,748 | 75,629,899 | 184,475 | 477,090 |
| Net position - ending | \$ 38,147,338 | \$ 37,761,889 | \$ 75,909,227 | \$ 210,545 | \$ 483,742 |

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

Balance Sheet**Governmental Funds**

June 30, 2019

| | Major Fund | | Total |
|--|----------------------|------------------------------|---------------------------|
| | General Fund | Total Non-Major Funds | Governmental Funds |
| Assets | | | |
| Cash and cash equivalents | \$ 11,644,439 | \$ 1,236,879 | \$ 12,881,318 |
| Restricted cash and cash equivalents | 855,316 | 249,946 | 1,105,262 |
| Receivables (net) | | | |
| Interest | 287 | 32 | 319 |
| Taxes | 172,392 | 593 | 172,985 |
| Accounts | 84,168 | - | 84,168 |
| Restricted receivables | - | 3,128 | 3,128 |
| Due from other governments | 1,308,610 | 2,014 | 1,310,624 |
| Due from other funds | 439 | - | 439 |
| Due from component unit | 49,100 | - | 49,100 |
| Inventories and prepaid items | 114,895 | - | 114,895 |
| Total assets | <u>\$ 14,229,646</u> | <u>\$ 1,492,592</u> | <u>\$ 15,722,238</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 939,293 | \$ 89,328 | \$ 1,028,621 |
| Due to other funds | - | 439 | 439 |
| Due to component unit | 148,699 | - | 148,699 |
| Liabilities to be paid from restricted assets | 13,539 | 2,689 | 16,228 |
| Unearned revenue | 91,087 | - | 91,087 |
| Total liabilities | <u>1,192,618</u> | <u>92,456</u> | <u>1,285,074</u> |
| Deferred Inflows of Resources | <u>200,152</u> | <u>593</u> | <u>200,745</u> |
| Fund Balances | | | |
| Nonspendable | | | |
| Inventories and prepaid items | 114,895 | - | 114,895 |
| Perpetual maintenance | - | 1,031,220 | 1,031,220 |
| Restricted | | | |
| Stabilization by state statute | 3,395,756 | 5,174 | 3,400,930 |
| Public safety | 228,647 | 47,982 | 276,629 |
| Streets | 613,130 | - | 613,130 |
| Municipal Service District | - | 201,964 | 201,964 |
| Committed | | | |
| LEO and SPFF | 645,756 | - | 645,756 |
| Other | - | 116,331 | 116,331 |
| Assigned | | | |
| Subsequent year's expenditures | 250,741 | - | 250,741 |
| Unassigned | 7,587,951 | (3,128) | 7,584,823 |
| Total fund balances | <u>12,836,876</u> | <u>1,399,543</u> | <u>14,236,419</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 14,229,646</u> | <u>\$ 1,492,592</u> | <u>\$ 15,722,238</u> |

Continued on next page

Balance Sheet**Governmental Funds**

June 30, 2019

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

| | | |
|---|----|-------------|
| Total fund balances for governmental funds | \$ | 14,236,419 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 25,986,543 |
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and, therefore, are unavailable in the funds. | | |
| Accrued interest receivable from taxes, net (General) | \$ | 43,675 |
| Accrued interest receivable from taxes, net (Special Revenue) | | 276 |
| | | 43,951 |
| An internal service fund is used by management to charge the costs of workers compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. | | 590,927 |
| Total pension liabilities for LEOSSA and SPFFF are not financial uses and, therefore, are not reported in the funds. | | (1,648,958) |
| The net pension liability for LGERS is not a financial use and, therefore, is not reported in the funds. | | (1,954,217) |
| Deferred outflows of resources related to pensions are not shown in the funds. | | 1,704,096 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements. | | |
| Property taxes receivable, net (General) | | 172,392 |
| Property taxes receivable, net (Special Revenue) | | 593 |
| Beer and wine tax receivable (General) | | 11,130 |
| | | 184,115 |
| Deferred inflows of resources related to pensions are not reported in the funds. | | (202,209) |
| Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds. | | (793,329) |
| Net position of governmental activities | \$ | 38,147,338 |

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

Statement of Revenues, Expenditures, and Changes in Fund Balances**Governmental Funds**

For the Year Ended June 30, 2019

| | Major Fund | | Total |
|---|----------------------|------------------------------|---------------------------|
| | General Fund | Total Non-Major Funds | Governmental Funds |
| Revenues | | | |
| Ad valorem taxes | \$ 6,775,415 | \$ 100,427 | \$ 6,875,842 |
| Other taxes and licenses | 552,921 | - | 552,921 |
| Unrestricted intergovernmental revenues | 4,421,617 | - | 4,421,617 |
| Restricted intergovernmental revenues | 363,434 | 27,549 | 390,983 |
| Permits and fees | 18,625 | - | 18,625 |
| Sales and services | 1,312,713 | 35,500 | 1,348,213 |
| Investment earnings | 270,500 | 28,400 | 298,900 |
| Miscellaneous | 172,266 | 37,135 | 209,401 |
| Total revenues | <u>13,887,491</u> | <u>229,011</u> | <u>14,116,502</u> |
| Expenditures | | | |
| Current | | | |
| General government | 2,010,523 | - | 2,010,523 |
| Public safety | 5,852,724 | 13,243 | 5,865,967 |
| Public works/transportation | 1,282,472 | 17,309 | 1,299,781 |
| Environmental protection | 869,724 | - | 869,724 |
| Culture and recreation | 2,543,303 | 38,128 | 2,581,431 |
| Economic and physical development | 654,072 | 641,436 | 1,295,508 |
| Debt service | | | |
| Principal retirement | 36,000 | - | 36,000 |
| Total expenditures | <u>13,248,818</u> | <u>710,116</u> | <u>13,958,934</u> |
| Excess (deficiency) of revenues over expenditures | <u>638,673</u> | <u>(481,105)</u> | <u>157,568</u> |
| Other financing sources (uses) | | | |
| Transfers from other funds | 10,000 | 647,665 | 657,665 |
| Transfers to other funds | (553,442) | (10,000) | (563,442) |
| Sale of capital assets | 48,097 | - | 48,097 |
| Total other financing sources (uses) | <u>(495,345)</u> | <u>637,665</u> | <u>142,320</u> |
| Net change in fund balances | 143,328 | 156,560 | 299,888 |
| Fund balances - beginning | <u>12,693,548</u> | <u>1,242,983</u> | <u>13,936,531</u> |
| Fund balances - ending | <u>\$ 12,836,876</u> | <u>\$ 1,399,543</u> | <u>\$ 14,236,419</u> |

Continued on next page

Statement of Revenues, Expenditures, and Changes in Fund Balances**Governmental Funds**

For the Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 299,888 |
|--|----|---------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|--|--------------------|-----------|
| Capital outlay expenditures which were capitalized | \$ 1,395,418 | |
| Depreciation expense for governmental assets | <u>(1,676,333)</u> | (280,915) |

| | |
|--|---------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 431,768 |
|--|---------|

| | |
|--|--------|
| Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities | 98,741 |
|--|--------|

| | |
|---|--------|
| Benefit payments paid and administrative expense for the SPFF are not included on the Statement of Activities | 11,814 |
|---|--------|

The net effect of other transactions involving capital assets (i.e., donations, sales, and trade-ins) is to decrease net position.

| | |
|---------------------|----------|
| Sales and trade-ins | (12,643) |
|---------------------|----------|

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

| | | |
|--|-------------|--------|
| Change in unavailable revenue for tax revenues | 49,428 | |
| revenues | <u>(10)</u> | 49,418 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, 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 | <u>36,000</u> | 36,000 |
|--------------------------------------|---------------|--------|

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.

| | | |
|--------------------------------|------------------|-----------|
| Change in compensated absences | (17,429) | |
| Pension expense | <u>(646,422)</u> | (663,851) |

An internal service fund is used by management to charge the costs of workers compensation to individual funds. The net revenue of activities of this internal service fund attributable to governmental activities is reported with governmental activities.

| |
|--------|
| 20,967 |
|--------|

| | | |
|---|----|----------------|
| Change in net position of governmental activities | \$ | <u>(8,813)</u> |
|---|----|----------------|

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

General Fund**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**

For the Year Ended June 30, 2019

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|---|--------------------|--------------------|-------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues | | | | |
| Ad valorem taxes | \$ 6,622,200 | \$ 6,622,200 | \$ 6,775,415 | \$ 153,215 |
| Other taxes and licenses | 477,400 | 547,400 | 552,921 | 5,521 |
| Unrestricted intergovernmental revenues | 4,193,800 | 4,193,800 | 4,421,617 | 227,817 |
| Restricted intergovernmental revenues | 346,763 | 346,763 | 363,434 | 16,671 |
| Permits and fees | 16,500 | 16,500 | 18,625 | 2,125 |
| Sales and services | 1,294,882 | 1,315,587 | 1,312,713 | (2,874) |
| Investment earnings | 108,400 | 108,400 | 241,880 | 133,480 |
| Miscellaneous | 29,700 | 39,778 | 172,266 | 132,488 |
| Total revenues | <u>13,089,645</u> | <u>13,190,428</u> | <u>13,858,871</u> | <u>668,443</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 2,105,364 | 2,293,877 | 2,010,523 | 283,354 |
| Public safety | 6,179,961 | 6,300,598 | 5,852,724 | 447,874 |
| Public works/transportation | 1,655,825 | 1,659,905 | 1,282,472 | 377,433 |
| Environmental protection | 964,716 | 958,861 | 869,724 | 89,137 |
| Culture and recreation | 2,719,970 | 2,853,223 | 2,543,303 | 309,920 |
| Economic and physical development | 578,348 | 715,965 | 654,072 | 61,893 |
| Debt service | | | | |
| Principal retirement | 156,000 | 156,000 | 36,000 | 120,000 |
| Interest and fees | 60,000 | 60,000 | - | 60,000 |
| Total expenditures | <u>14,420,184</u> | <u>14,998,429</u> | <u>13,248,818</u> | <u>1,749,611</u> |
| Revenues over (under) expenditures | <u>(1,330,539)</u> | <u>(1,808,001)</u> | <u>610,053</u> | <u>2,418,054</u> |

Continued on next page

General Fund**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**

For the Year Ended June 30, 2019

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|---|--------------------|--------------|---------------|---|
| | Original Budget | Final Budget | Actual | |
| Other financing sources (uses) | | | | |
| Transfers from other funds | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ - |
| Transfers to other funds | - | (2,339,397) | (553,442) | 1,785,955 |
| Sale of capital assets | 5,000 | 26,598 | 48,097 | 21,499 |
| Total other financing sources (uses) | 15,000 | (2,302,799) | (495,345) | 1,807,454 |
| Revenues and other financing sources over (under) expenditures and other financing uses | (1,315,539) | (4,110,800) | 114,708 | 4,225,508 |
| Appropriated fund balance | 1,315,539 | 4,110,800 | - | (4,110,800) |
| Net change in fund balances | \$ - | \$ - | 114,708 | \$ 114,708 |
| Fund balances | | | | |
| Fund balances - beginning | | | 11,320,807 | |
| Fund balances - ending | | | \$ 11,435,515 | |
| A legally budgeted Economic Stabilization Fund is consolidated into the General Fund for reporting purposes: | | | | |
| Investment earnings | | | \$ 28,620 | |
| Fund balance - beginning | | | 1,372,741 | |
| Fund balance - ending (Exhibit 4) | | | \$ 12,836,876 | |

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

City of Mount Airy, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

Exhibit 6

| | Business-Type Activities--- Enterprise Fund Water and Sewer Fund | Governmental Activities Internal Service Fund |
|--|---|--|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 4,961,795 | \$ 697,462 |
| Receivables (net) | | |
| Interest | 114 | 16 |
| Accounts | 782,769 | 3,915 |
| Due from other governments | 35,881 | - |
| Inventories | 256,202 | - |
| Restricted cash and cash equivalents | 46,060 | - |
| Total current assets | 6,082,821 | 701,393 |
| Noncurrent assets | | |
| Land and construction in progress | 1,037,026 | - |
| Other capital assets, net of depreciation | 38,982,530 | - |
| Total capital assets (net) | 40,019,556 | - |
| Total noncurrent assets | 40,019,556 | - |
| Total assets | \$ 46,102,377 | \$ 701,393 |
| Deferred outflows of resources | | |
| Contributions to pension plan | \$ 372,869 | \$ - |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 464,518 | 1,906 |
| Unearned revenue | 40,100 | - |
| Compensated absences - current | 76,455 | - |
| Installment purchase payable - current | 1,164,949 | - |
| Liabilities payable from restricted assets | | |
| Customer deposits | 46,060 | - |
| Total current liabilities | 1,792,082 | 1,906 |
| Noncurrent liabilities | | |
| Compensated absences | 31,233 | - |
| Net pension liability | 474,587 | - |
| Installment purchase payable - noncurrent | 6,509,756 | - |
| Total noncurrent liabilities | 7,015,576 | - |
| Total liabilities | 8,807,658 | 1,906 |
| Deferred inflows of resources | | |
| Pension deferrals | 14,259 | - |
| Net Position | | |
| Net investment in capital assets | 32,344,851 | - |
| Unrestricted | 5,308,478 | 699,487 |
| Total net position | 37,653,329 | \$ 699,487 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund | 108,560 | |
| Net position of business-type activities | \$ 37,761,889 | |

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

City of Mount Airy, North Carolina
**Statement of Revenues, Expenses, and
Changes in Fund Net Position**
Proprietary Funds
For the Year Ended June 30, 2019

Exhibit 7

| | Business-Type Activities--- Enterprise Fund | Governmental Activities |
|---|--|----------------------------|
| | Water and Sewer Fund | Internal Service Fund |
| Operating revenues | | |
| Charges for services | \$ 6,062,842 | \$ 191,178 |
| Other operating revenues | 46,968 | - |
| Total operating revenues | 6,109,810 | 191,178 |
| Operating expenses | | |
| Finance and administration | 609,656 | - |
| Engineering | 462,444 | - |
| Utilities maintenance | 825,949 | - |
| Water storage and treatment | 940,196 | - |
| Wastewater treatment | 915,424 | - |
| Depreciation | 1,872,211 | - |
| Worker compensation premiums and deductibles | - | 181,013 |
| Total operating expenses | 5,625,880 | 181,013 |
| Operating income | 483,930 | 10,165 |
| Nonoperating revenues (expenses) | | |
| Investment earnings | 101,480 | 12,535 |
| Interest and fees on long-term debt | (277,039) | - |
| Total nonoperating revenues (expenses) | (175,559) | 12,535 |
| Income (loss) before capital contributions and transfers | 308,371 | 22,700 |
| Capital contributions | 72,260 | - |
| Transfers from (to) other funds | (94,223) | - |
| | (21,963) | - |
| Change in net position | 286,408 | 22,700 |
| Total net position - beginning | 37,366,921 | 676,787 |
| Total net position - ending | \$ 37,653,329 | \$ 699,487 |
| Amounts reported for business-type activities in the statement of activities (Exhibit 2) are different because: | | |
| Change in net position - Enterprise Fund | \$ 286,408 | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund | 1,733 | |
| Change in net position of business-type activities | \$ 288,141 | |

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

City of Mount Airy, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

Exhibit 8

| | Business-Type Activities--- Enterprise Fund | Governmental Activities |
|---|--|----------------------------|
| | Water and Sewer Fund | Internal Service Fund |
| Cash flows from operating activities | | |
| Cash received from customers | \$ 6,034,555 | \$ 191,178 |
| Cash paid for goods and services | (2,175,400) | (170,485) |
| Cash paid to employees for services | (1,674,900) | - |
| Customer deposits received | 17,810 | - |
| Customer deposits returned | (15,240) | |
| Other operating revenues | 46,968 | - |
| Net cash provided by operating activities | <u>2,233,793</u> | <u>20,693</u> |
| Cash flows from capital and related financing activities | | |
| Capital contributions | 130,513 | - |
| Transfers to other funds | (94,223) | - |
| Payments for capital acquisitions and construction | (820,299) | - |
| Principal repayment | (1,164,948) | - |
| Interest and fees paid on debt | (284,581) | - |
| Net cash used by capital and related financing activities | <u>(2,233,538)</u> | <u>-</u> |
| Cash flows from investing activities | | |
| Receipts of investment earnings | <u>101,471</u> | <u>12,533</u> |
| Net cash provided by investing activities | <u>101,471</u> | <u>12,533</u> |
| Net increase (decrease) in cash and cash equivalents | 101,726 | 33,226 |
| Cash and cash equivalents - beginning | <u>4,906,129</u> | <u>664,236</u> |
| Cash and cash equivalents - ending | <u>\$ 5,007,855</u> | <u>\$ 697,462</u> |

Continued on next page

Statement of Cash Flows**Proprietary Funds**

For the Year Ended June 30, 2019

| | Business-Type Activities— Enterprise Fund | Governmental Activities |
|--|--|----------------------------|
| | Water and Sewer Fund | Internal Service Fund |
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 483,930 | \$ 10,165 |
| Adjustments to reconcile net operating income to net cash provided by operating activities | | |
| Depreciation | 1,872,211 | - |
| Provision for uncollectible accounts | 11,483 | - |
| Decrease (increase) in accounts receivables | (28,287) | 8,622 |
| Decrease (increase) in inventories | 53,764 | - |
| Decrease (increase) in deferred outflows of resources for pensions | (140,781) | - |
| Increase (decrease) in net pension liability | 174,519 | - |
| Increase (decrease) in accounts payable and accrued liabilities | (170,766) | 1,906 |
| Increase (decrease) in customer deposits | 2,570 | - |
| Increase (decrease) in compensated absences | (10,663) | - |
| Increase (decrease) in deferred inflows of resources for pensions | (14,187) | - |
| Total adjustments | 1,749,863 | 10,528 |
| Net cash provided by operating activities | \$ 2,233,793 | \$ 20,693 |

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

City of Mount Airy, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

Exhibit 9

| | Agency Funds |
|--|-------------------------|
| Assets | |
| Cash and cash equivalents | \$ 32,595 |
| Receivables (net) | |
| Accounts | <u>32,523</u> |
| Total assets | <u><u>65,118</u></u> |
| Liabilities | |
| Deposits | \$ 22,922 |
| Intergovernmental payable - Flat Rock/Bannertown | |
| Water & Sewer District | <u>42,196</u> |
| Total liabilities | <u><u>65,118</u></u> |

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

1. Summary of Significant Accounting Policies

The accounting policies of the City of Mount Airy and its discretely presented component units 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 City of Mount Airy is a municipal corporation governed by an elected mayor and a five-member board of commissioners. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally separate entities for which the City is financially accountable. The two discretely presented component units below are reported in separate columns in the City's financial statements in order to emphasize that they are legally separate from the City.

Mount Airy Tourism Development Authority

The members of the Mount Airy Tourism Development Authority's governing board are appointed by the City Commissioners. The Mount Airy Tourism Development Authority (Authority) receives revenue through a six percent occupancy tax which is levied and collected by the City of Mount Airy. The City remits the taxes collected to the Authority, net of administration and collection costs not to exceed seven percent of collections. The Authority, which has a June 30 year end, is presented as if it were a governmental fund.

City of Mount Airy ABC Board

The members of the City of Mount Airy ABC Board's governing board are appointed by the City Commissioners. The City of Mount Airy ABC Board (ABC Board) is required by state statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year end, is presented as if it were a proprietary fund (discrete presentation).

Mount Airy Park Place

Mount Airy Park Place has three members which are appointed by the City Commissioners. This entity is presented as a blended component unit. Property was transferred to the entity as part of the Spencer's Mill Redevelopment Project. The City Commissioners voted to return the property to the city's ownership at the May 16, 2019 meeting. The transaction was final on June 27, 2019.

Mount Airy Boardwalk

Mount Airy Boardwalk has three members which are appointed by the City Commissioners. This entity is presented as a blended component unit. This entity was created as part of the Spencer's Mill Redevelopment Project. There was no activity for the June 30, 2019 year end.

Complete financial statements for the individual component units may be obtained at the administrative offices of those entities.

Mount Airy Tourism Development Authority
c/o City of Mount Airy
300 South Main Street
Mount Airy, North Carolina 27030

City of Mount Airy ABC Board
226 Starlite Road
Mount Airy, North Carolina 27030

B. Government-wide and Fund Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City'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 provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. All revenues not meeting this definition are reported as non-operating revenues. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental fund:

The **General Fund** is the general operating fund of the City. 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, various other taxes and licenses, and intergovernmental revenues. The primary expenditures are for public safety, street maintenance and construction, sanitation services, and recreation. Additionally, the City has legally adopted an Economic Stabilization Fund. Under GASB 54 guidance, the Economic Stabilization Fund is consolidated in the General Fund. The budgetary comparison for the Economic Stabilization Fund has been included in the supplemental information.

The City reports the following non-major governmental funds:

The **Municipal Service District Fund**, a Special Revenue Fund, accounts for the receipt and expenditure of tax revenues levied for the Municipal Service District, a special tax district.

The **Grant Projects Fund**, a Special Revenue Fund, accounts for grant funds that are restricted for use for a particular purpose.

The **Emergency 911 Fund**, a Special Revenue Fund, accounts for the receipt and expenditure of 911 funds that are legally restricted for specified purposes.

The **Capital Projects Fund**, accounts for resources used to acquire or construct major capital improvements, other than those financed by proprietary funds.

The **Cemetery Endowment Fund**, a Permanent Fund, accounts for assets held by the City in a trustee capacity for the perpetual maintenance of the municipal cemetery.

The City reports the following major proprietary fund:

The **Water and Sewer Fund**, an Enterprise Fund, accounts for the activities of the City's water and sewer operations.

Additionally, the City reports the following fund types:

An **Internal Service Fund**, the *Worker Compensation Fund*, accounts for the City's employee worker compensation program.

Agency Funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the City holds on behalf of others. The City has two Agency Funds. The *Flat Rock/Bannertown Water & Sewer District Agency Fund* accounts for utility billing and collection activities that the City of Mount Airy does on behalf of the Flat Rock/Bannertown Water & Sewer District through an intergovernmental agreement. The *Utility Donation Agency Fund* accounts for donations that the City of Mount Airy collects and disburses under an agreement with the Salvation Army of Mount Airy that provides payment assistance for City of Mount Airy residential utility customers who are in financial distress.

C. Measurement Focus and Basis of Accounting

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

Government-wide, Proprietary and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue tap fees, which are intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements 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 City considers all revenues available if they are collected within ninety days after year end, except for property taxes. Ad valorem property taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property, other than motor vehicles, are materially past due and are not considered to be an available resource to finance the operations of the

current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities sales tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Mount Airy because the tax is levied by Surry 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. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Under the terms of grant agreements, the City 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 City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, the Municipal Service District Special Revenue Fund, the Emergency 911 Fund, the Water and Sewer Enterprise Fund and the Extraterritorial Water and Sewer Capital Reserve Fund, which is consolidated with the Water and Sewer Enterprise Fund for reporting purposes. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Grant Projects Special Revenue Fund and the Capital Projects Fund. The City's Worker Compensation Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures for annually budgeted funds may not legally exceed appropriations at the functional level for the Special Revenue Funds and at the departmental level for the General and Enterprise Funds. Expenditures for multi-year projects included in the Grant Projects Special Revenue Fund may not legally exceed appropriations at the project level. A function is a group of related activities aimed at a major service, such as public safety; a department is a component of a function, such as police. The City Manager is authorized by the budget ordinance to transfer amounts between appropriations at these levels within a fund up to \$50,000. Any revisions that alter total appropriations of any fund or that change appropriations by more than \$50,000 at these levels must be approved by the governing board. During the year several amendments to the original budget were necessary, including the following significant amendments:

- 1) appropriation of \$1,874,039 to provide funding for infrastructure for the Spencer's Redevelopment project
- 2) appropriation of \$350,000 to provide funding for demolition at the Spencer's Redevelopment project
- 3) appropriation of \$100,000 to increasing the special appropriation for the Surry Arts Council

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. The Cemetery Endowment Fund, a permanent fund, is not required to be budgeted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

1. Deposits and Investments

All deposits of the City, Mount Airy Tourism Development Authority and City of Mount Airy ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The City, the Authority and the ABC Board may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the City, the Authority, and the ABC Board 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 City, the Authority, and the ABC Board 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 City's investments in money market investments, participating interest-earning investment contracts and non-money market investments are carried at fair value. The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported at fair value. For the City, the Authority, and the ABC Board, nonparticipating interest-earnings investment contracts are reported at cost.

2. Cash and Cash Equivalents

The City pools monies from several funds to facilitate disbursement and investment and maximize investment income. Those monies not pooled are in demand deposits or investments purchased with an original maturity of three months or less. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Mount Airy Tourism Development Authority and City of Mount Airy ABC Board consider demand deposits and investments purchased with an original maturity of three months or less, that are not limited as to use, to be cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because these funds can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Federal Equitable Sharing funds and Unauthorized Substance Tax funds are classified as restricted cash because these funds can be expended only for law enforcement purposes. E911 funds are classified as restricted cash because these funds can only be expended for police telecommunication services. Money in the Municipal Service District Fund is also classified as restricted cash because these funds can be expended only for the purposes of providing services, facilities or functions within the Municipal Service District in addition to or to a greater extent than those provided for the entire city as provided for in G.S. 160A-535 through 160A-544. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

City of Mount Airy Restricted Cash

Governmental Activities

General Fund

| | |
|-------------------------------|---------------------|
| Public Safety | \$ 228,648 |
| Streets | 626,668 |
| Municipal Service District | 201,964 |
| Emergency 911 | 47,982 |
| Total governmental activities | <u>\$ 1,105,262</u> |

Business-type activities

Water and Sewer Fund

| | |
|--------------------------------|---------------------|
| Customer deposits | 46,060 |
| Total business-type activities | <u>\$ 46,060</u> |
| Restricted Cash | <u>\$ 1,151,322</u> |

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on properties 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. The taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the City and the ABC Board are valued at cost (first-in, first out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures when consumed rather than when purchased.

The inventories of the City's Enterprise Fund and those of the ABC Board consist of materials and supplies held for subsequent consumption or resale. In each case the cost is recorded as an expense when the inventory is consumed or sold rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and are expensed as the items are used. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land – \$10,000; buildings, other improvements, plant and distribution systems, and infrastructure – \$30,000; equipment, vehicles and motorized equipment, and computer software – \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consisting of the road, storm drain, sidewalk and walking trail networks that were acquired or that received substantial improvements

subsequent to July 1, 1980, are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using straight-line and composite methods over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|----------------------------------|-------------------------------|
| Buildings | 20-40 Years |
| Other improvements | 10-20 Years |
| Plant and distribution systems | 40 Years |
| Equipment | 3-10 Years |
| Vehicles and motorized equipment | 3-20 Years |
| Computer software | 5-8 Years |
| Infrastructure | 20-50 Years |

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|--------------------|-------------------------------|
| Buildings | 40 Years |
| Paving | 10 Years |
| Equipment | 5-10 Years |

8. *Deferred outflows/inflows of resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meets the criterion for this category, contributions made to the pension plan in the 2019 fiscal year and pension deferrals. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has four items that meet the criterion for this category – prepaid taxes, property taxes receivable, beer and wine tax receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. *Long-Term Obligations*

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

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

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to three hundred eighteen hours, two hundred fifty-two hours and two hundred forty hours earned vacation leave for fire shift employees, police shift employees, and other employees, respectively, with such leave being fully vested when earned. The vacation policy also provides for the conversion of unused hours in excess of the accumulation limits to sick leave. The vacation policy of the ABC Board provides for two weeks of earned vacation per year with such leave being fully vested when earned; however, vacation may not be accumulated and carried over from year to year. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City 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. For the ABC Board, no expense and liability for compensated absences and the salary-related payments are recorded until the leave is paid, due to its immateriality.

The sick leave policy of the City provides for an unlimited accumulation of earned sick leave. The sick leave policy of the ABC Board provides for an accumulation of up to ninety days of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowances for doubtful accounts and depreciation lives.

12. Net Position/Fund Balances

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

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 type classifies 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.

Inventories and Prepaid items – portion of fund balance that is *not* an available resource because it represents the yearend balance of inventories and prepaid items, which are not spendable resources.

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

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

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)] 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 Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures. This amount represents the balance of the total unexpended Unauthorized Substance Tax, Federal Equity Sharing Assets funds and Emergency 911 funds.

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

Restricted for Municipal Service District – portion of fund balance that is restricted by revenue source for expenditure within the Municipal Service District of the City.

Committed Fund Balance – This classification includes the portion of fund balance that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Board of Commissioners is the highest level of decision-making authority for the government that 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 LEO and SPFF pension obligation – portion of fund balance that will be used for the Law Enforcement Officers’ Special Separation Allowance and the Supplementary Pension Fund for Fireman obligations.

Committed for Other – portion of fund balance committed by the Board for other purposes.

Assigned Fund Balance – This classification includes the portion of fund balance that City of Mount Airy intends to use for specific purposes.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$50,000.

Unassigned Fund Balance – This classification includes the portion of fund balance that has not been restricted, committed or assigned to specific purposes or other funds. Only the General Fund may report a positive unassigned fund balance. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City of Mount Airy uses resources in the following hierarchy: debt proceeds, federal funds, State funds, local non-City funds and City funds. For purposes of fund balance classification, expenditures are spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer may deviate from this order if it is in the best interest of the City. The City has not adopted a formal fund balance policy.

13. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Mount Airy's employer contributions are recognized when due and the City of Mount Airy 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.

2. Stewardship, Compliance and Accountability

A. Deficit Fund Balance or Net Position of Individual Funds

For the fiscal year ended June 30, 2019, the Water and Sewer Capital Projects Fund had a deficit net position of \$37,739. The fund incurred expenditures in the Maple/Merritt Street Area Water Improvements Project. This project was expected to be funded with proceeds from a NC Division of Water Infrastructure loan. If the City does not go through with this project, the City plans to transfer funds from the Water and Sewer Fund to cover the expenditures.

3. Detail Notes on All Funds

A. Deposits and Investments

1. Deposits

Deposits. All of the City's, the Authority's and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the City's, the Authority's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, the Authority and the ABC Board, these deposits are considered to be held by the City's, the Authority's, or the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the Authority or the ABC Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City, the Authority or the ABC Board 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 City 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 City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Authority and the ABC Board have no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the City's deposits had a carrying amount of \$1,346,668 and a bank balance of \$1,829,887. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for Mount Airy Tourism Development Authority was \$1,556 and the bank balance was \$1,556. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the City of Mount Airy ABC Board was \$235,191 and the bank balance was \$212,229. All of the bank balance was covered by federal depository insurance. At June 30, 2019, the City's petty cash fund totaled \$1,550 and the City of Mount Airy ABC Board's petty cash fund totaled \$3,500.

2. Investments

At June 30, 2019, the City had the following investments and maturities:

| Investment Type | Valuation Measurement Method | Fair Value | LessThan 1 Year |
|--|------------------------------|---------------|-----------------|
| NC Capital Management Trust - Government Portfolio | Fair Value - Level 1 | \$ 9,948,781 | 9,948,781 |
| NC Capital Management Trust - Term Portfolio | Fair Value - Level 1 | 8,427,493 | 8,427,493 |
| Total | | \$ 18,376,274 | \$ 18,376,274 |

As of June 30, 2019, the NCCMT Term Portfolio has a duration of 0.11 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 one year.

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

Level of fair value hierarchy: Level 1 debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than five years.

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligation of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

At June 30, 2019, the Authority had \$99,690 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Authority has no policy regarding credit risk.

At June 30, 2019, the ABC Board amounts classified as investments on Exhibit 1 consist solely of bank certificates of deposit.

B. Receivables

Receivables at the government-wide level at June 30, 2019, were as follows:

| | Interest | Taxes and Related Accrued Interest | Accounts | Due from Other Govern- ments | Due from Component Unit | Restricted Receivables | Total |
|----------------------------------|---------------|---|-------------------|------------------------------------|-------------------------------|---------------------------|---------------------|
| Governmental activities | | | | | | | |
| General | \$ 303 | \$ 328,067 | \$ 135,000 | \$ 1,308,610 | \$ 49,100 | \$ - | \$ 1,821,080 |
| Other Governmental | 32 | 1,169 | - | 2,014 | - | 3,128 | 6,343 |
| Total receivables | 335 | 329,236 | 135,000 | 1,310,624 | 49,100 | 3,128 | 1,827,423 |
| Allowance for doubtful accounts | - | (112,300) | (46,917) | - | - | - | (159,217) |
| Total - governmental activities | <u>\$ 335</u> | <u>\$ 216,936</u> | <u>\$ 88,083</u> | <u>\$ 1,310,624</u> | <u>\$ 49,100</u> | <u>\$ 3,128</u> | <u>\$ 1,668,206</u> |
| Business-type activities | | | | | | | |
| Water and Sewer | \$ 114 | \$ - | \$ 851,819 | \$ 35,881 | \$ - | \$ - | \$ 887,814 |
| Total receivables | 114 | - | 851,819 | 35,881 | - | - | 887,814 |
| Allowance for doubtful accounts | - | - | (69,050) | - | - | - | (69,050) |
| Total - business-type activities | <u>\$ 114</u> | <u>\$ -</u> | <u>\$ 782,769</u> | <u>\$ 35,881</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 818,764</u> |

The amount due from other governments consists of the following:

| | |
|-------------------------------------|---------------------|
| General | |
| Local option sales tax | \$ 860,431 |
| Utility Sales tax | 177,465 |
| Piped natural gas tax | 5,274 |
| Telecommunications tax | 15,161 |
| Local video programming revenue | 13,196 |
| Beer and wine tax | 11,130 |
| Solid waste disposal tax | 1,903 |
| Sales and use tax refund receivable | 176,037 |
| Other | 48,013 |
| Other Governmental | |
| Other | 2,014 |
| | <u>\$ 1,310,624</u> |
| Water and Sewer | |
| Other | 35,881 |
| | <u>\$ 35,881</u> |

C. Capital Assets

a. Primary Government

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|--------------|------------|-----------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 7,852,065 | \$ 102,589 | \$ 12,192 | \$ 7,942,462 |
| Construction in progress | 257,209 | 436,723 | 165,994 | 527,938 |
| Total capital assets not being depreciated | 8,109,274 | 539,312 | 178,186 | 8,470,400 |
| Capital assets being depreciated | | | | |
| Buildings | 10,657,820 | 54,209 | - | 10,712,029 |
| Other Improvements | 1,247,744 | 79,050 | - | 1,326,794 |
| Equipment | 2,088,250 | 94,066 | - | 2,182,316 |
| Vehicles and motorized equipment | 5,378,163 | 217,921 | 29,265 | 5,566,819 |
| Computer software | 236,551 | 12,260 | - | 248,811 |
| Infrastructure | 27,504,575 | 564,594 | 7,380 | 28,061,789 |
| Total capital assets being depreciated | 47,113,103 | 1,022,100 | 36,645 | 48,098,558 |
| Less accumulated depreciation for | | | | |
| Buildings | 7,802,581 | 191,903 | - | 7,994,484 |
| Other Improvements | 188,103 | 72,994 | - | 261,097 |
| Equipment | 1,972,292 | 58,306 | - | 2,030,598 |
| Vehicles and motorized equipment | 3,853,525 | 237,824 | 29,265 | 4,062,084 |
| Computer software | 236,551 | 128 | - | 236,679 |
| Infrastructure | 14,889,224 | 1,115,178 | 6,929 | 15,997,473 |
| Total accumulated depreciation | 28,942,276 | 1,676,333 | 36,194 | 30,582,415 |
| Total capital assets being depreciated, net | 18,170,827 | (654,233) | 451 | 17,516,143 |
| Governmental activity capital assets, net | \$ 26,280,101 | \$ (114,921) | \$ 178,637 | \$ 25,986,543 |
| | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 745,155 | \$ - | \$ - | \$ 745,155 |
| Construction in progress | 497,826 | 252,846 | 458,801 | 291,871 |
| Total capital assets not being depreciated | 1,242,981 | 252,846 | 458,801 | 1,037,026 |
| Capital assets being depreciated | | | | |
| Plant and distribution systems | 77,325,827 | 822,831 | 25,500 | 78,123,158 |
| Other Improvements | 9,500 | 46,809 | - | 56,309 |
| Equipment | 1,991,810 | 120,945 | 9,914 | 2,102,841 |
| Vehicles and motorized equipment | 841,227 | 35,669 | - | 876,896 |
| Computer software | 62,000 | - | - | 62,000 |
| Total capital assets being depreciated | 80,230,364 | 1,026,254 | 35,414 | 81,221,204 |
| Less accumulated depreciation for | | | | |
| Plant and distribution systems | 38,208,889 | 1,696,334 | 25,500 | 39,879,723 |
| Other Improvements | 3,642 | 3,864 | - | 7,506 |
| Equipment | 1,554,719 | 126,996 | 9,914 | 1,671,801 |
| Vehicles and motorized equipment | 572,627 | 45,017 | - | 617,644 |
| Computer software | 62,000 | - | - | 62,000 |
| Total accumulated depreciation | 40,401,877 | 1,872,211 | 35,414 | 42,238,674 |
| Total capital assets being depreciated, net | 39,828,487 | (845,957) | - | 38,982,530 |
| Business-type activity capital assets, net | \$ 41,071,468 | \$ (593,111) | \$ 458,801 | \$ 40,019,556 |

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

Governmental activities:

| | | |
|--|----|------------------|
| General government | \$ | 64,936 |
| Public safety | | 213,433 |
| Public works/transportation | | 907,327 |
| Environmental protection | | 70,332 |
| Economic and physical development | | 11,703 |
| Culture and recreation | | <u>408,602</u> |
| Total depreciation expense - governmental activities | \$ | <u>1,676,333</u> |

Business-type activities:

| | | |
|---|----|------------------|
| Water and Sewer | \$ | <u>1,872,211</u> |
| Total depreciation expense - business-type activities | \$ | <u>1,872,211</u> |

At June 30, 2019, the government had active construction projects. The projects include:

| Project | Spent-to-date | Remaining Commitment |
|--|-------------------|-------------------------|
| Spencer Phase I Infrastructure | \$ 398,947 | \$ 1,350,081 |
| Water and Sewer Rehab | 110,515 | 300,369 |
| Factory Street Water and Sewer Project | <u>64,368</u> | <u>1,265,976</u> |
| Total | <u>\$ 573,830</u> | <u>\$ 2,916,426</u> |

The Spencer Phase I Infrastructure Project is a commitment of the General Fund. The water and sewer rehabilitation project and Factory Street are commitments of the Water and Sewer Fund.

b. Discretely Presented Component Units

Mount Airy Tourism Development Authority does not have any capital assets.

Activity for the *City of Mount Airy ABC Board* for the year ended June 30, 2019 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|--------------------|---------------|--------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 40,786 | \$ - | \$ - | \$ 40,786 |
| Total capital assets not being depreciated | <u>40,786</u> | <u>-</u> | <u>-</u> | <u>40,786</u> |
| Capital assets being depreciated | | | | |
| Buildings | 275,203 | - | - | 275,203 |
| Paving | 64,234 | - | - | 64,234 |
| Equipment | <u>133,976</u> | <u>9,629</u> | <u>25,975</u> | <u>117,630</u> |
| Total capital assets being depreciated | <u>473,413</u> | <u>9,629</u> | <u>25,975</u> | <u>457,067</u> |
| Less accumulated depreciation for | | | | |
| Buildings | 123,026 | 8,433 | - | 131,459 |
| Paving | 16,134 | 2,600 | - | 18,734 |
| Equipment | <u>115,073</u> | <u>11,239</u> | <u>25,975</u> | <u>100,337</u> |
| Total accumulated depreciation | <u>254,233</u> | <u>22,272</u> | <u>25,975</u> | <u>250,530</u> |
| Total capital assets being depreciated, net | <u>219,180</u> | <u>(12,643)</u> | <u>-</u> | <u>206,537</u> |
| ABC capital assets, net | <u>\$ 259,966</u> | <u>\$ (12,643)</u> | <u>\$ -</u> | <u>\$ 247,323</u> |

D. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2019 were as follows:

| | Vendors | Salaries and Benefits | Accrued Interest | Other | Total |
|----------------------------------|-------------------|-----------------------|------------------|------------------|---------------------|
| Governmental Activities | | | | | |
| General | \$ 574,339 | \$ 345,702 | \$ - | \$ 21,158 | \$ 941,199 |
| Other Governmental | 89,328 | - | - | - | 89,328 |
| Total - governmental activities | <u>\$ 663,667</u> | <u>\$ 345,702</u> | <u>\$ -</u> | <u>\$ 21,158</u> | <u>\$ 1,030,527</u> |
| Business-type Activities | | | | | |
| Water and Sewer | \$ 339,908 | \$ 63,300 | \$ 52,231 | \$ 9,079 | \$ 464,518 |
| Total - business-type activities | <u>\$ 339,908</u> | <u>\$ 63,300</u> | <u>\$ 52,231</u> | <u>\$ 9,079</u> | <u>\$ 464,518</u> |

E. Pension Plan Obligations

a. Cost-Sharing Multiple Employer Defined Benefit Pension Plans

Local Governmental Employers' Retirement System

Plan Description. The City of Mount Airy 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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and

have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Mount Airy were \$536,624 for the year ended June 30, 2019.

Refunds of Contributions. 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 City reported a liability of \$2,428,804 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the City's proportion was 0.10238%, which was an increase of 0.002% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$636,674. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | City of Mount Airy | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 374,707 | \$ 12,573 |
| Changes of assumptions | 644,511 | - |
| Net difference between projected and actual earnings on pension plan investments | 333,403 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 18,991 | 60,399 |
| City contributions subsequent to the measurement date | 536,624 | - |
| Total | <u>\$ 1,908,236</u> | <u>\$ 72,972</u> |

\$536,624 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------|---------------------|
| 2020 | \$ 616,149 |
| 2021 | 407,462 |
| 2022 | 76,706 |
| 2023 | 198,323 |
| 2024 | - |
| | <u>\$ 1,298,640</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.

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% |
| | <u>100.0%</u> | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic

annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

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

| | 1% Decrease (6.00%) | Rate (7.00%) | 1% Increase (8.00%) |
|--|------------------------|-----------------|------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 5,834,197 | \$ 2,428,804 | \$ (416,796) |

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

b. **Single- Employer Defined Benefit Pension Plans**

**Law Enforcement Officers Special Separation Allowance (LEOSSA)
and
Supplementary Pension Fund for Firemen (SPFF)**

1. Plan Descriptions

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

The City of Mount Airy administers a public employee retirement system (the "SPFF"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified firefighters. The SPFF was enacted by the North Carolina General Assembly on May 5, 1967. The SPFF provides monthly benefits equal to \$3.34 for each year of creditable service to the department. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the City. Chapter 302 of the 1967 Session Laws, as amended by Chapter 12 of the 1969 Session Laws, Chapter 121 of the 1973 Session Laws, Chapter 165 of the 1995 Session Laws, and Chapter 22 of the 2000 Session Laws, assigns the authority to establish and amend benefit provisions to the Trustees of the SPFF.

All full-time City law enforcement officers are covered by the LEOSSA. All full-time salaried and part time volunteer firefighters are covered by the SPFF. At December 31, 2017 for the LEOSSA and July 1, 2018 for the SPFF, the LEOSSA's and the SPFF's memberships consisted of:

| | LEOSSA | SPFF |
|-----------------------------|--------|------|
| Retirees receiving benefits | 7 | 9 |
| Active plan members | 41 | 35 |
| Total | 48 | 44 |

2. Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the LEOSSA and SPFF on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis. Benefits are recognized when due and payable in accordance with the terms of each plan.

The LEOSSA and SPFF have no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

LEOSSA

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 2.50 percent |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Discount rate | 3.64 percent |

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

Mortality rates are based on the following:

DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

DEATHS BEFORE RETIREMENT: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

SPFF

The entry age normal cost method was used in the July 1, 2018 valuation. The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate 3.87 percent

The discount rate is the Bond Buyer General Obligation 20-year Municipal Bond Index determined the week prior to June 30 each year.

Mortality rates are based on the RP-2006 with blue collar adjustments with fully generational projections at Scale MP-2017.

4. Contributions

For the LEOSSA, the City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$87,880 as benefits came due for the reporting period.

For the SPFF, all of the funding has been provided by annually transferring funds in the Firemen's Relief Fund of the City of Mount Airy (Local Firemen's Relief Fund) to the SPFF, in accordance with the legislation that established the SPFF. These contributions bear no relationship to the actuarially determined annual required contribution, but are dependent on an insurance surtax charged by insurance companies on policies within the fire district. For the current year, the Local Firemen's Relief Fund contributed \$13,127, or 1.22% of annual covered payroll. There were no contributions made by employees. The City has no obligation to contribute to this plan. The Local Firemen's Relief Fund's obligation to contribute to this plan was established and has been amended by the North Carolina General Assembly. Administration costs of the SPFF are financed through investment earnings. The City paid \$9,409 as benefits came due for the reporting period.

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

LEOSSA

At June 30, 2019, the City reported a total pension liability of \$1,449,127. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$114,841.

SPFF

At June 30, 2019, the City reported a total pension liability of \$199,831. The total pension liability was measured as of June 30, 2018 based on a June 30, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$19,314.

| | LEOSSA | | SPFF | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 59,802 | \$ - | \$ - | \$ 73,297 |
| Changes of assumptions | 46,059 | 55,108 | - | 15,091 |
| Benefit payments and plan administrative expense made subsequent to the measurement date | 51,054 | - | 11,814 | - |
| Total | <u>\$ 156,915</u> | <u>\$ 55,108</u> | <u>\$ 11,814</u> | <u>\$ 88,388</u> |

\$51,054 for LEOSSA and \$11,814 for SPFF reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | LEOSSA | SPFF |
|----------------------------|-----------|-----------------|
| Year ended June 30: | | |
| 2020 | \$ 13,938 | \$ (6,409) |
| 2021 | 13,938 | (6,409) |
| 2022 | 15,531 | (6,409) |
| 2023 | 7,458 | (6,409) |
| 2024 | (112) | (6,409) |
| Thereafter | <u>-</u> | <u>(56,343)</u> |
| | \$ 50,753 | \$ (88,388) |

The \$51,054 and \$11,814 paid as benefits came due subsequent to the measurement date and are reported as deferred outflows of resources.

Sensitivity of the City's total pension liability to changes in the discount rate (LEOSSA). The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

| | 1% Decrease (2.64%) | Discount Rate (3.64%) | 1% Increase (4.64%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Total pension liability | \$ 1,557,134 | \$ 1,449,127 | \$ 1,350,160 |

Sensitivity of the City's total pension liability to changes in the discount rate (SPFF). The following presents the City's total pension liability calculated using the discount rate of 3.87 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

| | 1% Decrease (2.87%) | Discount Rate (3.87%) | 1% Increase (4.87%) |
|-------------------------|--------------------------------|----------------------------------|--------------------------------|
| Total pension liability | \$ 231,778 | \$ 199,831 | \$ 174,188 |

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

| | 2019 |
|--|---------------------|
| Beginning balance | \$ 1,438,070 |
| Service Cost | 56,404 |
| Interest on the total pension liability | 44,055 |
| Differences between expected and actual experience in the measurement of the total pension liability | 49,157 |
| Changes of assumptions or other inputs | (50,679) |
| Benefit payments | (87,880) |
| Ending balance of the total pension liability | <u>\$ 1,449,127</u> |

**Schedule of Changes in Total Pension Liability
Supplementary Pension Fund for Firefighters**

| | 2019 |
|--|-------------------|
| Beginning balance | \$ 222,637 |
| Service Cost | 14,580 |
| Interest on the total pension liability | 8,493 |
| Differences between expected and actual experience in the measurement of the total pension liability | (26,132) |
| Changes of assumptions or other inputs | (10,338) |
| Benefit payments | (9,409) |
| Ending balance of the total pension liability | <u>\$ 199,831</u> |

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.16 percent at December 31, 2017 to 3.64 percent at December 31, 2018 for LEOSSA and 3.58 percent at June 30, 2017 to 3.87 percent at June 30, 2018 for SPFF.

Changes in Benefit Terms. Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

The plans currently use mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

For LEOSSA 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. For SPFF the actuarial assumptions used in the June 30, 2017 valuation were based on analysis of the actuarial experience for the period July 1, 2013 through June 30, 2017.

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

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

| | LGERS | LEOSSA | SPFF | Total |
|--|------------|------------|-----------|------------|
| Pension Expense | \$ 636,674 | \$ 114,841 | \$ 19,314 | \$ 770,829 |
| Pension Liability | 2,428,804 | 1,449,127 | 199,831 | 4,077,762 |
| Proportionate share of the net pension liability | 0.10238% | n/a | n/a | |
| Deferred Outflows of Resources | | | | |
| Differences between expected and actual experience | 374,707 | 59,802 | | 434,509 |
| Changes of Assumptions | 644,511 | 46,059 | - | 690,570 |
| Net difference between projected and actual earnings on plan investments | 333,403 | | | 333,403 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 18,991 | | | 18,991 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 536,624 | 51,054 | 11,814 | 599,492 |
| Total Deferred Outflows | 1,908,236 | 156,915 | 11,814 | 2,076,965 |
| Deferred Inflows of Resources | | | | |
| Differences between expected and actual experience | 12,573 | | 73,297 | 85,870 |
| Changes of Assumptions | | 55,108 | 15,091 | 70,199 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 60,399 | - | - | 60,399 |
| Total Deferred Inflows of Resources | 72,972 | 55,108 | 88,388 | 216,468 |

c. Defined Contribution Pension Plan

Supplemental Retirement Income Plan

Plan Description. The City contributes amounts for law enforcement officers to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the city. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. In addition, the City has elected to contribute amounts for employees not engaged in law enforcement under this plan. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5.00% of each officer's salary, and all amounts contributed are vested immediately. For employees not engaged in law enforcement, the City has elected to contribute each month an amount equal to 0.00% of each employee's salary, and all amounts contributed are vested immediately.

Also, the law enforcement officers and employees not engaged in law enforcement may make voluntary contributions to the plan. Contributions for law enforcement officers for the year ended June 30, 2019 were \$124,405, which consisted of \$87,247 from the City and \$37,158 from the law enforcement officers. Contributions for employees not engaged in law enforcement for the year ended June 30, 2019 were \$98,341, which consisted of \$0 from the City and \$98,341 from the employees.

The City made contributions of \$87,247 for the reporting year. No amounts were forfeited.

Other Employment Benefits

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

For the fiscal year ended June 30, 2019, the City made contributions to the State for death benefits of \$8,067 for employees not engaged in law enforcement and \$2,443 for law enforcement officers. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.16% and 0.14% of covered payroll, respectively.

The City also provides fully paid life insurance coverage to all full-time employees. The benefit is 2 times the employee's salary, subject to reductions. The benefit will reduce 35% at age 65, an additional 15% at age 70, and further reduce 25% at age 75. Benefits will terminate at retirement regardless of age. Benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

F. Unearned Revenue

Unearned revenue represents exchange transactions for which the City has received resources but has not yet earned. Unearned revenue on the fund statements and on the government-wide statements at year-end is comprised of the following:

| | |
|---|------------------|
| Recreation fees not yet earned (General) | \$ 89,872 |
| Prepaid privilege license taxes (General) | 1,215 |
| | <u>\$ 91,087</u> |
| Tap fees not yet earned (Enterprise) | \$ 40,100 |
| | <u>\$ 40,100</u> |

G. Deferred Outflows and Inflows of Resources

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

| | Amount |
|---|---------------------|
| Contributions to pension plan in current fiscal year | \$ 536,624 |
| Benefit payments made and administrative expenses for LEOSSA | 51,054 |
| Benefit payments made and administrative expenses for SPFF | 11,814 |
| Differences between expected and actual experience | 434,509 |
| Changes of assumptions | 690,570 |
| Net difference between projected and actual earnings on pension plan investments | 333,403 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 18,991 |
| Total | <u>\$ 2,076,965</u> |

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

| | Statement of Net Position | Governmental Funds Balance Sheet |
|--|------------------------------|--|
| Prepaid taxes | | |
| Prepaid property taxes (General) | \$ 16,630 | \$ 16,630 |
| Property taxes receivable | | |
| Taxes receivable, net (General) | | 172,392 |
| Taxes receivable, net (Special Revenue) | | 593 |
| Beer and wine tax receivable (General) | | 11,130 |
| Differences between expected and actual experience | 85,870 | |
| Changes in assumptions | 70,199 | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 60,399 | - |
| | <u>\$ 233,098</u> | <u>\$ 200,745</u> |

H. Risk Management

The City 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 City participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools the City obtains general liability and auto liability coverage of \$2 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 up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. 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 City upon request.

The City has chosen to retain a \$5,000 deductible per occurrence in its workers' compensation coverage. To account for this risk financing activity, the City has established an internal service fund—the Worker Compensation Fund. The savings in premium attributable to the deductible are being accumulated in this fund for the purpose of paying claim deductibles.

The City carries commercial insurance 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 City carries flood insurance through the National Flood Insurance Plan (NFIP). Because the City has structures in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the City is eligible to purchase coverage of \$500,000 per structure through the NFIP for those structures. The City has chosen not to purchase coverage for its structures that are located in these areas. It has purchased content coverage in the amount of \$200,000 for one of its structures that is located in an "A" area.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are individually bonded for \$100,000 and \$50,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$20,000.

City of Mount Airy ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

I. Claims, Judgments and Contingent Liabilities

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

J. Long-Term Obligations

a. Installment Purchase

The City has an outstanding installment purchase from direct placement related to governmental activities totaling \$324,000 and installment purchase contracts from direct placements related to the business-type activities totaling \$7,674,705. The City has pledged the fire engine as collateral for the note related to governmental activities. The City's outstanding installment purchase contracts from direct placements related to business-type activities have terms that in the event of default the entire principal amount of the installment payments and interest is declared due and payable without notice or demand to the City, rights and remedies can be exercised by a secured party or creditor under the UCC of the State of North Carolina and the general laws of the state with respect to the enforcement of the security interest granted.

Installment purchase contracts payable at June 30, 2019 are comprised of the following individual contracts:

Serviced by the General Fund

| | |
|--|------------|
| \$360,000 Installment Purchase Contract with Surry Yadkin Electric Membership Corporation (through USDA REDLG Program) dated November 9, 2017 for the purchase of a fire engine due in annual installments of \$36,000 beginning on November 8, 2018 through November 8, 2027; interest at 0%; the fire engine is pledged as collateral for the debt | \$ 324,000 |
|--|------------|

Serviced by the Water and Sewer Fund

| | |
|--|--------------|
| \$6,300,000 Installment Purchase Contract with PNC Bank dated October 13, 2006 for the installation of water lines in annexation areas due in semiannual installments of \$242,307.69 beginning on April 1, 2009 through October 1, 2021; interest at 3.92% through May 1, 2013, then at 2.29% | \$ 1,211,538 |
|--|--------------|

| | |
|--|-----------|
| \$4,524,000 Installment Purchase Contract with Bank of America dated August 1, 2008 for the installation of sewer lines in annexation areas due in semiannual installments of \$125,666.67 beginning on February 1, 2011 through August 1, 2028; interest at 3.977% through May 1, 2013, then at 2.35% | 2,387,667 |
|--|-----------|

| | |
|---|-----------|
| \$3,762,000 Installment Purchase Contract with Branch Banking and Trust Company dated November 14, 2008 for the installation of sewer lines in annexation areas due in semiannual installments of \$104,500.00 beginning on May 1, 2011 through November 1, 2028; interest at 4.47% | 1,985,500 |
|---|-----------|

| | |
|---|---------------------|
| \$3,960,000 Installment Purchase Contract with Branch Banking and Trust Company dated January 16, 2009 for the installation of sewer lines in annexation areas due in semiannual installments of \$110,000.00 beginning on June 1, 2011 through December 1, 2028; interest at 4.09% | 2,090,000 |
| | <u>\$ 7,674,705</u> |

The City's outstanding installment purchase from direct placements related to governmental activities of \$324,000 contains a provision that in the event of default the unpaid balance at the time outstanding shall be due and payable at the election of Surry Yadkin Electric Membership Corporation.

Annual debt service payments of installment purchase contracts for governmental activities as of June 30, 2019 are as follows:

| Year ending June 30 | Governmental type activities From Direct Placements | | |
|------------------------|--|-------------|-------------------|
| | Principal | Interest | Total |
| 2020 | \$ 36,000 | \$ - | \$ 36,000 |
| 2021 | 36,000 | - | 36,000 |
| 2022 | 36,000 | - | 36,000 |
| 2023 | 36,000 | - | 36,000 |
| 2024 | 36,000 | - | 36,000 |
| 2025-2028 | 144,000 | - | 144,000 |
| Total | <u>\$ 324,000</u> | <u>\$ -</u> | <u>\$ 324,000</u> |

The City's outstanding Installment purchase from direct placement related to business type activities of \$1,211,538 contains provisions that in the event of default (a) the entire principal amount and all accrued interest and other charges immediately become due and payable without notice or (b) proceed by appropriate court action to enforce performance of the covenants or to recover for the breach thereof or (c) exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of North Carolina and the general laws of the State of North Carolina with respect to the enforcement of the security interest granted.

The City's outstanding Installment purchase from direct placement related to business type activities of \$2,387,667 contains provisions that in the event of default (a) the entire unpaid principal balance due and thereafter to become at once due and payable or (b) proceed by appropriate court action to enforce performance of the covenants or to recover for the breach thereof or (c) exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of North Carolina and the general laws of the State of North Carolina with respect to the enforcement of the security interest granted.

The City's outstanding Installment purchase from direct placement related to business type activities of \$1,985,500 contains provisions that in the event of default (a) declare the unpaid principal components immediately due and payable or (b) proceed by appropriate court action to enforce performance of the covenants or to recover for the breach thereof or (c) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate (d) exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of North Carolina and the general laws of the State of North Carolina with respect to the enforcement of the security interest granted.

The City's outstanding Installment purchase from direct placement related to business type activities of \$2,090,000 contains provisions that in the event of default (a) declare the unpaid principal components immediately due and payable or (b) proceed by appropriate court action to enforce performance of the covenants or to recover for the breach thereof or (c) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate (d) exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of North Carolina and the general laws of the State of North Carolina with respect to the enforcement of the security interest granted.

Annual debt service payments of installment purchase contracts for business type activities as of June 30, 2019, including \$1,193,332 of interest, are as follows:

| Year ending June 30 | Business type activities From Direct Placements | | |
|------------------------|--|--------------|--------------|
| | Principal | Interest | Total |
| 2020 | \$ 1,164,949 | \$ 249,251 | \$ 1,414,200 |
| 2021 | 1,164,949 | 213,907 | 1,378,856 |
| 2022 | 922,641 | 178,563 | 1,101,204 |
| 2023 | 680,333 | 151,541 | 831,874 |
| 2024 | 680,333 | 127,295 | 807,628 |
| 2025-2029 | 3,061,500 | 272,775 | 3,334,275 |
| Total | \$ 7,674,705 | \$ 1,193,332 | \$ 8,868,037 |

At June 30, 2019 the City of Mount Airy had a legal debt margin of \$82,817,372.

b. Changes in Long-Term Liabilities

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 | Current Portion of Balance |
|--|-------------------------|---------------------|-----------------------|--------------------------|----------------------------------|
| Governmental activities: | | | | | |
| Installment purchase from direct placement | \$ 360,000 | \$ - | \$ (36,000) | \$ 324,000 | \$ 36,000 |
| Compensated absences | 451,900 | 323,295 | (305,866) | 469,329 | 285,192 |
| Total pension liability (LEOSSA) | 1,438,070 | 11,057 | | 1,449,127 | - |
| Total pension liability (SPFF) | 222,637 | - | (22,806) | 199,831 | - |
| Net pension liability (LGERS) | 1,235,599 | 718,618 | - | 1,954,217 | - |
| Governmental activity long-term liabilities | <u>\$ 3,708,206</u> | <u>\$ 1,052,970</u> | <u>\$ (364,672)</u> | <u>\$ 4,396,504</u> | <u>\$ 321,192</u> |
| Business-type activities: | | | | | |
| Installment purchase from direct placements | \$ 8,839,653 | \$ - | \$ (1,164,948) | \$ 7,674,705 | \$ 1,164,949 |
| Compensated absences | 118,351 | 67,537 | (78,200) | 107,688 | 76,455 |
| Net pension liability (LGERS) | 300,068 | 174,519 | - | 474,587 | - |
| Business-type activity long-term liabilities | <u>\$ 9,258,072</u> | <u>\$ 242,056</u> | <u>\$ (1,243,148)</u> | <u>\$ 8,256,980</u> | <u>\$ 1,241,404</u> |

For the governmental activities, compensated absences, net pension liability and total pension liability are generally liquidated by the general fund. The LGERS plan had a net pension liability as of June 30, 2019. The LEOSSA and SPFF plans had a total pension liability at the end of the year.

K. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2019 is as follows:

Due to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|---------------------------------|--|-------------------|
| <i>General Fund</i> | <i>Grant Projects Fund</i> | \$ 439 |
| | <i>Water and Sewer Capital Projects Fund</i> | 57,382 |
| <i>Water and Sewer Fund</i> | | |
| | <i>Governmental Activities</i> | 108,560 |
| <i>Business Type Activities</i> | | <u>\$ 166,381</u> |

Interfund balances owed to the General Fund represent temporary advances to the Grant Projects Fund and will be repaid upon receipt of grant reimbursements and other permanent funding. Interfund balances owed to the Water and Sewer Fund resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Internal balances in the Government-wide Statements represent balances between the governmental activities and the business-type activities for the Internal Service Fund activity allocation.

Due to/from primary government and component units:

| Receivable Entity | Payable Entity | Amount |
|--|------------------------------|-------------------|
| <i>Primary Government</i> | <i>Component Unit</i> | |
| General Fund | City of Mount Airy ABC Board | \$ 49,100 |
| <i>Component Unit</i> | <i>Primary Government</i> | |
| Mount Airy Tourism Development Authority | General Fund | 148,699 |
| | | <u>\$ 197,799</u> |

Balances due to/from the primary government and component units represent distributions for the quarter ended June 30 that are made subsequent to year end.

Interfund Transfers:

| Transfer In: | | | | | |
|--------------------------------------|------------------|-----------------------------|----------------------|---------------------------------------|-------------------|
| Transfer out: | General Fund | Nonmajor Governmental Funds | Water and Sewer Fund | Water and Sewer Capital Projects Fund | Total |
| General Fund | \$ - | \$ 553,442 | \$ - | \$ - | \$ 553,442 |
| Nonmajor Governmental Funds | 10,000 | - | - | - | 10,000 |
| Water and Sewer Fund | | 94,223 | - | 6,427 | 100,650 |
| Water and Sewer Capital Reserve Fund | - | - | 200,000 | - | 200,000 |
| Total transfers out | <u>\$ 10,000</u> | <u>\$ 647,665</u> | <u>\$ 200,000</u> | <u>\$ 6,427</u> | <u>\$ 864,092</u> |

Transfers into the General Fund from nonmajor governmental funds represent the transfer of a portion of accumulated investment earnings from the Cemetery Endowment Fund to be used in the maintenance of the City's cemetery. Transfers were made into the Capital Projects funds from the General Fund for the Spencer's Mill Development Project in the amount of \$130,347, The Spencer's Mill Phase I Infrastructure Project of \$369,108 and for the Market Street Improvement Project in the amount of \$51,987. Transfers of \$2,000 into the Grant Fund (nonmajor) from the General Fund represent matching funds for grant projects. The transfer of \$94,223 from the Water and Sewer fund to the nonmajor governmental funds represents the water and sewer line portion of the Spencer's Mill Phase I Infrastructure Project. These lines will be transferred to the Water and Sewer Fund at completion. The transfer from the Water and Sewer Fund to the Water and Sewer Capital Projects Fund represent matching funds for a grant received for the Factory Street Water Line Improvement Project. The transfer from the Water and Sewer Capital Reserve Fund to the Water and Sewer Fund was for a payment to Surry County for sewer lines constructed in the Interstate Sewer District.

L. On- Behalf Payment for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2019, the City of Mount Airy has recognized on-behalf payments for the firefighters pension contributions made by the State as a revenue and an expenditure of \$5,130 for the 12 employed firemen who perform firefighting duties for the City's fire department. The employees elected to be members of the Firemen and Rescue Workers' Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income and a State appropriation.

M. Cemetery Endowment Fund

NC General Statutes Articles 17 and 17A provide authority for city owned cemeteries. The funds accumulated primarily from the sale of cemetery lots are used to generate investment earnings to be used for maintenance and beautification of the City's cemetery. During the year, the nonspendable portion of fund balance increased \$35,500 to \$1,031,220 due to the sale of cemetery lots. The stabilization by state statute portion increased \$2 to \$26. The committed portion of the fund balance increased \$13,227 to \$116,331. There was a transfer of \$10,000 to the General Fund for maintenance of the cemetery. Investment earnings were \$23,229.

N. Fund Balance

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

| | |
|--|---------------------|
| Total fund balance - General Fund | \$ 12,836,876 |
| Less: | |
| Prepays and inventory | (114,895) |
| Stabilization by state statute | <u>(3,395,756)</u> |
| Fund balance available for appropriation | 9,326,225 |
| Less: Restrictions, commitments, and assignments of fund balance available for appropriation | |
| Restricted for public safety | (228,647) |
| Restricted for streets | (613,130) |
| Committed for pensions | (645,756) |
| Appropriated fund balance in 2018-19 budget | <u>(250,741)</u> |
| Remaining fund balance | <u>\$ 7,587,951</u> |

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. General fund encumbrances include transfers to capital projects in the amount of \$470,885 for the Spencer Mill Development Project and \$1,304,900 for the Spencer's Phase 1 Infrastructure Project.

| | | |
|--------------|---------------------|------------------------|
| | <u>General Fund</u> | <u>Non-Major Funds</u> |
| Encumbrances | \$ 1,964,282 | \$ - |

4. Jointly Governed Organizations

The City, in conjunction with Surry County, established the Mount Airy-Surry County Airport Authority (Airport). The participating governments established the Airport to facilitate economic expansion within the City and County and improve the quality of life for their citizens. The City appoints two members to the Airport's seven member governing board. The City provided no funding for the Airport during the fiscal year ended June 30, 2019.

The City, in conjunction with five counties and twenty-one other municipalities established the Northwest Piedmont 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 City paid membership fees of \$3,799 to the Council during the fiscal year ended June 30, 2019.

5. Related Organizations

The five-member board of the City of Mount Airy Housing Authority is appointed by the mayor of the City of Mount Airy. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Mount Airy is also disclosed as a related organization in the notes to the financial statements for the City of Mount Airy Housing Authority.

6. Principal Water and Sewer Customer

Approximately 3.55 percent of the City's water and sewer charges for services are to one unrelated customer.

7. Summary Disclosure of Significant Contingencies

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

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Required Supplementary Information

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

Schedule of Proportionate Share of Net Pension Liability (Asset) for the Local Government Employees' Retirement System

Schedule of Contributions for the Local Government Employees' Retirement System

Schedule of Changes in Total Pension Liability

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Required Supplementary Information
Last Six Fiscal Years

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|------------|--------------|--------------|
| Proportion of net pension liability (asset) % | 0.10238% | 0.10052% | 0.10415% | 0.11375% | 0.11872% | 0.11700% |
| Proportion of the net pension liability (asset) (\$) | \$ 2,428,804 | \$ 1,535,667 | \$ 2,210,411 | \$ 510,503 | \$ (700,147) | \$ 1,410,299 |
| Covered payroll | 6,501,883 | 6,320,343 | 6,119,200 | 5,927,163 | 6,087,875 | 5,556,246 |
| City of Mount Airy's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 37.36% | 24.30% | 36.12% | 8.61% | (11.50%) | 25.38% |
| Plan fiduciary net position as a percentage of the total pension liability | 92.00% | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

City of Mount Airy Contributions
Local Government Employees' Retirement System
Required Supplementary Information
Last Six Fiscal Years

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------|------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 536,624 | \$ 507,114 | \$ 467,627 | \$ 413,099 | \$ 425,824 | \$ 434,225 |
| Contributions in relation to the contractually required contribution | 536,624 | 507,114 | 467,627 | 413,099 | 425,824 | 434,225 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | 6,786,841 | 6,501,883 | 6,320,343 | 6,119,200 | 5,927,163 | 6,087,875 |
| Contributions as a percentage of covered-employee payroll | 7.91% | 7.80% | 7.40% | 6.75% | 7.18% | 7.13% |

These statements are intended to show information for ten years. Additional years of information will be presented as it becomes available.

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance and
Supplementary Pension Fund for Firefighters
June 30, 2019

| | 2019 | | 2018 | | 2017 | |
|--|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| | LEOSSA | SPFF | LEOSSA | SPFF | LEOSSA | SPFF |
| Beginning balance | \$ 1,438,070 | \$ 222,637 | \$ 1,324,188 | \$ 277,909 | \$ 1,341,331 | \$ 261,473 |
| Service Cost | 56,404 | 14,580 | 41,122 | 17,695 | 44,388 | 12,062 |
| Interest | 44,055 | 8,492 | 49,545 | 7,859 | 46,479 | 9,938 |
| Difference between expected and actuarial experience | 49,157 | (26,132) | 31,339 | (34,291) | - | (23,849) |
| Changes of assumptions and other inputs | (50,679) | (10,338) | 73,151 | (35,192) | (29,187) | 31,377 |
| Benefit payments | (87,880) | (9,408) | (81,275) | (11,343) | (78,823) | (13,092) |
| Ending balance of the total pension liability | <u>\$ 1,449,127</u> | <u>\$ 199,831</u> | <u>\$ 1,438,070</u> | <u>\$ 222,637</u> | <u>\$ 1,324,188</u> | <u>\$ 277,909</u> |

The amount presented for each fiscal year were determined as of the prior December 31 for LEOSSA and the prior June 30 for SPFF,

Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance and
Supplementary Pension Fund for Firefighters
June 30, 2019

| | 2019 | | 2018 | | 2017 | |
|--|--------------|------------|--------------|------------|--------------|------------|
| | LEOSSA | SPFF | LEOSSA | SPFF | LEOSSA | SPFF |
| Total Pension Liability | \$ 1,449,127 | \$ 199,831 | \$ 1,438,070 | \$ 222,637 | \$ 1,324,188 | \$ 277,909 |
| Covered payroll | 1,744,931 | 1,074,359 | 1,798,704 | 869,767 | 1,455,142 | 859,553 |
| Total pension liability as a percentage of covered payroll | 83.05% | 18.60% | 79.95% | 25.60% | 91.00% | 32.33% |

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

These statements are intended to show information for ten years. Additional years of information will be presented as it becomes available.



Combining and Individual Fund Statements and Schedules

This section contains combining and individual fund schedules as follows:

Major Governmental Funds

Nonmajor Governmental Funds

Proprietary Funds

Fiduciary Funds

Tax Schedules



Major Governmental Funds

The General Fund

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds. This fund includes the *Economic Stabilization Fund*, a legally budgeted fund established by the governing body to account for the accumulation of funds for major economic development purposes, minimization of the need for tax rate increases, and short-term economic and rate stabilization in the event of the loss of major taxpayers or water and sewer customers.



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

For the Year Ended June 30, 2019

| | 2019 | | Variance Positive (Negative) |
|---|------------------|------------------|------------------------------------|
| | Budget | Actual | |
| Revenues | | | |
| Ad valorem taxes | | | |
| Taxes | \$ | \$ 6,737,657 | \$ |
| Penalties, fees, and interest | | 37,758 | |
| | <u>6,622,200</u> | <u>6,775,415</u> | <u>153,215</u> |
| Other taxes and licenses | | | |
| Occupancy tax | | 520,236 | |
| Rental vehicle tax | | 31,060 | |
| Privilege licenses | | 1,625 | |
| | <u>547,400</u> | <u>552,921</u> | <u>5,521</u> |
| Unrestricted intergovernmental revenues | | | |
| Local option sales tax | | 3,189,384 | |
| Utility sales tax | | 821,187 | |
| Piped natural gas sales tax | | 18,669 | |
| Telecommunications tax | | 61,253 | |
| Local video programming revenue | | 58,774 | |
| Beer and wine tax | | 44,435 | |
| Payments in lieu of taxes | | 57,310 | |
| ABC profit distribution | | 170,605 | |
| | <u>4,193,800</u> | <u>4,421,617</u> | <u>227,817</u> |
| Restricted intergovernmental revenues | | | |
| Powell Bill allocation | | 317,480 | |
| Unauthorized substance tax | | 22,255 | |
| On-behalf of payments - Fire | | 5,130 | |
| Solid waste disposal tax | | 7,641 | |
| ABC Revenue for law enforcement | | 10,928 | |
| | <u>346,763</u> | <u>363,434</u> | <u>16,671</u> |

Continued on next page.

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

| | 2019 | |
|-------------------------------------|-------------------|------------------------------------|
| | Budget | Variance Positive (Negative) |
| Permits and fees | | |
| Inspection fees | \$ | \$ 1,050 |
| Other fees | | 17,575 |
| | <u>16,500</u> | <u>2,125</u> |
| Sales and services | | |
| Rents, sales and fees | | 5,270 |
| Police services | | 41,377 |
| Fire services | | 13,880 |
| Public Works services | | 1,441 |
| Sanitation services | | 191,512 |
| Parks and Recreation fees | | 1,059,233 |
| | <u>1,315,587</u> | <u>(2,874)</u> |
| Investment earnings | <u>108,400</u> | <u>241,880</u> |
| | | <u>133,480</u> |
| Miscellaneous | | |
| Sale of materials | | 411 |
| Other | | 171,855 |
| | <u>39,778</u> | <u>172,266</u> |
| | | <u>132,488</u> |
| Total revenues | <u>13,190,428</u> | <u>13,858,871</u> |
| | | <u>668,443</u> |
| Expenditures | | |
| Legislative | | |
| City Board | | |
| Salaries and employee benefits | | 86,471 |
| Professional and technical services | | 130,132 |
| Other operating expenditures | | 140,528 |
| Special appropriations | | 21,889 |
| | | <u>379,020</u> |

Continued on next page.

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

For the Year Ended June 30, 2019

| | 2019 | | |
|------------------------------|---------|----------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| Appearance Commission | | | |
| Other operating expenditures | \$ | \$ 7,428 | \$ |
| | | 7,428 | |
| Mount Airy City Schools | | | |
| Special appropriations | | 7,500 | |
| | | 7,500 | |
| Mount Airy Rescue Squad | | | |
| Special appropriations | | 7,500 | |
| | | 7,500 | |
| Surry Arts Council | | | |
| Special appropriations | | 187,500 | |
| | | 187,500 | |
| Andy Griffith Playhouse | | | |
| Other operating expenditures | | 18,854 | |
| Capital outlay | | 5,559 | |
| | | 24,413 | |
| Regional Museum of History | | | |
| Special appropriations | | 10,000 | |
| | | 10,000 | |
| Regional Library | | | |
| Other operating expenditures | | 30,763 | |
| Special appropriations | | 103,650 | |
| | | 134,413 | |
| Downtown Mount Airy | | | |
| Other operating expenditures | | 19,794 | |
| | | 19,794 | |
| Total Legislative | 963,368 | 777,568 | 185,800 |

Continued on next page.

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

For the Year Ended June 30, 2019

| | 2019 | | |
|-------------------------------------|-----------|------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| Administration | | | |
| Salaries and employee benefits | \$ | \$ 261,915 | \$ |
| Other operating expenditures | | 177,044 | |
| Reimbursement-proprietary funds | | (98,000) | |
| Total Administration | 399,537 | 340,959 | 58,578 |
| Finance | | | |
| Salaries and employee benefits | | 579,922 | |
| Professional and technical services | | 256 | |
| Other operating expenditures | | 206,767 | |
| Capital outlay | | 38,445 | |
| Reimbursement-proprietary funds | | (213,000) | |
| Total Finance | 641,303 | 612,390 | 28,913 |
| Human Resources | | | |
| Salaries and employee benefits | | 122,912 | |
| Professional and technical services | | 2,650 | |
| Other operating expenditures | | 5,981 | |
| Reimbursement-proprietary funds | | (33,000) | |
| Total Human Resources | 104,109 | 98,543 | 5,566 |
| Planning and Development | | | |
| Salaries and employee benefits | | 72,104 | |
| Professional and technical services | | 178,600 | |
| Other operating expenditures | | 29,727 | |
| Total Planning and Development | 309,349 | 280,431 | 28,918 |
| Police | | | |
| Salaries and employee benefits | | 3,145,669 | |
| Professional and technical services | | 2,559 | |
| Other operating expenditures | | 723,249 | |
| Capital outlay | | 118,261 | |
| Total Police | 4,303,563 | 3,989,738 | 313,825 |

Continued on next page.

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

For the Year Ended June 30, 2019

| | 2019 | | Variance Positive (Negative) |
|---|----------------|--------------|------------------------------------|
| | Budget | Actual | |
| Fire | | | |
| Salaries and employee benefits | \$ | \$ 1,469,070 | \$ |
| Professional and technical services | | 23,112 | |
| Other operating expenditures | | 273,705 | |
| Capital outlay | | 82,100 | |
| Total Fire | 1,982,035 | 1,847,987 | 134,048 |
| Public Services | | | |
| Salaries and employee benefits | | 1,355,957 | |
| Professional and technical services | | 98,324 | |
| Other operating expenditures | | 678,706 | |
| Capital outlay | | 517,066 | |
| Reimbursement-proprietary funds | | (98,000) | |
| Total Public Services | 3,087,503 | 2,552,053 | 535,450 |
| Parks and Recreation | | | |
| Salaries and employee benefits | | 1,211,244 | |
| Professional and technical services | | 13,941 | |
| Other operating expenditures | | 864,274 | |
| Capital outlay | | 103,454 | |
| Total Parks and Recreation | 2,466,662 | 2,192,913 | 273,749 |
| Payment to Mount Airy Tourism Development Authority | 525,000 | 520,236 | 4,764 |
| Total | 525,000 | 520,236 | 4,764 |
| Debt Service | 216,000 | 36,000 | 180,000 |
| Total expenditures | 14,998,429 | 13,248,818 | 1,749,611 |
| Revenues over (under) expenditures | \$ (1,808,001) | \$ 610,053 | \$ 2,418,054 |
| Other financing sources (uses) | | | |
| Transfers from other funds | | | |
| Permanent Fund | | | |
| Cemetery Endowment Fund | 10,000 | 10,000 | - |
| | 10,000 | 10,000 | - |

Continued on next page.

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

For the Year Ended June 30, 2019

| | 2019 | | Variance Positive (Negative) |
|--|--------------------|----------------------|------------------------------------|
| | Budget | Actual | |
| Transfers to other funds | | | |
| Special Revenue Funds | | | |
| Grant Projects Fund | \$ (12,001) | \$ (2,000) | \$ 10,001 |
| Capital Projects Fund | (2,327,396) | (551,442) | 1,775,954 |
| | <u>(2,339,397)</u> | <u>(553,442)</u> | <u>1,785,955</u> |
| Sale of capital assets | <u>26,598</u> | <u>48,097</u> | <u>21,499</u> |
| Total other financing sources (uses) | <u>(2,302,799)</u> | <u>(495,345)</u> | <u>1,807,454</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | (4,110,800) | 114,708 | 4,225,508 |
| Appropriated fund balance | <u>4,110,800</u> | <u>-</u> | <u>(4,110,800)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>114,708</u> | <u>\$ 114,708</u> |
| Fund balance | | | |
| Beginning of year, July 1 | | <u>11,320,807</u> | |
| End of year, June 30 | | <u>\$ 11,435,515</u> | |

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

For the Year Ended June 30, 2019

| | 2019 | | Variance Positive (Negative) |
|-------------------------------|-----------|---------------------|------------------------------------|
| | Budget | Actual | |
| Revenues | | | |
| Investment earnings | \$ 14,400 | \$ 28,620 | \$ 14,220 |
| Revenues over expenditures | 14,400 | 28,620 | 14,220 |
| Appropriation to fund balance | (14,400) | - | 14,400 |
| Net change in fund balance | \$ - | 28,620 | \$ 28,620 |
| Fund balance | | | |
| Beginning of year, July 1 | | 1,372,741 | |
| End of year, June 30 | | <u>\$ 1,401,361</u> | |



Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally or administratively restricted to expenditure for particular purposes.

Municipal Service District Fund – accounts for the receipt and expenditure of tax revenues levied for the Municipal Service District, a special tax district.

Emergency 911 Fund – accounts for the receipt and expenditure of 911 funds.

Grant Projects Fund - accounts for the following grant projects:

Lovills Creek Slope Repair Grant Project - accounts for the receipt and expenditure of funds under a NC Department of Transportation grant designed to provide funding for design and construction necessary to repair slope protection along Lovills Creek.

National Recreation and Park Association Riverside Park Grant Project – accounts for the receipt and expenditure of funds under a NRPA and The Walt Disney Company grant designed to fund “Meet Me At The Park” play spaces.

National Recreation and Park Association Healthy Food Grant Project – accounts for the receipt and expenditure of funds under a NRPA and Walmart Foundation grant designed to fund healthy out of school time programs.

National Recreation and Park Association Youth Mentorship Grant Project – accounts for the receipt and expenditure of funds under a NRPA grant designed to fund a mentorship program for children ages 6 to 12 who are in underserved communities and/or affected by the opioid crisis.

National Recreation and Park Association Grant Project – accounts for the receipt and expenditure of funds under a NRPA and Walmart Foundation grant designed to fund healthy out of school time programs.

Historic Preservation Grant Project - accounts for the receipt and expenditure of funds under a Historic Preservation Fund Grant to provide funding for the Mount Airy architectural survey update.

Whittling Wall Grant Project – accounts for the receipt and expenditure of funds under a NC Department of Commerce, Downtown Revitalization grant designed to fund to upgrade a retaining wall in downtown Mount Airy.

Capital Projects Fund

Capital Projects Fund is used to account for the acquisition or construction of major capital facilities and infrastructure improvements other than those financed by Proprietary Funds.

Capital Projects Fund - accounts for the following capital projects:

Spencer’s Mill Development Project – accounts for funds spent for redevelopment of the Spencer Mill area in downtown Mount Airy.

Market Street Improvement Project - accounts for the funds spent on improvements to the street, lighting and sidewalks on Market Street.

Spencer's Mill Phase I Infrastructure Project – accounts for funds spent for infrastructure in Spencer Mill area in downtown Mount Airy.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Endowment Fund – accounts for assets held by the City in a trustee capacity for the perpetual maintenance of the municipal cemetery.

City of Mount Airy, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Exhibit B-1

| | Municipal Service District Fund | Grant Projects Fund | Emergency 911 Fund | Capital Projects Fund | Cemetery Endowment Fund | Total Non- Major Governmental Funds |
|--|--|------------------------------------|-------------------------------|--------------------------------------|--|--|
| Assets | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 89,328 | \$ 1,147,551 | \$ 1,236,879 |
| Restricted cash and cash equivalents | 201,964 | - | 47,982 | - | - | 249,946 |
| Receivables (net) | | | | | | |
| Interest | 5 | - | 1 | - | 26 | 32 |
| Taxes | 593 | - | | - | - | 593 |
| Restricted receivables | - | 3,128 | | - | - | 3,128 |
| Due from other governments | 807 | - | 1,207 | - | - | 2,014 |
| | <u>807</u> | <u>-</u> | <u>1,207</u> | <u>-</u> | <u>-</u> | <u>2,014</u> |
| Total assets | <u>\$ 203,369</u> | <u>\$ 3,128</u> | <u>\$ 49,190</u> | <u>\$ 89,328</u> | <u>\$ 1,147,577</u> | <u>\$ 1,492,592</u> |
| Liabilities | | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ - | \$ 89,328 | \$ - | \$ 89,328 |
| Due to other funds | - | 439 | - | - | - | 439 |
| Liabilities to be paid from restricted assets | - | 2,689 | - | - | - | 2,689 |
| | <u>-</u> | <u>2,689</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,689</u> |
| Total liabilities | <u>-</u> | <u>3,128</u> | <u>-</u> | <u>89,328</u> | <u>-</u> | <u>92,456</u> |
| Deferred Inflows of Resources | <u>593</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>593</u> |
| Fund Balances | | | | | | |
| Nonspendable | | | | | | |
| Perpetual maintenance | - | - | - | - | 1,031,220 | 1,031,220 |
| Restricted | | | | | | |
| Stabilization by State Statute | 812 | 3,128 | 1,208 | - | 26 | 5,174 |
| Municipal Service District | 201,964 | - | - | - | - | 201,964 |
| Public Safety | - | - | 47,982 | - | - | 47,982 |
| Committed | | | | | | |
| Other | - | - | | - | 116,331 | 116,331 |
| Unassigned | - | (3,128) | - | - | - | (3,128) |
| | <u>-</u> | <u>(3,128)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,128)</u> |
| Total fund balances | <u>202,776</u> | <u>-</u> | <u>49,190</u> | <u>-</u> | <u>1,147,577</u> | <u>1,399,543</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 203,369</u> | <u>\$ 3,128</u> | <u>\$ 49,190</u> | <u>\$ 89,328</u> | <u>\$ 1,147,577</u> | <u>\$ 1,492,592</u> |

City of Mount Airy, North Carolina
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances**
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

Exhibit B-2

| | Municipal Service District Fund | Grant Projects Fund | Emergency 911 Fund | Capital Projects Fund | Cemetery Endowment Fund | Total Non- Major Governmental Funds |
|--|--|------------------------------------|-------------------------------|--------------------------------------|--|--|
| Revenues | | | | | | |
| Ad valorem taxes | \$ 100,427 | \$ - | \$ - | \$ - | \$ - | \$ 100,427 |
| Restricted intergovernmental revenues | - | 20,309 | 7,240 | - | - | 27,549 |
| Sales and services | - | - | - | - | 35,500 | 35,500 |
| Investment earnings | 4,123 | - | 1,048 | - | 23,229 | 28,400 |
| Miscellaneous | - | 37,128 | 7 | - | - | 37,135 |
| Total revenues | <u>104,550</u> | <u>57,437</u> | <u>8,295</u> | <u>-</u> | <u>58,729</u> | <u>229,011</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| Public safety | - | - | 13,243 | - | - | 13,243 |
| Public works/transportation | - | 17,309 | - | - | - | 17,309 |
| Culture and recreation | - | 38,128 | - | - | - | 38,128 |
| Economic and physical development | 82,986 | 4,000 | - | 554,450 | - | 641,436 |
| Total expenditures | <u>82,986</u> | <u>59,437</u> | <u>13,243</u> | <u>554,450</u> | <u>-</u> | <u>710,116</u> |
| Revenues over expenditures | <u>21,564</u> | <u>(2,000)</u> | <u>(4,948)</u> | <u>(554,450)</u> | <u>58,729</u> | <u>(481,105)</u> |
| Other financing sources (uses) | | | | | | |
| Transfers from other funds | | | | | | |
| General Fund | - | 2,000 | - | 645,665 | - | 647,665 |
| | <u>-</u> | <u>2,000</u> | <u>-</u> | <u>645,665</u> | <u>-</u> | <u>647,665</u> |
| Transfers to other funds | | | | | | |
| General Fund | - | - | - | - | (10,000) | (10,000) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(10,000)</u> | <u>(10,000)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>2,000</u> | <u>-</u> | <u>645,665</u> | <u>(10,000)</u> | <u>637,665</u> |
| Net change in fund balances | 21,564 | - | (4,948) | 91,215 | 48,729 | 156,560 |
| Fund balances | | | | | | |
| Beginning of year, July 1 | 181,212 | - | 54,138 | (91,215) | 1,098,848 | 1,242,983 |
| End of year, June 30 | <u>\$ 202,776</u> | <u>\$ -</u> | <u>\$ 49,190</u> | <u>\$ -</u> | <u>\$ 1,147,577</u> | <u>\$ 1,399,543</u> |

Special Revenue Fund - Municipal Service District Fund**Schedule of Revenues, Expenditures, and****Changes in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2019

| | 2019 | | |
|---|-----------|------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| Revenues | | | |
| Ad valorem taxes | | | |
| Taxes | \$ 92,000 | \$ 99,956 | \$ 7,956 |
| Penalties, fees, and interest | - | 471 | 471 |
| | 92,000 | 100,427 | 8,427 |
| Investment earnings | 1,800 | 4,123 | 2,323 |
| | | | |
| Total revenues | 93,800 | 104,550 | 10,750 |
| | | | |
| Expenditures | | | |
| Economic and physical development | | | |
| Professional and technical services | | 9,313 | |
| Operating expenditures | | 18,673 | |
| Special appropriations | | 55,000 | |
| Total economic and physical development | 94,875 | 82,986 | 11,889 |
| | | | |
| Total expenditures | 94,875 | 82,986 | 11,889 |
| | | | |
| Revenues over expenditures | (1,075) | 21,564 | 22,639 |
| Appropriated fund balance | 1,075 | - | (1,075) |
| | | | |
| Net change in fund balance | \$ - | 21,564 | \$ 21,564 |
| | | | |
| Fund balance | | | |
| Beginning of year, July 1 | | 181,212 | |
| End of year, June 30 | | \$ 202,776 | |

Special Revenue Fund - Grant Projects Fund**Schedule of Revenues, Expenditures, and****Changes in Fund Balance - Budget and Actual**

From Inception and for the Year Ended June 30, 2019

| | | Actual | | | Variance |
|--|--------------------------|----------------|-----------------|------------------|------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Positive (Negative) |
| Revenues | | | | | |
| Lovills Creek Slope Repair Grant Project | | | | | |
| Restricted intergovernmental revenues | | | | | |
| Grant proceeds | \$ 150,000 | \$ 130,447 | \$ 17,309 | \$ 147,756 | \$ (2,244) |
| Total | 150,000 | 130,447 | 17,309 | 147,756 | (2,244) |
| National Recreation and Park Association Riverside Park Grant Project | | | | | |
| Miscellaneous | | | | | |
| Donations | 30,000 | - | 30,000 | 30,000 | - |
| Total | 30,000 | - | 30,000 | 30,000 | - |
| National Recreation and Park Association Healthy Food Grant Project | | | | | |
| Miscellaneous | | | | | |
| Donations | 27,000 | - | 3,128 | 3,128 | (23,872) |
| Total | 27,000 | - | 3,128 | 3,128 | (23,872) |
| National Recreation and Park Association Youth Mentorship Grant Project | | | | | |
| Miscellaneous | | | | | |
| Donations | 110,000 | - | - | - | (110,000) |
| Total | 110,000 | - | - | - | (110,000) |
| Historic Preservation Grant Project | | | | | |
| Restricted intergovernmental revenues | | | | | |
| Grant proceeds | 18,000 | 15,000 | 3,000 | 18,000 | - |
| Total | 18,000 | 15,000 | 3,000 | 18,000 | - |
| Whittling Wall Grant Project | | | | | |
| Restricted intergovernmental revenues | | | | | |
| Grant proceeds | 94,340 | 94,340 | - | 94,340 | - |
| Miscellaneous | | | | | |
| Donations | 10,582 | 10,116 | 4,000 | 14,116 | 3,534 |
| Total | 104,922 | 104,456 | 4,000 | 108,456 | 3,534 |
| Total revenues | 439,922 | 249,903 | 57,437 | 307,340 | (132,582) |

Continued on next page.

Special Revenue Fund - Grant Projects Fund**Schedule of Revenues, Expenditures, and****Changes in Fund Balance - Budget and Actual**

From Inception and for the Year Ended June 30, 2019

| | | Actual | | | Variance |
|--|---------------|------------|-----------|------------|------------|
| | Project | Prior | Current | Total to | Positive |
| | Authorization | Years | Year | Date | (Negative) |
| Expenditures | | | | | |
| Public works/transportation | | | | | |
| Lovills Creek Slope Repair Grant Project | | | | | |
| Public works/transportation expenditures | \$ 150,000 | \$ 130,447 | \$ 17,309 | \$ 147,756 | \$ 2,244 |
| Total public works/transportation | 150,000 | 130,447 | 17,309 | 147,756 | 2,244 |
| Culture and Recreation | | | | | |
| National Recreation and Park Association | | | | | |
| Riverside Park Grant Project | | | | | |
| Culture and recreation expenditures | 30,000 | - | 30,000 | 30,000 | - |
| National Recreation and Park Association | | | | | |
| Healthy Food Grant Project | | | | | |
| Culture and recreation expenditures | 27,000 | - | 3,128 | 3,128 | 23,872 |
| National Recreation and Park Association | | | | | |
| Youth Mentorship Grant Project | | | | | |
| Culture and recreation expenditures | 110,000 | - | - | - | 110,000 |
| Historic Preservation Grant Project | | | | | |
| Culture and recreation expenditures | 30,000 | 25,000 | 5,000 | 30,000 | - |
| Total culture and recreation expenditures | 197,000 | 25,000 | 38,128 | 63,128 | 133,872 |
| Economic and physical development | | | | | |
| Whittling Wall Grant Project | | | | | |
| Economic and physical development expenditures | 113,322 | 107,255 | 4,000 | 111,255 | 2,067 |
| Total economic and development expenditures | 113,322 | 107,255 | 4,000 | 111,255 | 2,067 |
| Total expenditures | 460,322 | 262,702 | 59,437 | 322,139 | 138,183 |
| Revenues over (under) expenditures | (20,400) | (12,799) | (2,000) | (14,799) | 5,601 |

Continued on next page.

Special Revenue Fund - Grant Projects Fund**Schedule of Revenues, Expenditures, and****Changes in Fund Balance - Budget and Actual**

From Inception and for the Year Ended June 30, 2019

| | | Actual | | | Variance |
|-------------------------------------|---------------|----------|---------|----------|------------|
| | Project | Prior | Current | Total to | Positive |
| | Authorization | Years | Year | Date | (Negative) |
| Other financing sources | | | | | |
| Whittling Wall Grant Project | | | | | |
| Transfers from other funds | | | | | |
| General Fund | \$ 8,400 | \$ 2,799 | \$ - | \$ 2,799 | \$ (5,601) |
| Historic Preservation Grant Project | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 12,000 | 10,000 | 2,000 | 12,000 | - |
| Total other financing sources | 20,400 | 12,799 | 2,000 | 14,799 | (5,601) |
| Net change in fund balance | \$ - | \$ - | - | \$ - | \$ - |
| Fund balance | | | | | |
| Beginning of year, July 1 | | | - | | |
| End of year, June 30 | | | \$ - | | |

Special Revenue Fund - Emergency 911 Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

| | 2019 | | |
|------------------------------------|----------|-----------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| Revenues | | | |
| Contribution from Surry County | \$ 7,240 | \$ 7,240 | \$ - |
| | 7,240 | 7,240 | - |
| Investment earnings | 700 | 1,048 | 348 |
| Miscellaneous | - | 7 | 7 |
| Total revenues | 7,940 | 8,295 | 355 |
| Expenditures | | | |
| Public Safety | | | |
| Operating expenditures | | 13,243 | |
| Total public safety | 27,874 | 13,243 | 14,631 |
| Total expenditures | 27,874 | 13,243 | 14,631 |
| Revenues over (under) expenditures | (19,934) | (4,948) | 14,986 |
| Appropriated fund balance | 19,934 | - | (19,934) |
| Net change in fund balance | \$ - | (4,948) | \$ (4,948) |
| Fund balance | | | |
| Beginning of year, July 1 | | 54,138 | |
| End of year, June 30 | | \$ 49,190 | |

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

From Inception and for the Year Ended June 30, 2019

| | | Actual | | | Variance Positive (Negative) |
|--|--------------------------|------------------|------------------|--------------------|------------------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | |
| Expenditures | | | | | |
| Spencer's Mill Development Project | | | | | |
| Technical Services | \$ 1,001,835 | \$ 491,818 | \$ 39,132 | \$ 530,950 | \$ 470,885 |
| | <u>1,001,835</u> | <u>491,818</u> | <u>39,132</u> | <u>530,950</u> | <u>470,885</u> |
| Market Street Improvement Project | | | | | |
| Other Services | 60,000 | 48,018 | - | 48,018 | 11,982 |
| General Supplies | 5,000 | 100 | 488 | 588 | 4,412 |
| Capital Outlay | <u>257,750</u> | <u>188,744</u> | <u>51,499</u> | <u>240,243</u> | <u>17,507</u> |
| | <u>322,750</u> | <u>236,862</u> | <u>51,987</u> | <u>288,849</u> | <u>33,901</u> |
| Spencer's Mill Phase I Infrastructure Project | | | | | |
| Professional Services | 210,050 | - | 64,384 | 64,384 | 145,666 |
| Capital Outlay | <u>1,925,000</u> | <u>-</u> | <u>398,947</u> | <u>398,947</u> | <u>1,526,053</u> |
| | <u>2,135,050</u> | <u>-</u> | <u>463,331</u> | <u>463,331</u> | <u>1,671,719</u> |
| Total expenditures | <u>3,459,635</u> | <u>728,680</u> | <u>554,450</u> | <u>1,283,130</u> | <u>2,176,505</u> |
| Revenues over (under) expenditures | <u>(3,459,635)</u> | <u>(728,680)</u> | <u>(554,450)</u> | <u>(1,283,130)</u> | <u>2,176,505</u> |
| Other financing sources (uses) | | | | | |
| Spencers Mill Development Project | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 1,001,835 | 400,603 | 130,347 | 530,950 | (470,885) |
| Market Street Improvement Project | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 322,750 | 236,862 | 51,987 | 288,849 | (33,901) |

Continued on next page.

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

From Inception and for the Year Ended June 30, 2019

| | Project Authorization | Prior Years | Actual | | Variance Positive (Negative) |
|--|--------------------------|--------------------|----------------|------------------|---------------------------------|
| | | | Current Year | Total to Date | |
| Spencer's Mill Phase I Infrastructure Project | | | | | |
| Transfers from other funds | | | | | |
| General Fund | \$ 1,636,939 | \$ - | \$ 369,108 | \$ 369,108 | \$ (1,267,831) |
| Water and Sewer Fund | 498,111 | - | 94,223 | 94,223 | (403,888) |
| | <u>2,135,050</u> | <u>-</u> | <u>463,331</u> | <u>463,331</u> | <u>(1,671,719)</u> |
| Total other financing sources | <u>3,459,635</u> | <u>637,465</u> | <u>645,665</u> | <u>1,283,130</u> | <u>(2,176,505)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (91,215)</u> | <u>91,215</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance | | | | | |
| Beginning of year, July 1 | | | (91,215) | | |
| End of year, June 30 | | | <u>\$ -</u> | | |



Proprietary Funds

Enterprise Fund

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

Water and Sewer Fund – accounts for the activities of the City's water and sewer operations. This fund includes the associated *Extraterritorial Water and Sewer Capital Reserve Fund*, used to accumulate funds internally earmarked for the expansion of the City's water and sewer system outside the geographic boundaries of the city and the associated *Water and Sewer Projects Fund*, used to account for grant and capital expansion projects.

Internal Service Fund

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

Worker Compensation Fund – accounts for employee worker compensation program.



Water and Sewer Fund**Schedule of Revenues and Expenditures -****Budget and Actual (Non-GAAP)**

For the Year Ended June 30, 2019

| | 2019 | | Variance Positive (Negative) |
|-------------------------------------|------------|------------|------------------------------------|
| | Budget | Actual | |
| Revenues | | | |
| Operating revenues | | | |
| Charges for services | | | |
| Facility Rent | \$ 107,750 | \$ 108,585 | \$ 835 |
| Water sales | 3,285,400 | 3,313,681 | 28,281 |
| Sewer charges | 2,238,700 | 2,279,787 | 41,087 |
| Connection fees and penalties | 112,000 | 123,637 | 11,637 |
| Industrial pre-treatment fees | 25,000 | 24,491 | (509) |
| Water and sewer district charges | 135,600 | 162,874 | 27,274 |
| Water and sewer taps | 50,000 | 42,950 | (7,050) |
| Other charges | 2,800 | 6,837 | 4,037 |
| Total charges for services | 5,957,250 | 6,062,842 | 105,592 |
| Other operating revenues | 36,920 | 46,968 | 10,048 |
| Total operating revenues | 5,994,170 | 6,109,810 | 115,640 |
| Nonoperating revenues | | | |
| Investment earnings | 33,000 | 86,059 | 53,059 |
| Total revenues | 6,027,170 | 6,195,869 | 168,699 |
| Expenditures | | | |
| Administration | | | |
| Utility service fees | | 98,000 | |
| | 100,000 | 98,000 | 2,000 |
| Finance | | | |
| Salaries and employee benefits | | 71,181 | |
| Professional and technical services | | 1,766 | |
| Repairs and maintenance | | 1,839 | |
| Other operating expenditures | | 92,224 | |
| Utility service fees | | 213,000 | |
| | 443,323 | 380,010 | 63,313 |

Continued on next page.

Water and Sewer Fund**Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)**

For the Year Ended June 30, 2019

| | 2019 | | Variance Positive (Negative) |
|---|-------------|-----------|------------------------------------|
| | Budget | Actual | |
| Human Resources | | | |
| Utility service fees | \$ | \$ 33,000 | \$ |
| | 35,000 | 33,000 | 2,000 |
| Public services | | | |
| Salaries and employee benefits | | 1,592,873 | |
| Professional and technical services | | 103,724 | |
| Repairs and maintenance | | 349,332 | |
| Other operating expenditures | | 1,001,365 | |
| Capital outlay | | 740,382 | |
| Utility service fees | | 98,000 | |
| | 5,039,532 | 3,885,676 | 1,153,856 |
| Debt service | | | |
| Interest and fees | | 284,581 | |
| Principal retirement | | 1,164,948 | |
| | 1,449,547 | 1,449,529 | 18 |
| Total expenditures | 7,067,402 | 5,846,215 | 1,221,187 |
| Revenues over (under) expenditures | (1,040,232) | 349,654 | 1,389,886 |
| Other financing sources (uses) | | | |
| Transfers from other funds | | | |
| Extraterritorial Water and Sewer Capital Reserve Fund | 200,000 | 200,000 | - |
| Transfers to other funds | | | |
| Water and Sewer Capital Projects Fund | (829,218) | (6,427) | 822,791 |
| Governmental Capital Projects Fund | (498,111) | (94,223) | 403,888 |
| | (1,327,329) | (100,650) | 1,226,679 |
| Capital Contributions | - | 4,826 | 4,826 |
| Total other financing sources (uses) | (1,127,329) | 104,176 | 1,231,505 |
| Revenues and other financing sources over (under) expenditures and other financing uses | (2,167,561) | 453,830 | 2,621,391 |
| Appropriated fund balance | 2,167,561 | - | (2,167,561) |
| Revenues and appropriated fund balance over expenditures | \$ - | 453,830 | \$ 453,830 |

Continued on next page.

Water and Sewer Fund**Schedule of Revenues and Expenditures -****Budget and Actual (Non-GAAP)**

For the Year Ended June 30, 2019

| | 2019 | | |
|--|--------|--------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| Reconciliation from budgetary basis (modified accrual) to full accrual basis: | | | |
| Reconciling items: | | | |
| Principal retirement | | \$ 1,164,948 | |
| Capital outlay | | 740,382 | |
| Change in inventories | | (53,764) | |
| Change in accrued interest on debt | | 7,542 | |
| Change in compensated absences | | 10,663 | |
| Decrease in deferred outflows of resources - pensions | | 140,781 | |
| Decrease in deferred inflows of resources - pensions | | 14,187 | |
| Change in net pension liability | | (174,519) | |
| Depreciation | | (1,872,211) | |
| Investment earnings from Extraterritorial Water and Sewer Capital Reserve Fund | | 15,421 | |
| Transfer from Extraterritorial Water and Sewer Capital Reserve Fund | | (200,000) | |
| Item related to subfund - Water and Sewer Projects Fund | | | |
| Capital contributions | | 67,434 | |
| Non-capitalized expenditures | | (34,713) | |
| Transfer to Water and Sewer Projects Fund | | 6,427 | |
| Total reconciling items | | (167,422) | |
| Change in net position | | \$ 286,408 | |

Extraterritorial Water and Sewer Capital Reserve Fund**Schedule of Revenues and Expenditures -****Budget and Actual (Non-GAAP)***For the Year Ended June 30, 2019*

| | 2019 | | |
|---|---------------|---------------|---|
| | Budget | Actual | Variance Positive (Negative) |
| Revenues | | | |
| Nonoperating revenues | | | |
| Investment earnings | \$ 4,000 | \$ 15,421 | \$ 11,421 |
| Total Revenues | 4,000 | 15,421 | 11,421 |
| Other financing uses | | | |
| Transfers to other funds | | | |
| Water and Sewer Fund | 200,000 | 200,000 | - |
| Total other financing uses | 200,000 | 200,000 | - |
| Revenues over (under) expenditures and other financing uses | (196,000) | (184,579) | 11,421 |
| Appropriated fund balance | 196,000 | - | (196,000) |
| Revenues and appropriated fund balance over (under) expenditures and other financing uses | \$ - | \$ (184,579) | \$ (184,579) |

Water and Sewer Projects Fund**Schedule of Revenues and Expenditures -****Budget and Actual (Non-GAAP)**

From Inception and for the Year Ended June 30, 2019

| | | Actual | | | Variance |
|---|--------------------------|----------------|--------------|------------------|------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Positive (Negative) |
| Revenues | | | | | |
| Factory Street Area Water Improvements Project Restricted intergovernmental revenues | | | | | |
| Appalachian Regional Commission | \$ 300,000 | \$ 14,055 | \$ - | \$ 14,055 | \$ (285,945) |
| Maple/Merritt Street Area Sewer Improvements Project Restricted intergovernmental revenues | | | | | |
| Community Development Block Grant | 1,731,600 | - | 67,434 | 67,434 | (1,664,166) |
| Total revenues | 2,031,600 | 14,055 | 67,434 | 81,489 | (1,950,111) |
| Expenditures | | | | | |
| Factory Street Area Water Improvements Project | | | | | |
| Water and sewer expenditures | 1,137,956 | 39,025 | 9,457 | 48,482 | 1,089,474 |
| | 1,137,956 | 39,025 | 9,457 | 48,482 | 1,089,474 |
| Maple/Merritt Street Area Sewer Improvements Project | | | | | |
| Water and sewer expenditures | 1,731,600 | - | 67,434 | 67,434 | 1,664,166 |
| | 1,731,600 | - | 67,434 | 67,434 | 1,664,166 |
| Maple/Merritt Street Area Water Improvements Project | | | | | |
| Water and sewer expenditures | 982,362 | - | 37,739 | 37,739 | 944,623 |
| | 982,362 | - | 37,739 | 37,739 | 944,623 |
| Total expenditures | 3,851,918 | 39,025 | 114,630 | 153,655 | 3,698,263 |
| Revenues under expenditures | (1,820,318) | (24,970) | (47,196) | (72,166) | 1,748,152 |

Continued on next page.

Water and Sewer Projects Fund**Schedule of Revenues and Expenditures -****Budget and Actual (Non-GAAP)**

From Inception and for the Year Ended June 30, 2019

| | | Actual | | | Variance |
|---|--------------------------|----------------|--------------|------------------|------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Positive (Negative) |
| Other financing sources | | | | | |
| Factory Street Area Water Improvements Project | | | | | |
| Transfers from other funds | | | | | |
| Water and Sewer Fund | \$ 837,956 | \$ 28,000 | \$ 6,427 | \$ 34,427 | \$ (803,529) |
| Maple/Merritt Street Area Water Improvements Project | | | | | |
| Division of Water Infrastructure Loan | 963,100 | - | - | - | (963,100) |
| Transfers from other funds | | | | | |
| Water and Sewer Fund | 19,262 | - | - | - | (19,262) |
| | 982,362 | - | - | - | (982,362) |
| Total other financing sources | 1,820,318 | 28,000 | 6,427 | 34,427 | (1,785,891) |
| Revenues and other financing sources over (under) expenditures | | | | | |
| | \$ - | \$ 3,030 | \$ (40,769) | \$ (37,739) | \$ (37,739) |

City of Mount Airy, North Carolina
Worker Compensation Fund
Schedule of Revenues and Expenditures -
Financial Plan and Actual (Non-GAAP)
For the Year Ended June 30, 2019

Exhibit C-4

| | 2019 | | |
|---|----------------|------------|------------------------------|
| | Financial Plan | Actual | Variance Positive (Negative) |
| Revenues | | | |
| Operating revenues | | | |
| Charges for services | \$ 204,374 | \$ 191,178 | \$ (13,196) |
| Nonoperating revenues | | | |
| Investment earnings | 5,400 | 12,535 | 7,135 |
| Total revenues | 209,774 | 203,713 | (6,061) |
| Expenditures | | | |
| Administration | | | |
| Insurance premiums | | 163,554 | |
| Insurance deductibles | | 17,459 | |
| Total expenditures | 209,774 | 181,013 | 28,761 |
| Revenues over expenditures | \$ - | 22,700 | \$ 22,700 |
| Reconciliation from financial plan basis (modified accrual) to full accrual: | | | |
| Reconciling items | | - | |
| Change in net position | | \$ 22,700 | |



Fiduciary Funds

Agency Funds

Agency Funds are used to account for assets the City holds on behalf of others.

Flat Rock/Bannertown Water & Sewer District Agency Fund – accounts for utility billing and collection activities that the City of Mount Airy does on behalf of the Flat Rock/Bannertown Water & Sewer District through an intergovernmental agreement.

Utility Donation Agency Fund – accounts for donations that the City of Mount Airy collects and disburses under an agreement with the Salvation Army of Mount Airy that provides payment assistance for City of Mount Airy residential utility customers who are in financial distress.



Combining Statement of Changes in Assets and Liabilities**Agency Funds**

For the Year Ended June 30, 2019

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 |
|---|-------------------------|-------------------|-------------------|--------------------------|
| Flat Rock/Bannertown Water & Sewer District | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 10,111 | \$ 225,932 | \$ 226,122 | \$ 9,921 |
| Receivables (net) | | | | |
| Accounts | 32,045 | 228,400 | 228,170 | 32,275 |
| Total Assets | <u>\$ 42,156</u> | <u>\$ 454,332</u> | <u>\$ 454,292</u> | <u>\$ 42,196</u> |
| Liabilities | | | | |
| Intergovernmental payable - Flat Rock/Bannertown Water & Sewer District | <u>\$ 42,156</u> | <u>\$ 227,423</u> | <u>\$ 227,383</u> | <u>\$ 42,196</u> |
| Utility Donation | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 19,380 | \$ 4,226 | \$ 932 | \$ 22,674 |
| Receivables (net) | | | | |
| Accounts | 228 | 2,824 | 2,804 | 248 |
| Total Assets | <u>\$ 19,608</u> | <u>\$ 7,050</u> | <u>\$ 3,736</u> | <u>\$ 22,922</u> |
| Liabilities | | | | |
| Deposits | <u>\$ 19,608</u> | <u>\$ 4,246</u> | <u>\$ 932</u> | <u>\$ 22,922</u> |
| Totals - All Agency Funds | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 29,491 | \$ 230,158 | \$ 227,054 | \$ 32,595 |
| Receivables (net) | | | | |
| Accounts | 32,273 | 231,224 | 230,974 | 32,523 |
| Total Assets | <u>\$ 61,764</u> | <u>\$ 461,382</u> | <u>\$ 458,028</u> | <u>\$ 65,118</u> |
| Liabilities | | | | |
| Deposits | \$ 19,608 | \$ 4,246 | \$ 932 | \$ 22,922 |
| Intergovernmental payable - Flat Rock/Bannertown Water & Sewer District | 42,156 | 227,423 | 227,383 | 42,196 |
| Total Liabilities | <u>\$ 61,764</u> | <u>\$ 231,669</u> | <u>\$ 228,315</u> | <u>\$ 65,118</u> |



Tax Schedules

This section contains schedules as follows:

Schedule of Ad Valorem Taxes Receivable – General Fund

Analysis of Current Tax Levy – Citywide Levy



General Fund**Schedule of Ad Valorem Taxes Receivable**

June 30, 2019

| Tax Year | Fiscal Year | Uncollected Balance July 1, 2018 | Additions | Collections and Credits | Uncollected Balance June 30, 2019 |
|--|--------------------|---|---------------------|------------------------------------|--|
| 2018 | 2018-2019 | \$ - | \$ 6,833,667 | \$ 6,729,384 | \$ 104,283 |
| 2017 | 2017-2018 | 61,811 | - | 25,186 | 36,625 |
| 2016 | 2016-2017 | 28,614 | - | 8,214 | 20,400 |
| 2015 | 2015-2016 | 18,381 | - | 5,089 | 13,292 |
| 2014 | 2014-2015 | 14,737 | - | 3,443 | 11,294 |
| 2013 | 2013-2014 | 17,629 | - | 1,272 | 16,357 |
| 2012 | 2012-2013 | 13,828 | - | 609 | 13,219 |
| 2011 | 2011-2012 | 15,019 | - | 593 | 14,426 |
| 2010 | 2010-2011 | 13,967 | - | 909 | 13,058 |
| 2009 | 2009-2010 | 11,757 | - | 417 | 11,340 |
| 2008 | 2008-2009 | 11,309 | - | 8,216 | 3,093 |
| 2007 | 2007-2008 | 5 | - | - | 5 |
| | | <u>\$ 207,057</u> | <u>\$ 6,833,667</u> | <u>\$ 6,783,332</u> | <u>257,392</u> |
| Less allowance for uncollectible accounts | | | | | |
| General Fund | | | | | <u>85,000</u> |
| Ad valorem taxes receivable (net) | | | | | |
| General Fund | | | | | <u>\$ 172,392</u> |
| <u>Reconcilement with revenues:</u> | | | | | |
| Ad Valorem Taxes - General Fund | | | | | <u>\$ 6,775,415</u> |
| Reconciling Items: | | | | | |
| Interest collected | | | | | (26,117) |
| Abatements and refunds of prior year taxes | | | | | 26,235 |
| Taxes written off | | | | | <u>7,799</u> |
| Total reconciling items | | | | | <u>7,917</u> |
| Total collections and credits | | | | | <u>\$ 6,783,332</u> |

City of Mount Airy, North Carolina
Analysis of Current Tax Levy
Citywide Levy
For the Year Ended June 30, 2019

Exhibit E-2

| | Citywide | | | Total Levy | |
|---|-------------------------|---------|---------------------|--|---------------------------|
| | Property Valuation | Rate | Total Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy | | | | | |
| Property taxed at current year's rate | \$ 1,122,383,961 | \$ 0.60 | \$ 6,734,304 | \$ 6,300,195 | \$ 434,109 |
| Motor vehicles taxed at prior year's rate | 12,895,593 | 0.48 | 86,457 | | 86,457 |
| Penalties and fees | - | | 6,528 | 6,528 | - |
| | <u>1,135,279,554</u> | | <u>6,827,289</u> | <u>6,306,723</u> | <u>520,566</u> |
| Discoveries | | | | | |
| Current year taxes | | | | | |
| Property taxed at current year's rate | 740,472 | 0.60 | 4,464 | 158 | 4,306 |
| Motor vehicles taxed at prior year's rate | - | 0.48 | 68 | 68 | - |
| Prior year taxes | - | 0.48 | - | - | - |
| Penalties and fees | - | | 6,753 | 6,753 | - |
| | <u>740,472</u> | | <u>11,285</u> | <u>6,979</u> | <u>4,306</u> |
| Abatements | <u>(819,064)</u> | | <u>(4,907)</u> | <u>(489)</u> | <u>(4,418)</u> |
| Total property valuation | <u>\$ 1,135,200,962</u> | | | | |
| Net levy | | | 6,833,667 | 6,313,213 | 520,454 |
| Less uncollected taxes at June 30, 2019 | | | <u>(104,283)</u> | <u>(102,650)</u> | <u>(1,633)</u> |
| Current year's taxes collected | | | <u>\$ 6,729,384</u> | <u>\$ 6,210,563</u> | <u>\$ 518,821</u> |
| Percent current year collected | | | <u>98.47%</u> | <u>98.37%</u> | <u>99.69%</u> |

Continued on next page.

City of Mount Airy, North Carolina
Analysis of Current Tax Levy
Citywide Levy
For the Year Ended June 30, 2019

Exhibit E-2, continued

Secondary Market Disclosures

Assessed Valuation:

| | |
|---|-------------------|
| Assessment Ratio ¹ | 100% |
| Real Property | \$ 874,465,655 |
| Personal Property | 142,545,223 |
| Registered Motor Vehicles | 85,228,495 |
| Public Service Company Property ² | <u>32,961,589</u> |
| Total Assessed Valuation | 1,135,200,962 |
| Tax Rate per \$100 | 0.60 |
| Levy (includes discoveries, releases and abatements) ³ | \$ 6,833,667 |

In addition to the City-wide levy indicated above, the City levied the following special district tax:

| | |
|----------------------------|------------|
| Municipal Service District | \$ 100,249 |
|----------------------------|------------|

¹Percentage of appraised value has been established by statute.

²Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³The levy includes penalties and fees.



STATISTICAL SECTION

This part of the City of Mount Airy's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the government's overall financial health.

| Contents | Page |
|---|-------------|
| Financial Trends | 3-2 |
| <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i> | |
| Revenue Capacity | 3-7 |
| <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i> | |
| Debt Capacity | 3-16 |
| <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i> | |
| Demographic and Economic Information | 3-18 |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i> | |
| Operating Information | 3-20 |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i> | |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 29,080,054 | \$ 27,706,053 | \$ 28,311,515 | \$ 27,211,058 | \$ 26,194,174 | \$ 25,357,707 | \$ 26,316,289 | \$ 26,084,083 | \$ 25,920,101 | \$25,662,543 |
| Restricted | 3,439,620 | 3,078,242 | 3,010,312 | 2,868,420 | 3,380,125 | 3,898,754 | 5,886,728 | 4,578,224 | 3,883,357 | 5,523,873 |
| Unrestricted | 9,440,505 | 11,679,620 | 11,843,791 | 13,236,307 | 12,967,430 | 11,128,576 | 9,392,050 | 8,315,505 | 8,352,693 | 6,960,922 |
| Total governmental activities net position | <u>\$ 41,960,179</u> | <u>\$ 42,463,915</u> | <u>\$ 43,165,618</u> | <u>\$ 43,315,785</u> | <u>\$ 42,541,729</u> | <u>\$ 40,385,037</u> | <u>\$ 41,595,067</u> | <u>\$ 38,977,812</u> | <u>\$ 38,156,151</u> | <u>\$38,147,338</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 32,480,187 | \$ 32,647,248 | \$ 33,011,454 | \$ 32,810,780 | \$ 32,626,291 | \$ 32,363,490 | \$ 32,057,628 | \$ 32,236,902 | \$ 32,231,815 | \$32,344,851 |
| Restricted | 1,481,802 | 1,232,177 | 876,717 | 1,097,692 | - | - | - | - | - | - |
| Unrestricted | 2,174,602 | 2,735,497 | 2,738,036 | 2,678,574 | 3,973,772 | 4,297,898 | 4,916,059 | 4,861,925 | 5,241,933 | 5,417,038 |
| Total business-type activities net position | <u>\$ 36,136,591</u> | <u>\$ 36,614,922</u> | <u>\$ 36,626,207</u> | <u>\$ 36,587,046</u> | <u>\$ 36,600,063</u> | <u>\$ 36,661,388</u> | <u>\$ 36,973,687</u> | <u>\$ 37,098,827</u> | <u>\$ 37,473,748</u> | <u>\$37,761,889</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 61,560,241 | \$ 60,353,301 | \$ 61,322,969 | \$ 60,021,838 | \$ 58,820,465 | \$ 57,721,197 | \$ 58,373,917 | \$ 58,320,985 | \$ 58,151,916 | \$58,007,394 |
| Restricted | 4,921,422 | 4,310,419 | 3,887,029 | 3,966,112 | 3,380,125 | 3,898,754 | 5,886,728 | 4,578,224 | 3,883,357 | 5,523,873 |
| Unrestricted | 11,615,107 | 14,415,117 | 14,581,827 | 15,914,881 | 16,941,202 | 15,426,474 | 14,308,109 | 13,177,430 | 13,594,626 | 12,377,960 |
| Total primary government net position | <u>\$ 78,096,770</u> | <u>\$ 79,078,837</u> | <u>\$ 79,791,825</u> | <u>\$ 79,902,831</u> | <u>\$ 79,141,792</u> | <u>\$ 77,046,425</u> | <u>\$ 78,568,754</u> | <u>\$ 76,076,639</u> | <u>\$ 75,629,899</u> | <u>\$75,909,227</u> |

City of Mount Airy, North Carolina
Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)

Schedule 2

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|------------------------|------------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 2,197,199 | \$ 2,046,109 | \$ 2,089,041 | \$ 1,949,735 | \$ 1,670,049 | \$ 1,695,848 | \$ 1,723,135 | \$ 1,783,304 | \$ 1,818,251 | \$ 2,050,589 |
| Public safety | 4,408,242 | 4,887,751 | 4,946,614 | 4,878,551 | 5,066,364 | 4,601,280 | 5,010,925 | 5,096,150 | 5,382,108 | 5,960,903 |
| Public works/transportation | 1,756,466 | 1,720,846 | 1,771,410 | 1,894,648 | 2,073,733 | 1,942,371 | 1,905,582 | 2,010,815 | 1,756,552 | 1,650,784 |
| Environmental protection | 753,767 | 807,709 | 1,084,754 | 892,602 | 904,436 | 883,016 | 920,265 | 1,010,779 | 922,521 | 889,018 |
| Culture and recreation | 3,015,013 | 1,953,670 | 2,042,189 | 1,957,069 | 2,347,003 | 2,415,083 | 2,780,059 | 2,154,790 | 2,603,706 | 2,861,986 |
| Economic and physical development | 495,472 | 667,022 | 911,016 | 766,797 | 855,847 | 2,653,965 | 1,020,349 | 1,143,537 | 1,381,761 | 904,116 |
| Total governmental activities expenses | <u>12,626,159</u> | <u>12,083,107</u> | <u>12,845,024</u> | <u>12,339,402</u> | <u>12,917,432</u> | <u>14,191,563</u> | <u>13,360,315</u> | <u>13,199,375</u> | <u>13,864,899</u> | <u>14,317,396</u> |
| Business-type activities: | | | | | | | | | | |
| Water and sewer | 5,156,327 | 5,246,643 | 5,402,801 | 5,683,677 | 5,445,644 | 5,450,466 | 5,597,693 | 5,943,473 | 5,808,455 | 5,901,186 |
| Total business-type activities expenses | <u>5,156,327</u> | <u>5,246,643</u> | <u>5,402,801</u> | <u>5,683,677</u> | <u>5,445,644</u> | <u>5,450,466</u> | <u>5,597,693</u> | <u>5,943,473</u> | <u>5,808,455</u> | <u>5,901,186</u> |
| Total primary government expenses | <u>\$ 17,782,486</u> | <u>\$ 17,329,750</u> | <u>\$ 18,247,825</u> | <u>\$ 18,023,079</u> | <u>\$ 18,363,076</u> | <u>\$ 19,642,029</u> | <u>\$ 18,958,008</u> | <u>\$ 19,142,848</u> | <u>\$ 19,673,354</u> | <u>\$ 20,218,582</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 47,024 | \$ 44,921 | \$ 66,338 | \$ 75,607 | \$ 91,836 | \$ 104,981 | \$ 118,508 | \$ 22,575 | \$ 23,210 | \$ 24,470 |
| Public safety | 46,716 | 48,485 | 46,635 | 49,223 | 50,294 | 48,155 | 45,653 | 46,763 | 74,492 | 56,307 |
| Public works/transportation | 22,668 | 26,364 | 34,633 | 23,641 | 7,254 | 1,906 | 841 | 606 | 25,000 | 1,441 |
| Environmental protection | 220,088 | 233,555 | 231,910 | 220,874 | 217,854 | 218,724 | 241,769 | 273,472 | 276,096 | 191,512 |
| Culture and recreation | 956,789 | 950,539 | 931,042 | 951,359 | 935,379 | 975,467 | 985,644 | 1,012,124 | 1,101,469 | 1,094,733 |
| Economic and physical development | 353,543 | 43,875 | 40,403 | 54,499 | 31,552 | - | - | - | - | - |
| Operating grants and contributions | 1,213,160 | 574,529 | 847,272 | 629,560 | 667,799 | 1,125,627 | 1,100,688 | 457,470 | 547,240 | 462,396 |
| Capital grants and contributions | 1,644,975 | 11,195 | 912,509 | 64,229 | - | 291,335 | 1,700,517 | 208,884 | 303,914 | - |
| Total governmental activities program revenues | <u>4,504,963</u> | <u>1,933,463</u> | <u>3,110,742</u> | <u>2,068,992</u> | <u>2,001,968</u> | <u>2,766,195</u> | <u>4,193,620</u> | <u>2,021,894</u> | <u>2,351,421</u> | <u>1,830,859</u> |
| Business-type activities: | | | | | | | | | | |
| Water and sewer | 5,359,271 | 5,582,368 | 5,353,593 | 5,630,385 | 5,449,594 | 5,691,190 | 5,883,348 | 6,033,180 | 6,006,765 | 6,062,842 |
| Operating grants and contributions | 118,065 | 45,000 | - | - | - | - | - | - | - | - |
| Capital grants and contributions | 282,304 | 85,215 | 51,407 | - | - | - | - | - | 94,134 | 72,260 |
| Total business-type activities program revenues | <u>5,759,640</u> | <u>5,712,583</u> | <u>5,405,000</u> | <u>5,630,385</u> | <u>5,449,594</u> | <u>5,691,190</u> | <u>5,883,348</u> | <u>6,033,180</u> | <u>6,100,899</u> | <u>6,135,102</u> |
| Total primary government program revenues | <u>\$ 10,264,603</u> | <u>\$ 7,646,046</u> | <u>\$ 8,515,742</u> | <u>\$ 7,699,377</u> | <u>\$ 7,451,562</u> | <u>\$ 8,457,385</u> | <u>\$ 10,076,968</u> | <u>\$ 8,055,074</u> | <u>\$ 8,452,320</u> | <u>\$ 7,965,961</u> |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (8,121,196) | \$ (10,149,644) | \$ (9,734,282) | \$ (10,270,410) | \$ (10,915,464) | \$ (11,425,368) | \$ (9,166,695) | \$ (11,177,481) | \$ (11,513,478) | \$ (12,486,537) |
| Business-type activities | 603,313 | 465,940 | 2,199 | (53,292) | 3,950 | 240,724 | 285,655 | 89,707 | 292,444 | 233,916 |
| Total primary government net expense | <u>\$ (7,517,883)</u> | <u>\$ (9,683,704)</u> | <u>\$ (9,732,083)</u> | <u>\$ (10,323,702)</u> | <u>\$ (10,911,514)</u> | <u>\$ (11,184,644)</u> | <u>\$ (8,881,040)</u> | <u>\$ (11,087,774)</u> | <u>\$ (11,221,034)</u> | <u>\$ (12,252,621)</u> |

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| General Revenues and Other | | | | | | | | | | |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 6,375,031 | \$ 6,515,603 | \$ 6,158,439 | \$ 6,102,767 | \$ 5,890,008 | \$ 5,512,126 | \$ 5,416,989 | \$ 5,425,522 | \$ 5,533,938 | \$ 6,925,270 |
| Other taxes | 321,638 | 457,312 | 515,562 | 551,139 | 530,487 | 598,831 | 470,062 | 490,199 | 508,621 | 551,296 |
| Grants and contributions not restricted to specific programs | 3,659,419 | 3,623,493 | 3,715,578 | 3,686,651 | 3,641,863 | 3,871,757 | 4,016,414 | 4,108,989 | 4,218,866 | 4,421,607 |
| Investment earnings, unrestricted | 24,098 | 18,338 | 9,219 | 15,914 | 11,296 | 11,010 | 39,366 | 82,189 | 170,945 | 290,284 |
| Miscellaneous, unrestricted | 33,071 | 38,634 | 37,187 | 64,106 | 67,754 | 60,301 | 34,927 | 83,723 | 259,447 | 195,044 |
| Transfers | 1,357 | - | - | - | - | - | - | - | - | 94,223 |
| Total governmental activities | <u>10,414,614</u> | <u>10,653,380</u> | <u>10,435,985</u> | <u>10,420,577</u> | <u>10,141,408</u> | <u>10,054,025</u> | <u>9,977,758</u> | <u>10,190,622</u> | <u>10,691,817</u> | <u>12,477,724</u> |
| Business-type activities: | | | | | | | | | | |
| Investment earnings, unrestricted | 8,197 | 6,023 | 2,340 | 3,591 | 2,574 | 2,781 | 10,536 | 24,082 | 57,834 | 101,480 |
| Miscellaneous, unrestricted | 4,784 | 6,368 | 6,746 | 10,540 | 6,493 | 8,545 | 16,108 | 11,351 | 24,643 | 46,968 |
| Transfers | (1,357) | - | - | - | - | - | - | - | - | (94,223) |
| Total business-type activities | <u>11,624</u> | <u>12,391</u> | <u>9,086</u> | <u>14,131</u> | <u>9,067</u> | <u>11,326</u> | <u>26,644</u> | <u>35,433</u> | <u>82,477</u> | <u>54,225</u> |
| Total primary government | <u>\$ 10,426,238</u> | <u>\$ 10,665,771</u> | <u>\$ 10,445,071</u> | <u>\$ 10,434,708</u> | <u>\$ 10,150,475</u> | <u>\$ 10,065,351</u> | <u>\$ 10,004,402</u> | <u>\$ 10,226,055</u> | <u>\$ 10,774,294</u> | <u>\$ 12,531,949</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 2,293,418 | \$ 503,736 | \$ 701,703 | \$ 150,167 | \$ (774,056) | \$ (1,371,343) | \$ 811,063 | \$ (986,859) | \$ (821,661) | \$ (8,813) |
| Business-type activities | 614,937 | 478,331 | 11,285 | (39,161) | 13,017 | 252,050 | 312,299 | 125,140 | 374,921 | 288,141 |
| Total primary government | <u>\$ 2,908,355</u> | <u>\$ 982,067</u> | <u>\$ 712,988</u> | <u>\$ 111,006</u> | <u>\$ (761,039)</u> | <u>\$ (1,119,293)</u> | <u>\$ 1,123,362</u> | <u>\$ (861,719)</u> | <u>\$ (446,740)</u> | <u>\$ 279,328</u> |

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|------------------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 3,076 | \$ 4,443 | \$ 7,963 | \$ 4,624 | \$ 103,533 | \$ 12,135 | \$ 110,183 | \$ 107,671 | \$ 106,555 | \$ 114,895 |
| Restricted | 2,307,956 | 1,866,335 | 1,860,931 | 1,824,161 | 2,186,305 | 2,234,746 | 2,930,276 | 3,324,101 | 2,497,604 | 4,237,533 |
| Assigned | - | 1,308,489 | 477,723 | 1,784,540 | 2,599,594 | 2,180,735 | 2,557,004 | 1,062,089 | 1,315,539 | 250,741 |
| Committed | - | - | - | - | - | - | 402,393 | 461,589 | 560,269 | 645,756 |
| Unassigned | 7,612,081 | 8,412,589 | 9,468,264 | 9,616,286 | 8,609,547 | 9,478,151 | 8,019,145 | 8,396,763 | 8,213,581 | 7,587,951 |
| Total general fund | <u>\$ 9,923,113</u> | <u>\$ 11,591,856</u> | <u>\$ 11,814,881</u> | <u>\$ 13,229,611</u> | <u>\$ 13,498,979</u> | <u>\$ 13,905,767</u> | <u>\$ 14,019,001</u> | <u>\$ 13,352,213</u> | <u>\$ 12,693,548</u> | <u>\$ 12,836,876</u> |
| All other governmental funds | | | | | | | | | | |
| Nonspendable | \$ 921,300 | \$ 961,800 | \$ 983,800 | \$ 848,720 | \$ 873,720 | \$ 910,220 | \$ 921,220 | \$ 962,220 | \$ 995,720 | \$ 1,031,220 |
| Restricted | 208,068 | 250,453 | 188,942 | 194,885 | 318,465 | 753,788 | 178,955 | 291,903 | 390,033 | 255,120 |
| Committed | 193,858 | 175,620 | 156,414 | 137,672 | 128,466 | 119,216 | 103,899 | 99,703 | 103,104 | 116,331 |
| Unassigned | - | - | (10,000) | - | (142,323) | (628,735) | - | (74,959) | (245,874) | (3,128) |
| Total all other governmental funds | <u>\$ 1,323,226</u> | <u>\$ 1,387,873</u> | <u>\$ 1,319,156</u> | <u>\$ 1,181,277</u> | <u>\$ 1,178,328</u> | <u>\$ 1,154,489</u> | <u>\$ 1,204,074</u> | <u>\$ 1,278,867</u> | <u>\$ 1,242,983</u> | <u>\$ 1,399,543</u> |

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|-------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|-------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Revenues | | | | | | | | | | |
| Ad valorem taxes | \$ 6,334,168 | \$ 6,493,852 | \$ 6,110,890 | \$ 6,078,880 | \$ 5,872,487 | \$ 5,629,650 | \$ 5,459,348 | \$ 5,465,736 | \$ 5,522,218 | \$ 6,875,842 |
| Other taxes and licenses | 321,638 | 457,312 | 515,562 | 551,139 | 530,487 | 598,831 | 470,062 | 490,199 | 508,621 | 552,921 |
| Unrestricted intergovernmental | 3,651,719 | 3,623,693 | 3,715,878 | 3,687,351 | 3,641,013 | 3,870,657 | 4,017,524 | 4,108,579 | 4,219,476 | 4,421,617 |
| Restricted intergovernmental | 915,890 | 495,364 | 885,413 | 668,601 | 667,263 | 1,037,585 | 2,716,460 | 610,034 | 814,584 | 390,983 |
| Permits and fees | 5,295 | 8,626 | 7,245 | 9,405 | 10,240 | 13,010 | 19,355 | 19,240 | 45,985 | 18,625 |
| Sales and services | 1,287,990 | 1,295,238 | 1,303,313 | 1,311,299 | 1,292,377 | 1,336,223 | 1,373,060 | 1,329,170 | 1,446,784 | 1,348,213 |
| Investment earnings | 24,214 | 18,498 | 9,259 | 16,070 | 11,469 | 11,108 | 40,168 | 84,084 | 177,826 | 298,900 |
| Miscellaneous | 1,725,146 | 38,621 | 53,178 | 35,981 | 33,070 | 147,847 | 31,865 | 85,814 | 64,223 | 209,401 |
| Total revenues | <u>14,266,060</u> | <u>12,431,204</u> | <u>12,600,738</u> | <u>12,358,726</u> | <u>12,058,406</u> | <u>12,644,911</u> | <u>14,127,842</u> | <u>12,192,856</u> | <u>12,799,717</u> | <u>14,116,502</u> |
| Expenditures | | | | | | | | | | |
| General government | 2,109,207 | 1,979,841 | 1,899,386 | 1,872,643 | 1,625,514 | 1,682,100 | 1,683,074 | 1,909,473 | 1,846,705 | 2,010,523 |
| Public safety | 4,342,473 | 4,833,100 | 5,640,016 | 4,743,622 | 4,984,297 | 4,739,504 | 5,009,593 | 4,913,456 | 5,725,688 | 5,865,967 |
| Public works/transportation | 1,330,514 | 837,544 | 1,160,760 | 1,150,070 | 1,326,067 | 1,281,022 | 2,865,432 | 1,173,529 | 1,421,376 | 1,299,781 |
| Environmental protection | 825,813 | 750,852 | 1,245,979 | 832,044 | 817,909 | 835,368 | 996,612 | 1,091,824 | 855,833 | 869,724 |
| Culture and recreation | 3,666,287 | 1,683,887 | 1,729,329 | 1,852,534 | 2,250,494 | 2,387,310 | 2,698,701 | 2,615,762 | 2,934,382 | 2,581,431 |
| Economic and physical development | 436,627 | 624,160 | 819,131 | 674,268 | 826,942 | 1,309,947 | 1,113,640 | 1,131,715 | 1,469,386 | 1,295,508 |
| Capital Projects | - | - | - | - | - | 112,737 | - | - | - | - |
| Debt service | | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - | 36,000 |
| Total expenditures | <u>12,710,921</u> | <u>10,709,384</u> | <u>12,494,601</u> | <u>11,125,181</u> | <u>11,831,223</u> | <u>12,347,988</u> | <u>14,367,052</u> | <u>12,835,759</u> | <u>14,253,370</u> | <u>13,958,934</u> |
| Excess of revenues over (under) expenditures | 1,555,139 | 1,721,820 | 106,137 | 1,233,545 | 227,183 | 296,923 | (239,210) | (642,903) | (1,453,653) | 157,568 |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 862,166 | 20,632 | 140,926 | 219,025 | 82,590 | 52,573 | 38,949 | 222,895 | 556,257 | 657,665 |
| Transfers out | (860,809) | (20,632) | (140,926) | (219,025) | (82,590) | (52,573) | (38,949) | (222,895) | (556,257) | (563,442) |
| Issuance of debt | - | - | - | - | - | - | - | - | 360,000 | - |
| Sale of capital assets | 12,466 | 11,570 | 48,171 | 43,306 | 39,236 | 86,026 | 3,062 | 50,908 | 399,104 | 48,097 |
| Total other financing sources (uses) | <u>13,823</u> | <u>11,570</u> | <u>48,171</u> | <u>43,306</u> | <u>39,236</u> | <u>86,026</u> | <u>3,062</u> | <u>50,908</u> | <u>759,104</u> | <u>142,320</u> |
| Net change in fund balances | <u>\$ 1,568,962</u> | <u>\$ 1,733,390</u> | <u>\$ 154,308</u> | <u>\$ 1,276,851</u> | <u>\$ 266,419</u> | <u>\$ 382,949</u> | <u>\$ (236,148)</u> | <u>\$ (591,995)</u> | <u>\$ (694,549)</u> | <u>\$ 299,888</u> |
| Capital outlay included in functions | 397,360 | 210,258 | 1,450,842 | 531,524 | 611,733 | 657,081 | 2,432,562 | 1,306,121 | 2,037,326 | 1,395,418 |
| Debt service as a percentage of noncapital expenditures | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.29% |

City of Mount Airy, North Carolina

Schedule 5

Other Taxes and Licenses by Source, Governmental Funds

Last Ten Fiscal Years

| Fiscal Year | Occupancy Tax | Rental Vehicle Tax | Privilege Licenses | Total |
|--------------------|--------------------------|-------------------------------|-------------------------------|--------------|
| 2010 | \$ 296,458 | \$ 14,654 | \$ 10,526 | \$ 321,638 |
| 2011 | 327,036 | 14,931 | 115,345 | 457,312 |
| 2012 | 355,334 | 15,825 | 144,403 | 515,562 |
| 2013 | 357,945 | 16,056 | 177,138 | 551,139 |
| 2014 | 383,660 | 16,721 | 130,106 | 530,487 |
| 2015 | 402,608 | 18,122 | 178,101 | 598,831 |
| 2016 | 444,447 | 24,020 | 1,595 | 470,062 |
| 2017 | 464,342 | 24,357 | 1,500 | 490,199 |
| 2018 | 479,863 | 27,302 | 1,456 | 508,621 |
| 2019 | 520,236 | 31,060 | 1,625 | 552,921 |

City of Mount Airy, North Carolina

Schedule 6

Unrestricted Intergovernmental Revenues by Source, Governmental Funds

Last Ten Fiscal Years

| Fiscal Year | Local Option Sales Tax | Utility Franchise Tax | Piped Natural Gas Tax | Telecom- munications Tax | Local Video Programming Revenue | Beer and Wine Tax | Hold Harmless Revenue | Payments in Lieu of Tax | ABC Profit Distribution | Total |
|--------------------|-----------------------------------|----------------------------------|----------------------------------|---|--|------------------------------|----------------------------------|------------------------------------|------------------------------------|--------------|
| 2010 | \$ 2,348,245 | \$ 488,586 | \$ 30,967 | \$ 110,601 | \$ 83,391 | \$ 15,556 | \$ 413,132 | \$ 38,306 | \$ 122,935 | \$ 3,651,719 |
| 2011 | 2,368,291 | 511,337 | 19,679 | 104,947 | 81,750 | 47,688 | 360,544 | 39,916 | 89,541 | 3,623,693 |
| 2012 | 2,450,515 | 521,773 | 18,790 | 102,690 | 72,587 | 45,078 | 349,268 | 40,535 | 114,642 | 3,715,878 |
| 2013 | 2,443,523 | 551,404 | 22,958 | 97,418 | 70,616 | 42,046 | 310,439 | 43,348 | 105,599 | 3,687,351 |
| 2014 | 2,515,781 | 582,495 | 25,179 | 91,228 | 69,160 | 45,418 | 166,566 | 49,031 | 96,155 | 3,641,013 |
| 2015 | 2,704,744 | 797,192 | 16,670 | 87,464 | 70,021 | 49,468 | - | 47,183 | 97,915 | 3,870,657 |
| 2016 | 2,845,024 | 822,572 | 15,988 | 73,863 | 66,325 | 45,705 | - | 53,064 | 94,983 | 4,017,524 |
| 2017 | 2,933,873 | 790,538 | 15,141 | 73,031 | 66,093 | 46,896 | - | 57,998 | 125,009 | 4,108,579 |
| 2018 | 3,047,652 | 793,164 | 19,222 | 66,977 | 63,253 | 44,694 | - | 61,103 | 123,411 | 4,219,476 |
| 2019 | 3,189,384 | 821,187 | 18,669 | 61,253 | 58,774 | 44,435 | - | 57,310 | 170,605 | 4,421,617 |

Assessed Value and Estimated Actual Value of Taxable Property¹

Last Ten Fiscal Years

| Fiscal Year | Real Property | Personal Property | | Public Service Company Property | Less: Tax-Exempt Real Property | Less: Tax-Exempt Personal Property | Total Taxable Assessed Value | Total Direct Tax Rate ² | Estimated Actual Taxable Value | Assessed Value ³ as a Percentage of Actual Value |
|-------------|------------------|---------------------------|----------------|---------------------------------|--------------------------------|------------------------------------|------------------------------|------------------------------------|--------------------------------|---|
| | | Registered Motor Vehicles | Other | | | | | | | |
| 2010 | \$ 1,034,709,925 | \$ 66,873,041 | \$ 139,325,590 | \$ 24,162,936 | \$ 185,136,465 | \$ 138,592 | \$ 1,079,796,435 | 0.588 | \$ 1,122,449,517 | 96.20% |
| 2011 | 1,049,943,150 | 65,727,174 | 131,672,828 | 22,862,471 | 187,267,055 | 90,115 | 1,082,848,453 | 0.587 | 1,124,453,222 | 96.30% |
| 2012 | 1,053,761,070 | 70,646,924 | 116,983,825 | 24,483,106 | 187,581,400 | 46,330 | 1,078,247,195 | 0.567 | 1,100,027,744 | 98.02% |
| 2013 | 1,044,671,310 | 72,058,674 | 120,775,000 | 25,954,236 | 196,537,255 | 51,480 | 1,066,870,485 | 0.567 | 1,069,544,346 | 99.75% |
| 2014 | 1,046,698,610 | 101,589,490 | 121,842,625 | 26,093,309 | 197,059,780 | 22,144 | 1,099,142,110 | 0.528 | 1,103,667,145 | 99.59% |
| 2015 | 1,052,637,610 | 82,533,645 | 122,662,432 | 24,344,747 | 199,044,475 | 20,715 | 1,083,113,244 | 0.488 | 1,092,288,467 | 99.16% |
| 2016 | 1,062,783,901 | 82,839,422 | 129,368,701 | 26,304,789 | 200,482,055 | 20,106 | 1,100,794,652 | 0.488 | 1,115,519,510 | 98.68% |
| 2017 | 1,052,253,550 | 86,397,150 | 137,505,687 | 28,255,301 | 192,343,785 | 3,439,628 | 1,108,628,275 | 0.488 | 1,112,745,433 | 99.63% |
| 2018 | 1,060,482,094 | 84,649,310 | 142,613,959 | 32,969,268 | 192,712,405 | 3,310,038 | 1,124,692,188 | 0.488 | 1,144,957,944 | 98.23% |
| 2019 | 1,076,298,075 | 85,228,495 | 145,936,233 | 32,961,589 | 201,832,420 | 3,391,010 | 1,135,200,962 | 0.608 | 1,171,155,434 | 96.93% |

Notes:

1. Assessed valuations are established by the Board of County Commissioners at 100 percent of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. The last revaluation was completed in 2016. Tax rates are per \$100 of assessed value.
2. Total direct tax rate is a weighted average rate of all types of City tax rates, based on the applicable portion of the taxable property assessed.
3. Assessed value as a percentage of actual value is provided by the North Carolina Department of Revenue.

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$100.00 of assessed value)

| Fiscal Year | City of Mount Airy | | | Overlapping Rates Levied by Surry County | | Total Direct & Overlapping Rates |
|-------------|--------------------|---------------------------------------|--------------------------------------|---|---------------------------------------|--|
| | General Levy | Municipal Service District Levy | Total Direct Rate ¹ | Surry County General Levy | Mount Airy School District Levy | |
| 2010 | 0.580 | 0.220 | 0.588 | 0.582 | 0.100 | \$ 1.269 |
| 2011 | 0.580 | 0.200 | 0.587 | 0.582 | 0.100 | 1.269 |
| 2012 | 0.560 | 0.200 | 0.567 | 0.582 | 0.100 | 1.249 |
| 2013 | 0.560 | 0.210 | 0.567 | 0.582 | 0.100 | 1.249 |
| 2014 | 0.520 | 0.210 | 0.528 | 0.582 | 0.100 | 1.210 |
| 2015 | 0.480 | 0.210 | 0.488 | 0.582 | 0.100 | 1.170 |
| 2016 | 0.480 | 0.210 | 0.488 | 0.582 | 0.100 | 1.170 |
| 2017 | 0.480 | 0.210 | 0.488 | 0.582 | 0.100 | 1.170 |
| 2018 | 0.480 | 0.210 | 0.488 | 0.582 | 0.100 | 1.170 |
| 2019 | 0.600 | 0.210 | 0.608 | 0.582 | 0.100 | 1.290 |

1. Total direct tax rate is a weighted average rate of all types of City tax rates, based on the applicable portion of the taxable property assessed. Surry County and Mount Airy School rates are direct rates.

Principal Property Tax Payers

Current Year and Nine Years Ago

| Taxpayer | 2019 | | | 2010 | | |
|------------------------------------|------------------------------|------|--|------------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Duke Energy Corporation | \$ 15,193,059 | 1 | 1.34% | \$ 11,279,076 | 6 | 1.04% |
| Insteel Wire Products | 14,020,308 | 2 | 1.24% | 14,504,607 | 2 | 1.34% |
| L. S. Starrett Company | 12,093,233 | 3 | 1.07% | 22,982,386 | 1 | 2.13% |
| Renfro Corporation | 11,667,688 | 4 | 1.03% | 12,617,584 | 5 | 1.17% |
| Cooke Trucking Company | 10,688,266 | 5 | 0.94% | - | | 0.00% |
| Walmart Real Estate Business Trust | 10,544,040 | 6 | 0.93% | 13,084,950 | 4 | 1.21% |
| Hanesbrands, Inc | 10,256,658 | 7 | 0.90% | 13,146,117 | 3 | 1.22% |
| North Carolina Foam Industries | 9,166,652 | 8 | 0.81% | 9,431,391 | 8 | 0.87% |
| AGI Acquisitions | 8,353,300 | 9 | 0.74% | - | | 0.00% |
| WHLR New Market Crossing | 8,289,380 | 10 | 0.73% | - | | 0.00% |
| Lowe's Home Centers | - | | 0.00% | 10,329,390 | 7 | 0.96% |
| Blackmon Ventures LLC | - | | 0.00% | 8,144,796 | 9 | 0.75% |
| Cross Creek Apparel, Inc | - | | 0.00% | 7,948,077 | 10 | 0.74% |
| Totals | <u>\$ 110,272,584</u> | | <u>9.73%</u> | <u>\$ 123,468,374</u> | | <u>11.43%</u> |

Property Tax Levies and Collections - General Levy

Last Ten Fiscal Years

| Fiscal Year June 30 | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|------------------------|-------------------------------------|---|-----------------------|------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2010 | \$ 6,275,614 | \$ 6,145,885 | 97.9% | \$ 118,389 | \$ 6,264,274 | 99.82% |
| 2011 | 6,396,586 | 6,266,528 | 98.0% | 117,000 | 6,383,528 | 99.80% |
| 2012 | 6,051,569 | 5,912,136 | 97.7% | 125,007 | 6,037,143 | 99.76% |
| 2013 | 5,999,638 | 5,864,835 | 97.8% | 121,584 | 5,986,419 | 99.78% |
| 2014 | 5,773,627 | 5,646,543 | 97.8% | 110,727 | 5,757,270 | 99.72% |
| 2015 | 5,381,064 | 5,318,905 | 98.8% | 50,865 | 5,369,770 | 99.79% |
| 2016 | 5,295,006 | 5,243,186 | 99.0% | 38,528 | 5,281,714 | 99.75% |
| 2017 | 5,334,467 | 5,289,219 | 99.2% | 24,848 | 5,314,067 | 99.62% |
| 2018 | 5,446,133 | 5,384,322 | 98.9% | 25,186 | 5,409,508 | 99.33% |
| 2019 | 6,833,667 | 6,729,384 | 98.5% | - | 6,729,384 | 98.47% |

Water Produced and Consumed and Wastewater Treated and Billed

Last Ten Fiscal Years

| Fiscal Year | Water | | | | Wastewater | | | | Total Direct Rates | | | | |
|-------------|-----------------------------------|-----------------------------------|-------------------------------------|--------------------------|--|---|---|--------------------------|------------------------|---|---|---|---|
| | Water Pumped (1,000 gallon units) | Water Billed (1,000 gallon units) | Water Unbilled (1,000 gallon units) | Average Percent Unbilled | Waste-water Treated (1,000 gallon units) | Waste-water Billed (1,000 gallon units) | Waste-water Unbilled (1,000 gallon units) | Average Percent Unbilled | Monthly Billing Charge | Water Minimum Monthly Charge ¹ | Water Usage Rate (per 1,000 gallons) ² | Sewer Minimum Monthly Charge ¹ | Sewer Usage Rate (per 1,000 gallons) ² |
| 2010 | 749,725 | 494,271 | 255,454 | 34.07% | 736,400 | 378,826 | 357,574 | 48.56% | 1.54 | 10.15 | 2.23 | 12.05 | 2.53 |
| 2011 | 856,087 | 548,022 | 308,065 | 35.99% | 753,320 | 417,006 | 336,314 | 44.64% | 1.54 | 10.15 | 2.23 | 12.05 | 2.53 |
| 2012 | 850,523 | 512,178 | 338,345 | 39.78% | 719,600 | 385,731 | 333,869 | 46.40% | 1.54 | 10.15 | 2.23 | 12.05 | 2.53 |
| 2013 | 1,029,362 | 556,111 | 473,251 | 45.98% | 616,960 | 367,132 | 249,828 | 40.49% | 1.54 | 10.15 | 2.23 | 12.05 | 2.53 |
| 2014 | 877,853 | 582,028 | 295,825 | 33.70% | 704,890 | 383,589 | 321,301 | 45.58% | 1.54 | 10.15 | 2.23 | 12.05 | 2.53 |
| 2015 | 802,908 | 593,882 | 209,026 | 26.03% | 579,646 | 398,144 | 181,502 | 31.31% | 1.54 | 10.15 | 2.23 | 12.05 | 2.53 |
| 2016 | 783,586 | 605,887 | 177,699 | 22.68% | 589,196 | 399,249 | 189,947 | 32.24% | 1.54 | 10.15 | 2.23 | 12.05 | 2.53 |
| 2017 | 749,633 | 570,922 | 178,711 | 23.84% | 556,860 | 373,259 | 183,601 | 32.97% | 1.60 | 10.56 | 2.32 | 12.53 | 2.63 |
| 2018 | 764,083 | 550,902 | 213,181 | 27.90% | 529,933 | 362,515 | 167,418 | 31.59% | 1.60 | 10.56 | 2.32 | 12.53 | 2.63 |
| 2019 | 788,972 | 549,824 | 239,148 | 30.31% | 666,600 | 354,330 | 312,270 | 46.85% | 1.63 | 10.77 | 2.37 | 12.78 | 2.68 |

Notes:

1. Rate shown is for 3/4 inch meters. See Schedule 13 for rates for other meter sizes.
2. Rate shown is for usage between 0 and 2,000 gallons. See Schedule 13 for other usage rates.

Number of Water and Sewer Customers by Location and Type

Last Ten Fiscal Years

| Fiscal Year | Water | | | | | | | Sewer | | | | | | Total | |
|----------------|---------------------------|-----------|------------|----------------------------|-----------|------------|------------------|---------------------------|-----------|------------|----------------------------|-----------|-------|-------|--|
| | Customers Inside the City | | | Customers Outside the City | | | | Customers Inside the City | | | Customers Outside the City | | | | |
| | Commercial | | Industrial | Commercial | | Industrial | Water Systems | Commercial | | Industrial | Commercial | | Water | Sewer | |
| | Residential | and Other | | Residential | and Other | | | Residential | and Other | | Residential | and Other | | | |
| 2010 | 3,522 | 826 | 50 | 1,337 | 82 | 1 | - | 2,969 | 767 | 47 | 17 | 10 | 5,818 | 3,810 | |
| 2011 | 3,551 | 817 | 52 | 1,345 | 85 | 1 | - | 3,038 | 761 | 49 | 20 | 11 | 5,851 | 3,879 | |
| 2012 | 3,597 | 836 | 50 | 1,361 | 87 | 1 | - | 3,121 | 777 | 47 | 23 | 10 | 5,932 | 3,978 | |
| 2013 | 3,711 | 846 | 51 | 1,376 | 91 | 1 | 1 | 3,232 | 790 | 48 | 25 | 11 | 6,077 | 4,106 | |
| 2014 | 3,714 | 849 | 50 | 1,387 | 89 | 1 | 1 | 3,251 | 793 | 47 | 28 | 11 | 6,091 | 4,130 | |
| 2015 | 3,696 | 861 | 49 | 1,386 | 92 | 2 | 1 | 3,251 | 793 | 47 | 27 | 12 | 6,087 | 4,130 | |
| 2016 | 3,774 | 868 | 47 | 1,413 | 96 | 2 | 1 | 3,383 | 808 | 45 | 32 | 12 | 6,201 | 4,280 | |
| 2017 | 3,753 | 885 | 49 | 1,440 | 102 | 2 | 1 | 3,368 | 824 | 46 | 31 | 16 | 6,232 | 4,285 | |
| 2018 | 3,759 | 887 | 47 | 1,486 | 100 | 2 | 2 | 3,371 | 826 | 45 | 33 | 20 | 6,283 | 4,295 | |
| 2019 | 3,792 | 879 | 49 | 1,505 | 105 | 2 | 2 | 3,400 | 816 | 45 | 36 | 21 | 6,334 | 4,318 | |

Note: Information is from customer billing records from June 30 of every year.

City of Mount Airy, North Carolina
Water and Sewer Rates
 Last Ten Fiscal Years

Schedule 13

| | Fiscal Year | | | | | | | | | |
|--|-------------|---------|---------|---------|---------|---------|---------|----------|----------|----------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Inside City Rates | | | | | | | | | | |
| Monthly Billing Charge | \$ 1.54 | \$ 1.54 | \$ 1.54 | \$ 1.54 | \$ 1.54 | \$ 1.54 | \$ 1.54 | \$ 1.60 | \$ 1.60 | \$ 1.63 |
| Water Rates | | | | | | | | | | |
| Monthly Minimum Charge (meter size) | | | | | | | | | | |
| 3/4 inch | 10.15 | 10.15 | 10.15 | 10.15 | 10.15 | 10.15 | 10.15 | 10.56 | 10.56 | 10.77 |
| 1.0 inch | 25.38 | 25.38 | 25.38 | 25.38 | 25.38 | 25.38 | 25.38 | 26.40 | 26.40 | 26.93 |
| 1.5 inch | 50.75 | 50.75 | 50.75 | 50.75 | 50.75 | 50.75 | 50.75 | 52.80 | 52.80 | 53.85 |
| 2.0 inch | 81.20 | 81.20 | 81.20 | 81.20 | 81.20 | 81.20 | 81.20 | 84.48 | 84.48 | 86.16 |
| 3.0 inch | 162.40 | 162.40 | 162.40 | 162.40 | 162.40 | 162.40 | 162.40 | 168.96 | 168.96 | 172.32 |
| 4.0 inch | 253.75 | 253.75 | 253.75 | 253.75 | 253.75 | 253.75 | 253.75 | 264.00 | 264.00 | 269.25 |
| 6.0 inch | 507.50 | 507.50 | 507.50 | 507.50 | 507.50 | 507.50 | 507.50 | 528.00 | 528.00 | 538.50 |
| 8.0 inch | 812.00 | 812.00 | 812.00 | 812.00 | 812.00 | 812.00 | 812.00 | 844.80 | 844.80 | 861.60 |
| Monthly Usage Rate (per 1,000 gallons) | | | | | | | | | | |
| 0 - 2,000 gallons | 2.23 | 2.23 | 2.23 | 2.23 | 2.23 | 2.23 | 2.23 | 2.32 | 2.32 | 2.37 |
| 2,001 - 1,000,000 gallons | 3.14 | 3.14 | 3.14 | 3.14 | 3.14 | 3.14 | 3.14 | 3.27 | 3.27 | 3.34 |
| 1,000,001 gallons and over | 2.69 | 2.69 | 2.69 | 2.69 | 2.69 | 2.69 | 2.69 | 2.80 | 2.80 | 2.86 |
| Sewer Rates | | | | | | | | | | |
| Monthly Minimum Charge (meter size) | | | | | | | | | | |
| 3/4 inch | 12.05 | 12.05 | 12.05 | 12.05 | 12.05 | 12.05 | 12.05 | 12.53 | 12.53 | 12.78 |
| 1.0 inch | 30.13 | 30.13 | 30.13 | 30.13 | 30.13 | 30.13 | 30.13 | 31.33 | 31.33 | 31.95 |
| 1.5 inch | 60.25 | 60.25 | 60.25 | 60.25 | 60.25 | 60.25 | 60.25 | 62.65 | 62.65 | 63.90 |
| 2.0 inch | 96.40 | 96.40 | 96.40 | 96.40 | 96.40 | 96.40 | 96.40 | 100.24 | 100.24 | 102.24 |
| 3.0 inch | 192.80 | 192.80 | 192.80 | 192.80 | 192.80 | 192.80 | 192.80 | 200.48 | 200.48 | 204.48 |
| 4.0 inch | 301.25 | 301.25 | 301.25 | 301.25 | 301.25 | 301.25 | 301.25 | 313.25 | 313.25 | 319.50 |
| 6.0 inch | 602.50 | 602.50 | 602.50 | 602.50 | 602.50 | 602.50 | 602.50 | 626.50 | 626.50 | 639.00 |
| 8.0 inch | 964.00 | 964.00 | 964.00 | 964.00 | 964.00 | 964.00 | 964.00 | 1,002.40 | 1,002.40 | 1,022.40 |
| Monthly Usage Rate (per 1,000 gallons) | | | | | | | | | | |
| 0 - 2,000 gallons | 2.53 | 2.53 | 2.53 | 2.53 | 2.53 | 2.53 | 2.53 | 2.63 | 2.63 | 2.68 |
| 2,001 - 1,000,000 gallons | 3.55 | 3.55 | 3.55 | 3.55 | 3.55 | 3.55 | 3.55 | 3.69 | 3.69 | 3.76 |
| 1,000,001 gallons and over | 3.05 | 3.05 | 3.05 | 3.05 | 3.05 | 3.05 | 3.05 | 3.17 | 3.17 | 3.23 |

City of Mount Airy, North Carolina
Water and Sewer Rates
 Last Ten Fiscal Years

Schedule 13, continued

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Outside City Rates | | | | | | | | | | |
| Monthly Billing Charge | \$ 3.08 | \$ 3.08 | \$ 3.08 | \$ 3.08 | \$ 3.08 | \$ 3.08 | \$ 3.08 | \$ 3.20 | \$ 3.20 | \$ 3.26 |
| Water Rates | | | | | | | | | | |
| Monthly Minimum Charge (meter size) | | | | | | | | | | |
| 3/4 inch | 20.30 | 20.30 | 20.30 | 20.30 | 20.30 | 20.30 | 20.30 | 21.12 | 21.12 | 21.54 |
| 1.0 inch | 50.76 | 50.76 | 50.76 | 50.76 | 50.76 | 50.76 | 50.76 | 52.80 | 52.80 | 53.86 |
| 1.5 inch | 101.50 | 101.50 | 101.50 | 101.50 | 101.50 | 101.50 | 101.50 | 105.60 | 105.60 | 107.70 |
| 2.0 inch | 162.40 | 162.40 | 162.40 | 162.40 | 162.40 | 162.40 | 162.40 | 168.96 | 168.96 | 172.32 |
| 3.0 inch | 324.80 | 324.80 | 324.80 | 324.80 | 324.80 | 324.80 | 324.80 | 337.92 | 337.92 | 344.64 |
| 4.0 inch | 507.50 | 507.50 | 507.50 | 507.50 | 507.50 | 507.50 | 507.50 | 528.00 | 528.00 | 538.50 |
| 6.0 inch | 1,015.00 | 1,015.00 | 1,015.00 | 1,015.00 | 1,015.00 | 1,015.00 | 1,015.00 | 1,056.00 | 1,056.00 | 1,077.00 |
| 8.0 inch | 1,624.00 | 1,624.00 | 1,624.00 | 1,624.00 | 1,624.00 | 1,624.00 | 1,624.00 | 1,689.60 | 1,689.60 | 1,723.20 |
| Monthly Usage Rate (per 1,000 gallons) | | | | | | | | | | |
| 0 - 2,000 gallons | 4.46 | 4.46 | 4.46 | 4.46 | 4.46 | 4.46 | 4.46 | 4.64 | 4.64 | 4.74 |
| 2,001 - 1,000,000 gallons | 6.28 | 6.28 | 6.28 | 6.28 | 6.28 | 6.28 | 6.28 | 6.54 | 6.54 | 6.68 |
| 1,000,001 gallons and over | 5.38 | 5.38 | 5.38 | 5.38 | 5.38 | 5.38 | 5.38 | 5.60 | 5.60 | 5.72 |
| Sewer Rates | | | | | | | | | | |
| Monthly Minimum Charge (meter size) | | | | | | | | | | |
| 3/4 inch | 24.10 | 24.10 | 24.10 | 24.10 | 24.10 | 24.10 | 24.10 | 25.06 | 25.06 | 25.56 |
| 1.0 inch | 60.26 | 60.26 | 60.26 | 60.26 | 60.26 | 60.26 | 60.26 | 62.66 | 62.66 | 63.90 |
| 1.5 inch | 120.50 | 120.50 | 120.50 | 120.50 | 120.50 | 120.50 | 120.50 | 125.30 | 125.30 | 127.80 |
| 2.0 inch | 192.80 | 192.80 | 192.80 | 192.80 | 192.80 | 192.80 | 192.80 | 200.48 | 200.48 | 204.48 |
| 3.0 inch | 385.60 | 385.60 | 385.60 | 385.60 | 385.60 | 385.60 | 385.60 | 400.96 | 400.96 | 408.96 |
| 4.0 inch | 602.50 | 602.50 | 602.50 | 602.50 | 602.50 | 602.50 | 602.50 | 626.50 | 626.50 | 639.00 |
| 6.0 inch | 1,205.00 | 1,205.00 | 1,205.00 | 1,205.00 | 1,205.00 | 1,205.00 | 1,205.00 | 1,253.00 | 1,253.00 | 1,278.00 |
| 8.0 inch | 1,928.00 | 1,928.00 | 1,928.00 | 1,928.00 | 1,928.00 | 1,928.00 | 1,928.00 | 2,004.80 | 2,004.80 | 2,044.80 |
| Monthly Usage Rate (per 1,000 gallons) | | | | | | | | | | |
| 0 - 2,000 gallons | 5.06 | 5.06 | 5.06 | 5.06 | 5.06 | 5.06 | 5.06 | 5.26 | 5.26 | 5.36 |
| 2,001 - 1,000,000 gallons | 7.10 | 7.10 | 7.10 | 7.10 | 7.10 | 7.10 | 7.10 | 7.38 | 7.38 | 7.52 |
| 1,000,001 gallons and over | 6.10 | 6.10 | 6.10 | 6.10 | 6.10 | 6.10 | 6.10 | 6.34 | 6.34 | 6.46 |

Principal Water and Sewer Customers

Current Year and Nine Years Ago

| Customer | 2019 | | | 2010 | | |
|--|---------------------------------|------|---|---------------------------------|------|---|
| | Water and Sewer Related Charges | Rank | Percentage of Total Water and Sewer Related Charges | Water and Sewer Related Charges | Rank | Percentage of Total Water and Sewer Related Charges |
| Town of Dobson | \$ 211,589 | 1 | 3.55% | | | |
| Hanesbrands, Inc | 175,023 | 2 | 2.94% | 425,727 | 1 | 7.99% |
| Northern Surry Hospital | 140,712 | 3 | 2.36% | 147,382 | 2 | 2.77% |
| North Carolina Granite Corp | 118,666 | 4 | 1.99% | 128,971 | 3 | 2.42% |
| Surry County Schools | 113,220 | 5 | 1.90% | | | |
| Mount Airy Housing Authority | 97,594 | 6 | 1.64% | 94,269 | 4 | 1.77% |
| Awesome Products, Inc | 69,465 | 7 | 1.17% | | | |
| Professional Rental Service | 54,930 | 8 | 0.92% | 46,919 | 7 | 0.88% |
| Mount Airy City Schools | 49,756 | 9 | 0.84% | | | |
| Greenfield Subdivision | 42,282 | 10 | 0.71% | 50,370 | 6 | 0.95% |
| City of Mount Airy | | | 0.00% | 38,018 | 9 | 0.71% |
| Floyd S. Pike Electrical Contractors, Inc. | - | | 0.00% | 51,983 | 5 | 0.98% |
| Renfro Corporation | - | | 0.00% | 45,108 | 8 | 0.85% |
| Central Continuing Care | - | | 0.00% | 36,123 | 10 | 0.68% |
| Totals | <u>\$ 1,073,237</u> | | <u>18.02%</u> | <u>\$ 1,064,870</u> | | <u>20.00%</u> |

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | Business-type Activities | | Total Primary Government | Percentage of Personal Income ^a | Per Capita ^a |
|-------------|--------------------------------|--------------------------|--------------------------------|--------------------------|--|-------------------------|
| | Installment Purchase Contracts | General Obligation Bonds | Installment Purchase Contracts | | | |
| 2010 | \$ - | \$ 1,425,000 | \$ 18,219,077 | \$ 19,644,077 | 6.21% | 1,816 |
| 2011 | - | 650,000 | 17,294,295 | 17,944,295 | 5.82% | 1,727 |
| 2012 | - | - | 16,029,346 | 16,029,346 | 5.13% | 1,539 |
| 2013 | - | - | 14,764,398 | 14,764,398 | 4.45% | 1,422 |
| 2014 | - | - | 13,499,449 | 13,499,449 | 4.02% | 1,302 |
| 2015 | - | - | 12,334,500 | 12,334,500 | 3.54% | 1,187 |
| 2016 | - | - | 11,169,551 | 11,169,551 | 3.13% | 1,078 |
| 2017 | - | - | 10,004,602 | 10,004,602 | 2.75% | 970 |
| 2018 | 360,000 | - | 8,839,653 | 9,199,653 | 2.39% | 895 |
| 2019 | 324,000 | - | 7,674,705 | 7,998,705 | Not available | 780 |

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

^a See Schedule 19 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

City of Mount Airy, North Carolina
Ratios of Bonded Debt Outstanding
 Last Ten Fiscal Years

Schedule 16

| Fiscal Year | General Obligation Bonds | Estimated Actual Taxable Value | Percentage of Estimated Actual Taxable Value of Property^a | Per Capita^b |
|--------------------|---------------------------------|---------------------------------------|---|-------------------------------|
| 2010 | 1,425,000 | 1,122,449,517 | 0.13% | 132 |
| 2011 | 650,000 | 1,124,453,222 | 0.06% | 63 |
| 2012 | - | 1,100,027,744 | 0.00% | - |
| 2013 | - | 1,069,544,346 | 0.00% | - |
| 2014 | - | 1,103,667,145 | 0.00% | - |
| 2015 | - | 1,092,288,467 | 0.00% | - |
| 2016 | - | 1,115,519,510 | 0.00% | - |
| 2017 | - | 1,112,745,433 | 0.00% | - |
| 2018 | - | 1,144,957,944 | 0.00% | - |
| 2019 | - | 1,171,155,434 | 0.00% | - |

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

^a See Schedule 7 for property value data.

^b See Schedule 19 for population data.

City of Mount Airy, North Carolina
Direct and Overlapping Governmental Activities Debt
 As of June 30, 2019

Schedule 17

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Direct and Overlapping Debt |
|---|-------------------------|--|---|
| Debt repaid with property taxes: Surry County | \$ 50,278,155 | 18.45% | \$ 9,277,599 |
| Subtotal, overlapping debt | | | 9,277,599 |
| City of Mount Airy direct debt | | | 324,000 |
| Total direct and overlapping debt | | | \$ 9,601,599 |

Notes:

¹Percentage of Overlapping Debt is based on June 30, 2019 Assessed Valuation of Surry County (\$6,152,002,184) as compared to the June 30, 2019 Assessed Valuation of the City of Mount Airy (\$1,135,200,962).

City of Mount Airy, North Carolina
Legal Debt Margin Information
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Schedule 18

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Debt Limit | \$ 86,383,715 | \$ 86,627,876 | \$ 86,259,776 | \$ 85,349,639 | \$ 87,931,369 | \$ 86,649,060 | \$ 88,063,572 | \$ 88,690,262 | \$ 89,975,375 | \$ 90,816,077 |
| Total net debt applicable to limit | <u>19,003,992</u> | <u>17,645,823</u> | <u>16,029,346</u> | <u>14,764,398</u> | <u>13,499,449</u> | <u>12,334,500</u> | <u>11,169,551</u> | <u>10,004,602</u> | <u>9,199,653</u> | <u>7,998,705</u> |
| Legal debt margin | <u>\$ 67,379,723</u> | <u>\$ 68,982,053</u> | <u>\$ 70,230,430</u> | <u>\$ 70,585,241</u> | <u>\$ 74,431,920</u> | <u>\$ 74,314,560</u> | <u>\$ 76,894,021</u> | <u>\$ 78,685,660</u> | <u>\$ 80,775,722</u> | <u>\$ 82,817,372</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 22.00% | 20.37% | 18.58% | 17.30% | 15.35% | 14.24% | 12.68% | 11.28% | 10.22% | 8.81% |

Legal Debt Margin Calculation for Fiscal Year 2019

| | |
|------------------------------------|----------------------|
| Assessed value of taxable property | \$ 1,135,200,962 |
| Debt Limit (8% of assessed value) | 90,816,077 |
| Debt applicable to limit: | |
| Installment purchase agreements | <u>7,998,705</u> |
| Total net debt applicable to limit | <u>7,998,705</u> |
| Legal debt margin | <u>\$ 82,817,372</u> |

City of Mount Airy, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years

Schedule 19

| Fiscal Year | Population | Personal Income | Per Capita Personal Income | School Enrollment | Unemployment Rate |
|--------------------|-------------------|------------------------|-----------------------------------|--------------------------|--------------------------|
| 2010 | 10,820 | \$ 316,268,284 | \$ 29,230 | 1,595 | 12.20% |
| 2011 | 10,392 | 308,488,288 | 29,685 | 1,607 | 12.20% |
| 2012 | 10,414 | 312,616,037 | 30,019 | 1,631 | 10.90% |
| 2013 | 10,383 | 331,944,063 | 31,970 | 1,678 | 10.10% |
| 2014 | 10,372 | 336,165,962 | 32,411 | 1,685 | 8.60% |
| 2015 | 10,390 | 348,458,284 | 33,538 | 1,594 | 6.10% |
| 2016 | 10,361 | 356,562,218 | 34,414 | 1,694 | 4.90% |
| 2017 | 10,319 | 363,799,400 | 35,255 | 1,572 | 4.00% |
| 2018 | 10,284 | 384,562,047 | 37,394 | 1,601 | 3.90% |
| 2019 | 10,252 | Not available | Not available | 1,611 | 4.20% |

Notes: Statistics for per capita income and unemployment rate are not compiled for the City of Mount Airy. The statistics presented are those for the geographic area of Surry County. School enrollment is for the Mount Airy City School System and does not include students who may be enrolled in other school systems within Surry County, including the Surry County School System, Elkin City School System, and Millennium Charter Academy. Population, personal income, per capita personal income, and unemployment rate are based on last calendar year.

Sources: Population provided by North Carolina State Data Center. Personal income and per capita personal income provided by the US Department of Commerce. School enrollment data provided by North Carolina Department of Public Instruction. Unemployment data provided by the North Carolina Department of Commerce, Division of Employment Security.

City of Mount Airy, North Carolina
Principal Employers
Current Year and Nine Years Ago

Schedule 20

| Employer | 2019 | | 2010 | |
|----------------------------|------------------|-------------|------------------|-------------|
| | Employees | Rank | Employees | Rank |
| Northern Hospital of Surry | 899 | 1 | 741 | 1 |
| Renfro Corporation | 435 | 2 | 292 | 5 |
| Wal-Mart Associates, Inc. | 350 | 3 | 430 | 3 |
| Workforce Carolina, Inc. | 267 | 4 | 700 | 2 |
| City of Mount Airy | 253 | 5 | 240 | 7 |
| Mount Airy City Schools | 244 | 6 | 275 | 6 |
| NCFI - NC Foam Industries | 198 | 7 | 200 | 9 |
| Hanesbrand / Sara Lee | 193 | 8 | 414 | 4 |
| Nester Hosiery | 192 | 9 | 215 | 8 |
| Central Continuing Care | 152 | 10 | | |
| L S Starrett Co | - | | 183 | 10 |
| Total | 3,183 | | 3,690 | |

Note: Information on the percentage of total employment is not presented because this data is not available for the level of local government jurisdiction represented by the City of Mount Airy.

Source: Surry County Economic Development Partnership.

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Function | | | | | | | | | | |
| General government | 17 | 15 | 13 | 12 | 13 | 15 | 15 | 15 | 16 | 15 |
| Public Safety | 69 | 72 | 70 | 69 | 70 | 66 | 67 | 70 | 71 | 71 |
| Public works/transportation | 26 | 24 | 22 | 24 | 19 | 19 | 19 | 20 | 19 | 17 |
| Environmental protection | 14 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 16 |
| Culture and recreation | 13 | 13 | 13 | 11 | 18 | 18 | 18 | 16 | 17 | 16 |
| Water and Sewer | 26 | 32 | 31 | 31 | 28 | 28 | 28 | 27 | 26 | 28 |
| Total | <u>165</u> | <u>171</u> | <u>164</u> | <u>162</u> | <u>163</u> | <u>161</u> | <u>162</u> | <u>163</u> | <u>164</u> | <u>163</u> |

Sources: Various City departments

City of Mount Airy, North Carolina
Operating Indicators by Function
 Last Ten Fiscal Years

Schedule 22

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|-------|-------|-------|-------|-------|
| Function | | | | | |
| Public Safety | | | | | |
| Police | | | | | |
| Physical arrests | 2,305 | 2,057 | 2,679 | 1,976 | 2,280 |
| Traffic violations | 2,257 | 2,012 | 2,564 | 1,595 | 3,096 |
| Fire | | | | | |
| Number of calls answered | 857 | 1,058 | 1,639 | 1,742 | 1,687 |
| Inspections | 549 | 614 | 516 | 585 | 577 |
| Public works/transportation | | | | | |
| Street resurfacing | - | - | 2.80 | - | 2.51 |
| Environmental Protection | | | | | |
| Refuse collected (tons/month) | 673 | 698 | 650 | 884 | 608 |
| Recyclables collected (tons/month) | 41 | 36 | 49 | 64 | 63 |
| Culture and recreation | | | | | |
| Number of memberships | 1,806 | 1,840 | 1,790 | 1,917 | 1,805 |
| Water | | | | | |
| New connections | 178 | 78 | 62 | 163 | 36 |
| Average daily pumpage (thousands of gallons) | 2,820 | 2,405 | 2,200 | 2,147 | 2,405 |
| Average daily consumption billed (thousands of gallons) | 1,524 | 1,595 | 1,627 | 1,660 | 1,594 |
| Wastewater | | | | | |
| New connections | 30 | 20 | 74 | 79 | 20 |
| Average daily sewage treatment (thousands of gallons) | 1,690 | 1,931 | 1,588 | 1,614 | 1,931 |
| Average daily sewage billed (thousands of gallons) | 1,006 | 1,051 | 1,091 | 1,094 | 1,050 |

Sources: Various City departments

Continued on next page

City of Mount Airy, North Carolina
Operating Indicators by Function
 Last Ten Fiscal Years

Schedule 22, continued

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-------|-------|-------|-------|-------|
| Function | | | | | |
| Public Safety | | | | | |
| Police | | | | | |
| Physical arrests | 2,973 | 2,173 | 2,342 | 2,336 | 1,648 |
| Traffic violations | 1,021 | 695 | 685 | 159 | 1,459 |
| Fire | | | | | |
| Number of calls answered | 1,674 | 1,656 | 1,736 | 1,798 | 1,818 |
| Inspections | 447 | 566 | 486 | 419 | 432 |
| Public works/transportation | | | | | |
| Street resurfacing | 1.03 | 2.13 | - | 3.44 | 2.60 |
| Environmental Protection | | | | | |
| Refuse collected (tons/month) | 560 | 774 | 715 | 840 | 735 |
| Recyclables collected (tons/month) | 62 | 72 | 77 | 76 | 81 |
| Culture and recreation | | | | | |
| Number of memberships | 1,835 | 1,906 | 2,092 | 2,000 | 2,071 |
| Water | | | | | |
| New connections | 47 | 38 | 66 | 47 | 33 |
| Average daily pumpage (thousands of gallons) | 2,200 | 2,147 | 2,053 | 2,093 | 2,162 |
| Average daily consumption billed (thousands of gallons) | 1,627 | 1,659 | 1,564 | 1,509 | 1,506 |
| Wastewater | | | | | |
| New connections | 48 | 25 | 27 | 16 | 20 |
| Average daily sewage treatment (thousands of gallons) | 1,588 | 1,614 | 1,525 | 1,452 | 1,826 |
| Average daily sewage billed (thousands of gallons) | 1,090 | 1,093 | 1,022 | 993 | 971 |

Sources: Various City departments

City of Mount Airy, North Carolina
Capital Asset Statistics by Function
 Last Ten Fiscal Years

Schedule 23

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|-------|-------|-------|-------|-------|
| Function | | | | | |
| Public Safety | | | | | |
| Police | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 8 | 9 | 9 | 9 | 9 |
| Fire stations | 2 | 2 | 2 | 2 | 2 |
| Public works/transportation | | | | | |
| Streets (miles) | 70.9 | 70.9 | 72.1 | 72.1 | 72.1 |
| Streetlights | 1,625 | 1,630 | 1,630 | 1,640 | 1,640 |
| Traffic signals | 9 | 9 | 9 | 9 | 9 |
| Environmental Protection | | | | | |
| Collection trucks | 5 | 5 | 6 | 6 | 6 |
| Culture and recreation | | | | | |
| Park acreage | 54 | 54 | 54 | 54 | 54 |
| Parks | 5 | 5 | 5 | 5 | 5 |
| Water | | | | | |
| Water mains (miles) | 200 | 200 | 200 | 200 | 200 |
| Fire hydrants | 1,300 | 1,300 | 1,300 | 1,300 | 1,302 |
| Maximum daily capacity (thousands of gallons) | 8,500 | 8,500 | 8,500 | 8,500 | 8,500 |
| Wastewater | | | | | |
| Sanitary sewers (miles) | 110 | 121 | 128 | 128 | 128 |
| Storm sewers (miles) | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| Maximum daily treatment capacity (thousands of gallons) | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |

Sources: Various City departments

Continued on next page

City of Mount Airy, North Carolina
Capital Asset Statistics by Function
 Last Ten Fiscal Years

Schedule 23, continued

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-------|-------|-------|-------|-------|
| Function | | | | | |
| Public Safety | | | | | |
| Police | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 9 | 9 | 9 | 9 | 9 |
| Fire stations | 2 | 2 | 2 | 2 | 2 |
| Public works/transportation | | | | | |
| Streets (miles) | 72.2 | 72.2 | 72.2 | 72.7 | 72.7 |
| Streetlights | 1,640 | 1,640 | 1,640 | 1,640 | 1,640 |
| Traffic signals | 9 | 9 | 9 | 9 | 9 |
| Environmental Protection | | | | | |
| Collection trucks | 6 | 7 | 7 | 7 | 6 |
| Culture and recreation | | | | | |
| Park acreage | 54 | 54 | 54 | 54 | 54 |
| Parks | 5 | 5 | 5 | 5 | 5 |
| Water | | | | | |
| Water mains (miles) | 200 | 200 | 200 | 200 | 200 |
| Fire hydrants | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 |
| Maximum daily capacity (thousands of gallons) | 8,500 | 8,500 | 8,500 | 8,500 | 8,500 |
| Wastewater | | | | | |
| Sanitary sewers (miles) | 128 | 128 | 128 | 153 | 153 |
| Storm sewers (miles) | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| Maximum daily treatment capacity (thousands of gallons) | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |

Sources: Various City departments



COMPLIANCE SECTION



MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Mount Airy, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mount Airy as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Mount Airy's basic financial statements, and have issued our report thereon dated October 16, 2019. Our report includes a reference to other auditors who audited the financial statements of the City of Mount Airy ABC Board, as described in our report on the City of Mount Airy, North Carolina's financial statements. The financial statements of the City of Mount Airy ABC Board and the Mount Airy Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 16, 2019

City of Mount Airy, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2019

Exhibit F-1

Section I. Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None reported

Non-compliance material to financial statements noted?

☐ Yes ☒ No

Section II. Findings Related to the Audit of the Basic Financial Statements

None reported

City of Mount Airy, North Carolina
Schedule of Prior Year Findings
For the Year Ended June 30, 2019

Exhibit F-2

No prior year findings reported.