

TOWN OF MOUNT GILEAD, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2019

JBW

J. B. WATSON & Co., P.L.L.C.
Certified Public Accountants

TOWN OF MOUNT GILEAD, NORTH CAROLINA
LOCAL GOVERNMENT OFFICIALS
June 30, 2019

Town Council Members

Joseph (Chip) Miller – Mayor

Tim McAuley – Mayor Pro Tem

Paula Covington

Vera Richardson

Mitchell Taylor

Administrative and Financial Staff

Matthew Christian – Town Manager

Amy Roberts – Town Clerk/Finance Officer

Lessie Jackson – Tax Collector

TOWN OF MOUNT GILEAD, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2019

| | <u>Exhibit</u> | <u>Page</u> |
|--|-----------------------|--------------------|
| <u>FINANCIAL SECTION</u> | | |
| INDEPENDENT AUDITORS' REPORT | | |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | | i |
| BASIC FINANCIAL STATEMENTS: | | |
| Government-Wide Financial Statements: | | |
| Statement of Net Position | 1 | 1 |
| Statement of Activities | 2 | 2 |
| Fund Financial Statements: | | |
| Balance Sheet - Governmental Funds | 3-1 | 3 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 3-2 | 4 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 4-1 | 5 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 4-2 | 6 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Annual Budget and Actual - General Fund | 5 | 7 |
| Statement of Fund Net Position - Proprietary Funds | 6 | 8 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds | 7 | 9 |
| Statement of Cash Flows - Proprietary Funds | 8 | 10 |
| Notes to Financial Statements | | 12 |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
TABLE OF CONTENTS (Continued)
June 30, 2019

| | <u>Exhibit</u> | <u>Page</u> |
|---|-----------------------|--------------------|
| REQUIRED SUPPLEMENTARY INFORMATION: | | |
| Local Governmental Employees' Retirement System: | | |
| Schedule of the Proportionate Share of the Net Pension Liability (Asset) | | 41 |
| Schedule of Contributions | | 42 |
| Law Enforcement Officers' Special Separation Allowance: | | |
| Schedule of Changes in Total Pension Liability | | 43 |
| Schedule of Total Pension Liability as a Percentage of Covered Payroll | | 44 |
| COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES: | | |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund | A-1 | 45 |
| Combining Balance Sheet - Non-major Governmental Funds | B-1 | 49 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Funds | B-2 | 50 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: | | |
| Grants Fund | B-3 | 51 |
| Debt Service Fund | B-4 | 52 |
| Debt Service Reserve Fund | B-5 | 53 |
| Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP): | | |
| Water and Sewer Fund | C-1 | 54 |
| Main Street Water Main Replacement Project Fund | C-2 | 56 |
| Wastewater Rehabilitation Project Fund | C-3 | 57 |
| <u>OTHER SCHEDULES</u> | | |
| Schedule of Ad Valorem Taxes Receivable | D-1 | 58 |
| Analysis of Current Tax Levy - Town-wide Levy | D-2 | 59 |
| Schedule of Revenues, Expenses, and Changes in Fund Net Position – Water and Sewer Fund by Function | D-3 | 60 |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
TABLE OF CONTENTS (Continued)
June 30, 2019

| | <u>Exhibit</u> | <u>Page</u> |
|--|-----------------------|--------------------|
| <u>COMPLIANCE SECTION</u> | | |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 61 |
| Schedule of Expenditures of Federal and State Awards | | 63 |

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Town Board
Town of Mount Gilead, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance's Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

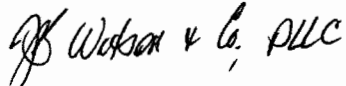
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Town of Mount Gilead, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and schedule of expenditures of federal and State awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of Town of Mount Gilead's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Mount Gilead's internal control over financial reporting and compliance.

Handwritten signature in black ink, appearing to read "J. W. Watson & Co. PLLC".

Wadesboro, North Carolina
November 22, 2019

Management's Discussion and Analysis

As management of Town of Mount Gilead, we offer readers of Town of Mount Gilead's financial statements this narrative overview and analysis of the financial activities of Town of Mount Gilead for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follows this narrative.

Financial Highlights

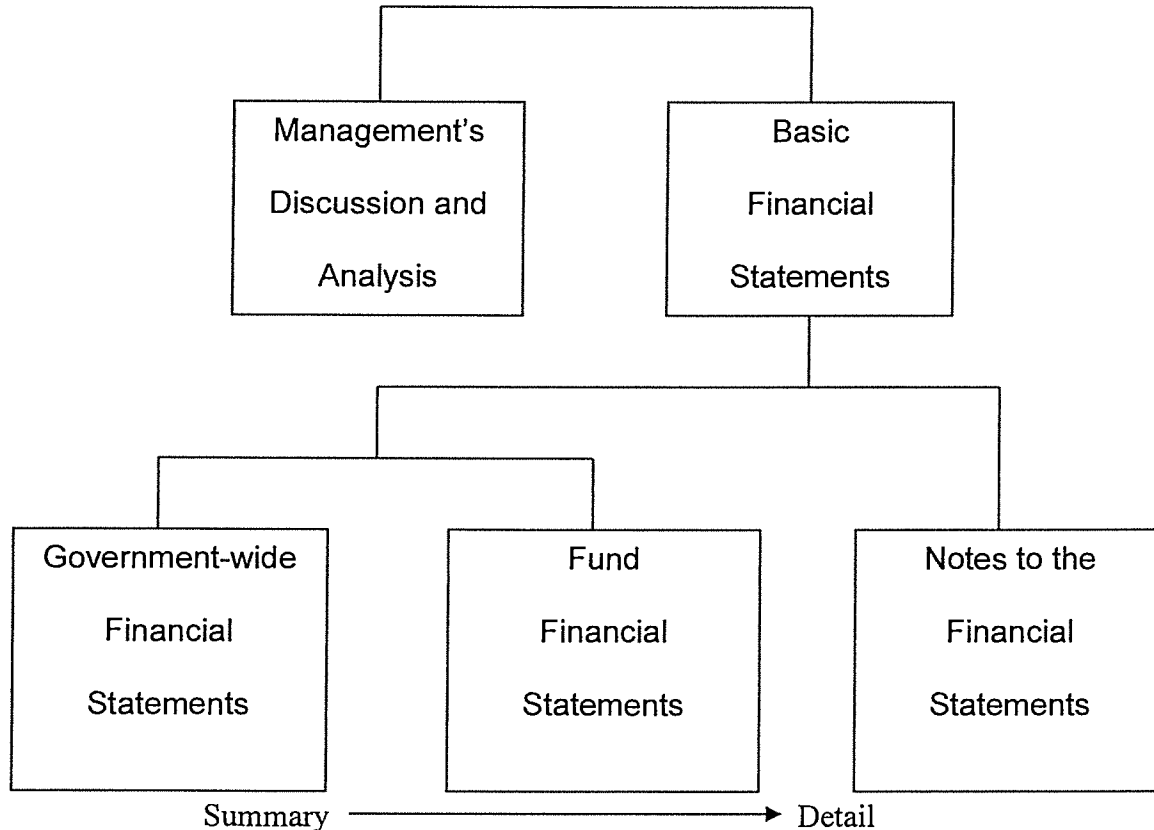
- The assets and deferred outflows of resources of Town of Mount Gilead exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,953,898 (*net position*).
- The government's total net position decreased by \$145,941 which is due largely to increases in proprietary contracted services and water purchases.
- As of the close of the current fiscal year, Town of Mount Gilead's governmental funds reported combined ending fund balance of \$1,554,620, a decrease of \$19,715 in comparison with the prior year. Approximately sixty percent (60%) of this total amount, or \$974,405, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$974,405 or 85% of total General Fund expenditures for the fiscal year.
- Town of Mount Gilead's debt decreased by \$52,687 during the current fiscal year.
- Town of Mount Gilead spent \$162,879 during the current fiscal year and \$137,500 during the prior fiscal year in the beginning stages of a major wastewater rehabilitation project. The total estimated project cost of \$2,910,000 will be funded through the Clean Water Management Trust Fund. These expenses represent engineering and administrative costs necessary to secure funding, which will be reimbursed to the Town once funding is authorized.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is **required supplementary information**. This section contains funding information about the Town's pension plans. Also after the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by Town of Mount Gilead. Town of Mount Gilead is required to report Mount Gilead Redevelopment Corporation, Inc. as a blended component unit.

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

Fund Financial Statements

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

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

Management's Discussion and Analysis
Town of Mount Gilead

Town of Mount Gilead adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 12–40 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Town of Mount Gilead's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Management's Discussion and Analysis
Town of Mount Gilead

Government-Wide Financial Analysis

*Town of Mount Gilead's Net Position
Figure 2*

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$ 1,680,296 | \$ 1,658,069 | \$ 1,608,339 | \$ 1,578,315 | \$ 3,288,635 | \$ 3,236,384 |
| Capital assets, net | 1,502,612 | 1,442,080 | 9,700,037 | 9,939,904 | 11,202,649 | 11,381,984 |
| Deferred outflows of resources | 109,598 | 66,639 | 76,929 | 48,349 | 186,527 | 114,988 |
| Total assets and deferred outflows of resources | <u>3,292,506</u> | <u>3,166,788</u> | <u>11,385,305</u> | <u>11,566,568</u> | <u>14,677,811</u> | <u>14,733,356</u> |
| Current and other liabilities | 69,202 | 49,125 | 129,973 | 91,183 | 199,175 | 140,308 |
| Long-term liabilities: | | | | | | |
| Due within one year | 6,942 | 25,688 | 28,000 | 27,000 | 34,942 | 52,688 |
| Due after one year | 172,573 | 153,139 | 1,252,701 | 1,244,932 | 1,425,274 | 1,398,071 |
| Deferred inflows of resources | 64,715 | 38,864 | (193) | 3,586 | 64,522 | 42,450 |
| Total liabilities and deferred inflows of resources | <u>313,432</u> | <u>266,816</u> | <u>1,410,481</u> | <u>1,366,701</u> | <u>1,723,913</u> | <u>1,633,517</u> |
| Net Position | | | | | | |
| Net investment in capital assets | 1,494,297 | 1,408,078 | 8,543,037 | 8,755,904 | 10,037,334 | 10,163,982 |
| Restricted | 251,195 | 249,919 | - | - | 251,195 | 249,919 |
| Unrestricted | <u>1,233,582</u> | <u>1,241,975</u> | <u>1,431,787</u> | <u>1,443,963</u> | <u>2,665,369</u> | <u>2,685,938</u> |
| Total net position | <u>\$ 2,979,074</u> | <u>\$ 2,899,972</u> | <u>\$ 9,974,824</u> | <u>\$ 10,199,867</u> | <u>\$ 12,953,898</u> | <u>\$ 13,099,839</u> |

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 Town of Mount Gilead exceeded liabilities and deferred inflows by \$12,953,898, as of June 30, 2019. The Town's net position decreased by \$145,941 for the fiscal year ended June 30, 2019. The largest portion, \$10,037,334 (77%), reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. Town of Mount Gilead uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Town of Mount Gilead'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 Town of Mount Gilead's net position, \$251,195 or (2%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,665,369 or (21%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.19%
- Conservative spending in all departments on expendable items
- Unrestricted grants and contributions received in current fiscal year

Management's Discussion and Analysis
Town of Mount Gilead

Town of Mount Gilead'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 | \$ 111,392 | \$ 110,286 | \$ 1,134,415 | \$ 1,085,639 | \$ 1,245,807 | \$ 1,195,925 |
| Operating grants and contributions | 66,097 | 56,047 | - | - | 66,097 | 56,047 |
| Capital grants and contributions | - | - | - | - | - | - |
| General Revenues: | | | | | | |
| Property taxes | 582,487 | 569,579 | - | - | 582,487 | 569,579 |
| Other taxes and licenses | 381,183 | 366,212 | - | - | 381,183 | 366,212 |
| Grants and contributions not restricted | 4,024 | 53,699 | - | 25,000 | 4,024 | 78,699 |
| Investment earnings, unrestricted | 75 | 2,409 | 1,754 | 1,127 | 1,829 | 3,536 |
| Miscellaneous, unrestricted | 1,655 | 1,633 | - | 345 | 1,655 | 1,978 |
| Total Revenues | 1,146,913 | 1,159,865 | 1,136,169 | 1,112,111 | 2,283,082 | 2,271,976 |
| Expenses | | | | | | |
| Program Expenses: | | | | | | |
| General government | 153,282 | 148,381 | - | - | 153,282 | 148,381 |
| Public safety | 524,667 | 480,879 | - | - | 524,667 | 480,879 |
| Transportation | 167,585 | 178,468 | - | - | 167,585 | 178,468 |
| Economic and physical development | 18,272 | 18,175 | - | - | 18,272 | 18,175 |
| Environmental protection | 80,760 | 77,608 | - | - | 80,760 | 77,608 |
| Culture and recreation | 124,033 | 97,406 | - | - | 124,033 | 97,406 |
| Interest on long-term debt | 1,858 | 1,767 | - | - | 1,858 | 1,767 |
| Water and sewer | - | - | 1,358,566 | 1,237,678 | 1,358,566 | 1,237,678 |
| Total Expenses | 1,070,457 | 1,002,684 | 1,358,566 | 1,237,678 | 2,429,023 | 2,240,362 |
| Change in net position before transfers | 76,456 | 157,181 | (222,397) | (125,567) | (145,941) | 31,614 |
| Transfers | 2,646 | 2,645 | (2,646) | (2,645) | - | - |
| Change in net position | 79,102 | 159,826 | (225,043) | (128,212) | (145,941) | 31,614 |
| Net Position | 2,899,972 | 2,740,146 | 10,199,867 | 10,327,721 | 13,099,839 | 13,067,867 |
| Net Position, June 30 | \$ 2,979,074 | \$ 2,899,972 | \$ 9,974,824 | \$ 10,199,509 | \$ 12,953,898 | \$ 13,099,481 |

Governmental activities: Governmental activities increased the Town's net position by \$79,102. Key elements of this increase are as follows:

- Increases in property taxes and other taxes and licenses revenues
- Increases in restricted grants and contributions
- Reductions and savings in some expenditures with increases in public safety and culture and recreation expenditures

Business-type activities: Business-type activities decreased Town of Mount Gilead's net position by \$225,043. Key elements of this decrease are as follows:

- Increase in base sewer rate
- Increase in contracted services for new meter reading service
- Transfer to Wastewater Rehabilitation Project of \$48,000
- Depreciation of assets in the amount of \$412,764

Financial Analysis of the Town's Funds

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

Governmental Funds: The focus of Town of Mount Gilead's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Town of Mount Gilead's financial requirements.

The General Fund is the chief operating fund of Town of Mount Gilead. At the end of the current fiscal year, the fund balance available in the General Fund was \$1,413,606, while the total fund balance was \$1,542,634. The Town currently has an available fund balance of 123% of General Fund expenditures, while the total fund balance represents 134% of the same amount.

At June 30, 2019, the governmental funds of Town of Mount Gilead reported a combined fund balance of \$1,554,620, a 1% decrease from last year. Included in this change in fund balance is an increase in the fund balance of the Debt Service Reserve Fund.

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

There were several funding sources introduced throughout the year for economic and physical development and culture and recreation. Budgeted expenditures increased in the areas of public safety, transportation, economic and physical development, environmental protection, culture and recreation, and debt service. Overall, there was an increase in budgeted expenditures in the General Fund of 4% primarily due to normal operating costs.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,431,787. The total decrease in net position for the Water and Sewer Fund was \$225,043. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Management's Discussion and Analysis
Town of Mount Gilead

Capital Assets and Debt Administration

Capital assets: Town of Mount Gilead's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$11,202,649 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and distribution and collection systems.

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

- Resurfacing of various parking lots and tennis courts
- Pavilion and pool house roof replacements
- Improvements to the pool pump house
- Purchase of a new backhoe motor
- Purchase of a new bush hog
- Engineering for wastewater rehabilitation project
- Write-off of all existing water meters due to new meter servicing agreement

*Town of Mount Gilead's Capital Assets
(net of accumulated depreciation)
Figure 4*

| Description | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 223,785 | \$ 223,785 | \$ 4,000 | \$ 4,000 | \$ 227,785 | \$ 227,785 |
| Construction in progress | - | - | 300,379 | 137,500 | 300,379 | 137,500 |
| Buildings | 379,550 | 399,525 | - | - | 379,550 | 399,525 |
| Other improvements | 77,808 | 40,558 | - | - | 77,808 | 40,558 |
| Infrastructure | 398,706 | 415,761 | - | - | 398,706 | 415,761 |
| Equipment | 206,957 | 229,086 | - | - | 206,957 | 229,086 |
| Recreation facilities | 207,640 | 125,032 | - | - | 207,640 | 125,032 |
| Artwork | 8,166 | 8,333 | - | - | 8,166 | 8,333 |
| Water distribution system | - | - | 2,005,855 | 2,080,347 | 2,005,855 | 2,080,347 |
| Sewer system | - | - | 7,389,803 | 7,718,057 | 7,389,803 | 7,718,057 |
| | <u>\$ 1,502,612</u> | <u>\$ 1,442,080</u> | <u>\$ 9,700,037</u> | <u>\$ 9,939,904</u> | <u>\$ 11,202,649</u> | <u>\$ 11,381,984</u> |

Additional information on the Town's capital assets can be found in Note 3 of the Basic Financial Statements.

Management's Discussion and Analysis
Town of Mount Gilead

Long-term Debt: As of June 30, 2019, Town of Mount Gilead had total bonded debt outstanding of \$1,157,000. Of this, \$529,000 is debt backed by the full faith and credit of the Town.

*Town of Mount Gilead's Outstanding Debt
Figure 5*

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|----------------------------|-------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| General obligation bonds | \$ - | \$ - | \$ 529,000 | \$ 545,000 | \$ 529,000 | \$ 545,000 |
| Revenue bonds | - | - | 628,000 | 639,000 | 628,000 | 639,000 |
| Installment purchases | 8,315 | 34,002 | - | - | 8,315 | 34,002 |
| Compensated absences | 20,765 | 17,535 | 18,016 | 21,396 | 38,781 | 38,931 |
| Net pension liability (LGERS) | 134,159 | 77,070 | 105,685 | 66,536 | 239,844 | 143,606 |
| Total pension liability (LEO) | 16,276 | 50,220 | - | - | 16,276 | 50,220 |
| | <u>\$ 179,515</u> | <u>\$ 178,827</u> | <u>\$ 1,280,701</u> | <u>\$ 1,271,932</u> | <u>\$ 1,460,216</u> | <u>\$ 1,450,759</u> |

Town of Mount Gilead's Outstanding Debt

Town of Mount Gilead's total debt increased by \$9,457 during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Mount Gilead is \$7,890,273. The Town had \$-0- in revenue bonds authorized, but un-issued, at June 30, 2019.

Additional information regarding Town of Mount Gilead's long-term debt can be found in Note 3 beginning on page 34 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic indicators reflect potential growth and prosperity of the Town.

- Expected continued growth and development along Lake Tillery
- Development of the Mount Gilead Industrial Park
- The Town's continued participation in the NC Small Town Main Street Program and other programs designed to encourage investment in Historic Downtown

The Town's recovery from the economic challenges of the recession is expected to be slow.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property tax and sales taxes are forecasted to have minimal change, per Montgomery County and N.C. Department of Revenue projections. Considering economic factors, the Town budgeted conservatively for those revenues. The Town hopes to maintain programs currently in place.

Budgeted expenditures in the General Fund will be held as much as possible at current levels with the exception of needed capital improvements identified in the Town's Capital Improvement Plan, which include improvements to infrastructure and public buildings.

Revenues are expected to remain relatively constant in the General Fund.

Business-type Activities: The water rates for the Town will not change in the 2019-2020 fiscal year. However, sewer and garbage collection base rates were increased to offset the increased cost of providing services and anticipation of increase in debt service. Future rate increases are necessary to accommodate unfunded state monitoring mandates and improvements to capital infrastructure. Rates for customers outside of the Town's corporate limits will remain higher and under constant cost analysis and review. The Town will solicit a rate study to determine adequacy of existing rates.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager; PO Box 325; Mount Gilead, NC 27306; (910) 439-5111; mchristian@mtgileadnc.com.

BASIC FINANCIAL STATEMENTS

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

Exhibit 1

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,374,686 | \$ 1,206,170 | \$ 2,580,856 |
| Receivables: | | | |
| Taxes receivable (net) | 48,090 | - | 48,090 |
| Accounts receivable (net) | 25,523 | 143,186 | 168,709 |
| Accrued interest receivable | 8,384 | - | 8,384 |
| Due from other governments | 97,873 | 42,945 | 140,818 |
| Inventories | 5,632 | 29,215 | 34,847 |
| Restricted assets: | | | |
| Cash and cash equivalents | 120,108 | 186,823 | 306,931 |
| Capital assets: | | | |
| Land and other nondepreciable assets | 223,785 | 304,379 | 528,164 |
| Other capital assets (net) | 1,278,827 | 9,395,658 | 10,674,485 |
| TOTAL ASSETS | 3,182,908 | 11,308,376 | 14,491,284 |
| DEFERRED OUTFLOWS OF RESOURCES | 109,598 | 76,929 | 186,527 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 65,982 | 40,556 | 106,538 |
| Due to other governments | 3,220 | 14,371 | 17,591 |
| Accrued interest payable | - | 3,086 | 3,086 |
| Payable from restricted assets | - | 71,960 | 71,960 |
| Long-term liabilities: | | | |
| Due within one year | 6,942 | 28,000 | 34,942 |
| Due in more than one year | 172,573 | 1,252,701 | 1,425,274 |
| TOTAL LIABILITIES | 248,717 | 1,410,674 | 1,659,391 |
| DEFERRED INFLOWS OF RESOURCES | 64,715 | (193) | 64,522 |
| NET POSITION | | | |
| Net investment in capital assets | 1,494,297 | 8,543,037 | 10,037,334 |
| Restricted for: | | | |
| Stabilization by State statute | 123,396 | - | 123,396 |
| Streets - Powell Bill | 120,108 | - | 120,108 |
| Culture and recreation | 4,896 | - | 4,896 |
| Other purposes | 2,795 | - | 2,795 |
| Unrestricted | 1,233,582 | 1,431,787 | 2,665,369 |
| TOTAL NET POSITION | \$ 2,979,074 | \$ 9,974,824 | \$ 12,953,898 |

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Exhibit 2

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Functions/Programs: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 153,282 | \$ 3,870 | \$ - | \$ - | \$ (149,412) | \$ - | \$ (149,412) |
| Public safety | 524,667 | 1,648 | 7,142 | - | (515,877) | - | (515,877) |
| Transportation | 167,585 | - | 38,575 | - | (129,010) | - | (129,010) |
| Economic and physical development | 18,272 | 1,276 | 8,530 | - | (8,466) | - | (8,466) |
| Environmental protection | 80,760 | 77,959 | - | - | (2,801) | - | (2,801) |
| Culture and recreation | 124,033 | 26,639 | 11,850 | - | (85,544) | - | (85,544) |
| Interest on long-term debt | 1,858 | - | - | - | (1,858) | - | (1,858) |
| Total governmental activities | <u>1,070,457</u> | <u>111,392</u> | <u>66,097</u> | <u>-</u> | <u>(892,968)</u> | <u>-</u> | <u>(892,968)</u> |
| Business-type activities: | | | | | | | |
| Water and sewer | <u>1,358,566</u> | <u>1,134,415</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(224,151)</u> | <u>(224,151)</u> |
| | <u>\$ 2,429,023</u> | <u>\$ 1,245,807</u> | <u>\$ 66,097</u> | <u>\$ -</u> | <u>(892,968)</u> | <u>(224,151)</u> | <u>(1,117,119)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 582,487 | - | 582,487 |
| Other taxes and licenses | | | | | 381,183 | - | 381,183 |
| Grants and contributions not restricted to specific programs | | | | | 4,024 | - | 4,024 |
| Investment earnings, unrestricted | | | | | 75 | 1,754 | 1,829 |
| Miscellaneous, unrestricted | | | | | <u>1,655</u> | <u>-</u> | <u>1,655</u> |
| Total general revenues not including transfers | | | | | 969,424 | 1,754 | 971,178 |
| Transfers | | | | | <u>2,646</u> | <u>(2,646)</u> | <u>-</u> |
| Total general revenues and transfers | | | | | <u>972,070</u> | <u>(892)</u> | <u>971,178</u> |
| Change in net position | | | | | 79,102 | (225,043) | (145,941) |
| Net position, beginning | | | | | <u>2,899,972</u> | <u>10,199,867</u> | <u>13,099,839</u> |
| Net position, ending | | | | | <u>\$ 2,979,074</u> | <u>\$ 9,974,824</u> | <u>\$ 12,953,898</u> |

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

Exhibit 3-1

| | General Fund | Total Non-major Governmental Funds | Total Governmental Funds |
|--|---------------------|---|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,362,700 | \$ 11,986 | \$ 1,374,686 |
| Restricted cash and cash equivalents | 120,108 | - | 120,108 |
| Taxes receivable (net) | 48,090 | - | 48,090 |
| Accounts receivable (net) | 25,523 | - | 25,523 |
| Due from other governments | 97,873 | - | 97,873 |
| Inventories | 5,632 | - | 5,632 |
| TOTAL ASSETS | \$ 1,659,926 | \$ 11,986 | \$ 1,671,912 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 65,982 | \$ - | \$ 65,982 |
| Due to other governments | 3,220 | - | 3,220 |
| TOTAL LIABILITIES | 69,202 | - | 69,202 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes receivable | 48,090 | - | 48,090 |
| Prepaid taxes | - | - | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 48,090 | - | 48,090 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Inventories | 5,632 | - | 5,632 |
| Restricted: | | | |
| Stabilization by State statute | 123,396 | - | 123,396 |
| Streets - Powell Bill | 120,108 | - | 120,108 |
| Culture and recreation | 847 | 4,049 | 4,896 |
| Other purposes | 2,795 | - | 2,795 |
| Committed: | | | |
| Debt service | - | 7,937 | 7,937 |
| Assigned: | | | |
| Fire department | 92,040 | - | 92,040 |
| Subsequent year's expenditures | 223,411 | - | 223,411 |
| Unassigned | 974,405 | - | 974,405 |
| TOTAL FUND BALANCES | 1,542,634 | 11,986 | 1,554,620 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 1,659,926 | \$ 11,986 | \$ 1,671,912 |

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

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

Exhibit 3-2

Fund balances - Total governmental funds (Exhibit 3-1) **\$ 1,554,620**

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

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds. 1,502,612

Deferred outflows of resources related to pensions are not
reported in the funds. 109,598

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are inflows of resources in the funds.
Accrued interest receivable on taxes receivable 8,384

Earned revenues considered deferred inflows of resources in
fund statements. 48,090

Deferred inflows of resources related to pensions are not reported
in the funds. (64,715)

Long-term liabilities used in governmental activities are not financial
uses and, therefore, are not reported in the funds.

| | |
|-------------------------------|-----------------|
| Installment purchases | (8,315) |
| Compensated absences | (20,765) |
| Net pension liability (LGERS) | (134,159) |
| Total pension liability (LEO) | <u>(16,276)</u> |

Net position of governmental activities (Exhibit 1) **\$ 2,979,074**

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit 4-1

| | General Fund | Total Non-major Governmental Funds | Total Governmental Funds |
|---------------------------------------|---------------------|---|--------------------------------|
| REVENUES | | | |
| Ad valorem taxes | \$ 560,622 | \$ - | \$ 560,622 |
| Other taxes and licenses | 120 | - | 120 |
| Unrestricted intergovernmental | 384,389 | - | 384,389 |
| Restricted intergovernmental | 42,371 | - | 42,371 |
| Permits and fees | 755 | - | 755 |
| Sales and services | 108,323 | - | 108,323 |
| Investment earnings | 75 | - | 75 |
| Miscellaneous | 28,393 | - | 28,393 |
| TOTAL REVENUES | <u>1,125,048</u> | <u>-</u> | <u>1,125,048</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 147,243 | - | 147,243 |
| Public safety | 523,821 | - | 523,821 |
| Transportation | 153,304 | - | 153,304 |
| Economic and physical development | 18,272 | - | 18,272 |
| Environmental protection | 80,760 | - | 80,760 |
| Culture and recreation | 196,464 | - | 196,464 |
| Debt service: | | | |
| Principal retirement | 25,687 | - | 25,687 |
| Interest and fees | 1,858 | - | 1,858 |
| TOTAL EXPENDITURES | <u>1,147,409</u> | <u>-</u> | <u>1,147,409</u> |
| REVENUES UNDER EXPENDITURES | <u>(22,361)</u> | <u>-</u> | <u>(22,361)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | - | 29,896 | 29,896 |
| Transfers to other funds | - | (27,250) | (27,250) |
| | <u>-</u> | <u>2,646</u> | <u>2,646</u> |
| NET CHANGE IN FUND BALANCES | <u>(22,361)</u> | <u>2,646</u> | <u>(19,715)</u> |
| FUND BALANCES, beginning | <u>1,564,995</u> | <u>9,340</u> | <u>1,574,335</u> |
| FUND BALANCES, ending | <u>\$ 1,542,634</u> | <u>\$ 11,986</u> | <u>\$ 1,554,620</u> |

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Exhibit 4-2

Net change in fund balances - total governmental funds (Exhibit 4-1) \$ (19,715)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation in the current period.

| | |
|---|----------|
| Capital outlay expenditures | 148,022 |
| Depreciation expense for governmental assets | (85,752) |
| Net book value of disposed capital assets not recorded in the fund statements | (1,738) |

| | |
|--|--------|
| Contributions to the pension plan in the current fiscal year are not included on the statement of activities | 27,342 |
|--|--------|

| | |
|--|-----|
| Benefit payments paid and administration costs for the LEOSSA are not included on the statement of activities. | 337 |
|--|-----|

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

| | |
|--|---------|
| Change in accrued interest receivable on taxes | (2,533) |
| Change in unavailable revenue for tax revenues | 24,398 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | |
|--------------------------------|--------|
| Principal payment on debt owed | 25,687 |
|--------------------------------|--------|

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 | (3,230) |
| Pension expense | <u>(33,716)</u> |

Total change in net position of governmental activities (Exhibit 2) \$ 79,102

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

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

Exhibit 5

| | Original Budget | Final Budget | Actual | Variance with Final Positive (Negative) |
|--|--------------------|------------------|---------------------|--|
| REVENUES | | | | |
| Ad valorem taxes | \$ 501,700 | \$ 501,700 | \$ 560,622 | \$ 58,922 |
| Other taxes and licenses | 140 | 140 | 120 | (20) |
| Unrestricted intergovernmental | 286,214 | 314,214 | 384,389 | 70,175 |
| Restricted intergovernmental | 84,600 | 84,600 | 42,371 | (42,229) |
| Permits and fees | 800 | 800 | 755 | (45) |
| Sales and services | 87,150 | 92,150 | 108,323 | 16,173 |
| Investment earnings | 1,000 | 1,000 | 75 | (925) |
| Miscellaneous | 17,550 | 25,550 | 28,393 | 2,843 |
| TOTAL REVENUES | <u>979,154</u> | <u>1,020,154</u> | <u>1,125,048</u> | <u>104,894</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 201,100 | 183,200 | 147,243 | 35,957 |
| Public safety | 623,870 | 624,870 | 523,821 | 101,049 |
| Transportation | 128,900 | 160,300 | 153,304 | 6,996 |
| Economic and physical development | 16,000 | 24,500 | 18,272 | 6,228 |
| Environmental protection | 80,800 | 85,600 | 80,760 | 4,840 |
| Culture and recreation | 188,585 | 202,085 | 196,464 | 5,621 |
| Debt service: | | | | |
| Principal retirement | 19,083 | 25,660 | 25,687 | (27) |
| Interest and fees | 467 | 1,090 | 1,858 | (768) |
| TOTAL EXPENDITURES | <u>1,258,805</u> | <u>1,307,305</u> | <u>1,147,409</u> | <u>159,896</u> |
| REVENUES UNDER EXPENDITURES | <u>(279,651)</u> | <u>(287,151)</u> | <u>(22,361)</u> | <u>264,790</u> |
| OTHER FINANCING SOURCES | | | | |
| Sale of capital assets | <u>3,000</u> | <u>3,000</u> | <u>-</u> | <u>(3,000)</u> |
| REVENUES AND OTHER SOURCES UNDER EXPENDITURES | <u>(276,651)</u> | <u>(284,151)</u> | <u>(22,361)</u> | <u>261,790</u> |
| APPROPRIATED FUND BALANCE | <u>276,651</u> | <u>284,151</u> | <u>-</u> | <u>(284,151)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>(22,361)</u> | <u>\$ (22,361)</u> |
| FUND BALANCE, beginning | | | <u>1,564,995</u> | |
| FUND BALANCE, ending | | | <u>\$ 1,542,634</u> | |

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
June 30, 2019

Exhibit 6

| | <u>Water and Sewer Fund</u> |
|--|---------------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 1,206,170 |
| Accounts receivable (net) | 143,186 |
| Due from other governments | 42,945 |
| Inventories | 29,215 |
| Restricted assets: | |
| Cash and cash equivalents | <u>186,823</u> |
| TOTAL CURRENT ASSETS | <u>1,608,339</u> |
| NONCURRENT ASSETS | |
| Capital assets: | |
| Land and other nondepreciable assets | 304,379 |
| Other capital assets (net) | <u>9,395,658</u> |
| TOTAL NONCURRENT ASSETS | <u>9,700,037</u> |
| TOTAL ASSETS | <u>11,308,376</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>76,929</u> |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable and accrued liabilities | 40,556 |
| Due to other governments | 14,371 |
| Accrued interest payable | 3,086 |
| Current portion of long-term debt | 28,000 |
| Payable from restricted assets | <u>71,960</u> |
| TOTAL CURRENT LIABILITIES | <u>157,973</u> |
| NONCURRENT LIABILITIES | |
| Compensated absences | 18,016 |
| Net pension liability | 105,685 |
| Long-term debt | <u>1,129,000</u> |
| TOTAL NONCURRENT LIABILITIES | <u>1,252,701</u> |
| TOTAL LIABILITIES | <u>1,410,674</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>(193)</u> |
| NET POSITION | |
| Net investment in capital assets | 8,543,037 |
| Unrestricted | <u>1,431,787</u> |
| TOTAL NET POSITION | <u>\$ 9,974,824</u> |

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2019

Exhibit 7

| | <u>Water and Sewer Fund</u> |
|--|---------------------------------|
| OPERATING REVENUES | |
| Water sales | \$ 220,417 |
| Sewer charges | 887,353 |
| Water and sewer taps and fees | 9,970 |
| Other operating revenues | <u>16,675</u> |
| TOTAL OPERATING REVENUES | <u>1,134,415</u> |
| OPERATING EXPENSES | |
| Water/Wastewater administration | 189,247 |
| Water operations | 323,656 |
| Wastewater collection system | 184,897 |
| Wastewater plant | 183,297 |
| Depreciation | <u>412,764</u> |
| TOTAL OPERATING EXPENSES | <u>1,293,861</u> |
| OPERATING LOSS | <u>(159,446)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | 1,754 |
| Interest and fees | (39,741) |
| Disposal of capital assets | <u>(24,964)</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(62,951)</u> |
| LOSS BEFORE CONTRIBUTIONS AND TRANSFERS | (222,397) |
| CAPITAL CONTRIBUTIONS | - |
| TRANSFERS | <u>(2,646)</u> |
| CHANGE IN NET POSITION | (225,043) |
| NET POSITION, beginning | <u>10,199,867</u> |
| NET POSITION, ending | <u><u>\$ 9,974,824</u></u> |

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2019

Exhibit 8
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---------------|
| Cash received from customers | \$ 1,104,133 |
| Cash paid for goods and services | (661,741) |
| Cash paid to or on behalf of employees for services | (226,347) |
| Other operating receipts | <u>16,675</u> |

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

232,720

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|--------------------------------|----------------|
| Transfers to debt service fund | <u>(2,646)</u> |
|--------------------------------|----------------|

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES**

| | |
|--|-----------------|
| Acquisition and construction of capital assets | (162,101) |
| Principal paid on debt | (27,000) |
| Interest paid on debt | <u>(39,819)</u> |

**NET CASH USED BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

(228,920)

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---------------------|--------------|
| Investment earnings | <u>1,800</u> |
|---------------------|--------------|

**NET INCREASE IN CASH
AND CASH EQUIVALENTS**

2,954

CASH AND CASH EQUIVALENTS, beginning

1,390,039

CASH AND CASH EQUIVALENTS, ending

\$ 1,392,993

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE BALANCE SHEET:**

| | |
|--|----------------|
| Cash and cash equivalents in current assets | \$ 1,206,170 |
| Cash and cash equivalents in restricted assets | <u>186,823</u> |

\$ 1,392,993

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2019

Exhibit 8
Page 2 of 2

**RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

| | |
|---|----------------|
| Operating loss | \$ (159,446) |
| Adjustment to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 412,764 |
| (Increase) decrease in: | |
| Accounts receivable (net) | (19,003) |
| Due from other governments | 512 |
| Inventories | (8,625) |
| Deferred outflows of resources - pensions | (28,580) |
| Increase (decrease) in: | |
| Accounts payable and accrued liabilities | (2,699) |
| Due to other governments | 5,807 |
| Compensated absences payable | (3,380) |
| Net pension liability | 39,149 |
| Deferred inflows of resources - pensions | <u>(3,779)</u> |

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

\$ 232,720

**NONCASH INVESTING, CAPITAL, AND FINANCING
ACTIVITIES:**

Net book value of capital assets transferred from the General Fund:

| | |
|--------------------------|-----------------|
| Cost | \$ 28,560 |
| Accumulated depreciation | <u>(28,560)</u> |

\$ -

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

Town of Mount Gilead is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. Mount Gilead Redevelopment Corporation, Inc. (Corporation) exists to handle community, housing, and downtown development. The mayor with the advice and consent of the Town Council appoints the entire board of the Corporation. The Town manager is a permanent member of the board of the Corporation. The Corporation is presented in the Town's financial statements as a blended component unit. The blended presentation method presents component units as a department or unit of the Town and offers no separate presentation as with the discrete method.

B. BASIS OF PRESENTATION

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

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

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other nonoperating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental funds:

Grants Fund. This fund is used to account for the N.C. Small Town Economic Prosperity (STEP) program, other Rural Center grant funds, and N.C. Department of Health and Human Services grant funds that are restricted for economic development in the downtown area and for improved physical activity in the Town.

Debt Service Fund and Debt Service Reserve Fund. These funds are used to account for monies set aside for future debt service obligations.

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The Main Street Water Main Replacement Project Fund and Wastewater Rehabilitation Project Fund are consolidated with the Water and Sewer Fund for financial reporting purposes.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when 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 beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for Town of Mount Gilead because the tax is levied by Montgomery 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 Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

D. BUDGETARY DATA

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

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY

DEPOSITS AND INVESTMENTS

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value.

CASH AND CASH EQUIVALENTS

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

RESTRICTED ASSETS

Restricted cash and cash equivalents in the Water and Sewer Fund represent \$160,000 restricted for the purchase and installation of two additional sewer pumping stations for the Lake Tillery Sewer System and unexpended grant monies of \$26,823 in the enterprise capital projects funds. Powell Bill funds of \$120,108 are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

AD VALOREM TAXES RECEIVABLE

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

ALLOWANCES FOR DOUBTFUL ACCOUNTS

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the receivables written off in prior years, as well as the receivables at year-end deemed to be uncollectible.

INVENTORIES

Inventories are maintained for the General and Enterprise Fund supplies. The inventories are valued at cost (first-in, first-out), which approximates market. The Town's inventory consists of expendable materials and supplies held for consumption. The costs of these inventories are expensed when consumed rather than when purchased.

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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 16, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. The minimum capitalization limit as of July 1, 2017, is \$5,000. The minimum capitalization limit prior to that was \$1,500. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and have not been capitalized. 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 of the Town are depreciated on a straight-line basis over the following estimated useful lives:

| | |
|---------------------------|---------------|
| Buildings | 30 years |
| Other improvements | 13 - 30 years |
| Infrastructure | 25 - 30 years |
| Equipment | 3 - 30 years |
| Recreation facilities | 7 - 30 years |
| Artwork | 30 years |
| Water distribution system | 7 - 40 years |
| Sewer system | 5 - 40 years |

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 Town has one item that meets this criterion – pension deferrals for the current fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes (when applicable), property taxes receivable, and pension deferrals.

LONG-TERM OBLIGATIONS

In the government-wide financial statements and in the 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.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

COMPENSATED ABSENCES

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary fund financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

NET POSITION/FUND BALANCES

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

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

The governmental fund types classify fund balances as follows:

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

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

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina legislature in the 1930's 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 year.* 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. RSS is included as a component of restricted fund balance on the Balance Sheet and restricted net position on the Statement of Net Position.

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 culture and recreation – portion of fund balance restricted by revenue source for culture and recreation. This amount represents amounts given for improvements to the park and Healthy Kids on Wheels.

Restricted for other purposes – portion of fund balance restricted by revenue source for public safety and other specific purposes. This amount represents the balance of unexpended monies donated to the Town for specific purposes.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by a majority vote by quorum of the Town's governing board (highest level of decision-making authority). The governing board 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 debt service – portion of fund balance that has been set aside for future debt service obligations.

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

Fire department – portion of fund balance that has been appropriated by the Board for the fire department for the purchase of a fire truck.

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

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Town has not adopted a minimum fund balance policy, but follows the State Treasurer's guidance.

DEFINED BENEFIT COST-SHARING PLANS

For purposes of measuring the net pension liability, deferred outflows 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 the Law Enforcement Officers' Special Separation Allowance (LEO) and additions to/deductions from LGERS and LEO fiduciary net positions have been determined on the same basis as they are reported by LGERS and LEO. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Town of Mount Gilead's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS and LEO. Investments are reported at fair value.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT FUND BALANCE OR NET POSITION OF INDIVIDUAL FUNDS

The Wastewater Rehabilitation Project Fund had a deficit fund balance at June 30, 2019. This project will be funded by Clean Water State Revolving Funds (CWSRF). The CWSRF loan closed in May 2019 and the Town has received the notice to proceed with construction. Until construction begins and loan proceeds are received to reimburse the Town, the project fund will be borrowing from the Town's Water and Sewer Fund and will carry a deficit fund balance.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund for debt service and in the Town's Water and Sewer Fund for capital outlay exceeded the authorized appropriations made by the governing board. Management plans to implement review procedures to ensure compliance with Board approved appropriations in the future.

NOTE 3 – DETAIL NOTES ON ALL FUNDS

A. ASSETS

DEPOSITS

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

At June 30, 2019, the Town's deposits had a carrying amount of \$2,832,553 and a bank balance of \$2,864,867. At June 30, 2019, the Town's bank balances exceeded federally insured limits by \$2,150,937. All deposits of the Town are insured or collateralized under the Pooling Method. At June 30, 2019, the Town's petty cash fund totaled \$550.

INVESTMENTS

At June 30, 2019, the Town's investments consisted of \$54,684 in the North Carolina Capital Management's Trust – Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no formal policy on credit risk, but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30.

RECEIVABLES – ALLOWANCES FOR DOUBTFUL ACCOUNTS

The receivables shown in Exhibit 1 are net of the following allowances for doubtful accounts:

Funds

| | |
|----------------------------|--------------------------|
| General – Taxes receivable | \$ 25,000 |
| Enterprise | <u>199,000</u> |
| TOTAL | <u>\$ 224,000</u> |

(Left blank intentionally.)

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

CAPITAL ASSETS

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|----------------|---------------|---------------------|
| <i>Governmental activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 223,785 | \$ - | \$ - | \$ 223,785 |
| Capital assets being depreciated: | | | | |
| Buildings | 673,953 | - | - | 673,953 |
| Other improvements | 112,662 | 42,580 | - | 155,242 |
| Infrastructure | 511,226 | - | - | 511,226 |
| Equipment | 787,528 | 7,456 | 64,487 | 730,497 |
| Recreation facilities | 600,195 | 97,986 | 1,457 | 696,724 |
| Artwork | 10,000 | - | - | 10,000 |
| | <u>2,695,564</u> | <u>148,022</u> | <u>65,944</u> | <u>2,777,642</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 274,428 | 19,975 | - | 294,403 |
| Other improvements | 72,104 | 5,330 | - | 77,434 |
| Infrastructure | 95,465 | 17,055 | - | 112,520 |
| Equipment | 558,442 | 28,685 | 63,587 | 523,540 |
| Recreation facilities | 475,163 | 14,540 | 619 | 489,084 |
| Artwork | 1,667 | 167 | - | 1,834 |
| | <u>1,477,269</u> | <u>85,752</u> | <u>64,206</u> | <u>1,498,815</u> |
| | <u>1,218,295</u> | | | <u>1,278,827</u> |
| Governmental activities capital assets, net | <u>\$ 1,442,080</u> | | | <u>\$ 1,502,612</u> |

Depreciation expense was charged to governmental departments as follows:

| | |
|------------------------|------------------|
| General government | \$ 8,781 |
| Public safety | 30,782 |
| Transportation | 21,472 |
| Culture and recreation | 24,717 |
| | <u>\$ 85,752</u> |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|------------------|------------------|----------------------------|
| <i>Business-type activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 4,000 | \$ - | \$ - | \$ 4,000 |
| Construction in progress | <u>137,500</u> | <u>162,879</u> | <u>-</u> | <u>300,379</u> |
| | <u>141,500</u> | <u>162,879</u> | <u>-</u> | <u>304,379</u> |
| Capital assets being depreciated: | | | | |
| Water distribution system | 3,427,596 | 21,672 | 121,048 | 3,328,220 |
| Sewer system | <u>13,150,957</u> | <u>41,870</u> | <u>13,467</u> | <u>13,179,360</u> |
| | <u>16,578,553</u> | <u>63,542</u> | <u>134,515</u> | <u>16,507,580</u> |
| Less accumulated depreciation for: | | | | |
| Water distribution system | 1,347,249 | 74,034 | 98,918 | 1,322,365 |
| Sewer system | <u>5,432,900</u> | <u>367,290</u> | <u>10,633</u> | <u>5,789,557</u> |
| | <u>6,780,149</u> | <u>441,324</u> | <u>109,551</u> | <u>7,111,922</u> |
| | <u>9,798,404</u> | | | <u>9,395,658</u> |
| Business-type activities capital assets, net | <u>\$ 9,939,904</u> | | | <u>\$ 9,700,037</u> |

Depreciation expense for the year ended June 30, 2019, was \$412,764.

Construction commitments

The Town had various active projects at June 30, 2019. The projects are to be funded largely by federal and State grants. The Town's commitments with contractors and engineers at June 30, 2019, are as follows:

| | |
|-----------------------------------|---------------------|
| Wastewater rehabilitation project | <u>\$ 3,097,500</u> |
|-----------------------------------|---------------------|

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

B. LIABILITIES

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

Local Governmental Employees' Retirement System

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

Benefits Provided: LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Mount Gilead employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Mount Gilead's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.81% for general employees, actuarially determined as an amount that when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Town of Mount Gilead were \$44,777 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$239,844 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.01011% (measured as of June 30, 2018), which was an increase of 0.00071% from its proportion as of June 30, 2018 (measured as of June 30, 2017).

For the year ended June 30, 2019, the Town recognized pension expense of \$59,548. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 37,002 | \$ 1,242 |
| Changes of assumptions | 63,645 | - |
| Net difference between projected and actual earnings on pension plan investments | 32,924 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 4,649 | 10,419 |
| Town's contributions subsequent to the measurement date | 44,777 | - |
| Total | <u>\$ 182,997</u> | <u>\$ 11,661</u> |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

\$44,777 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | |
|-------------------------|-----------|
| 2020 | \$ 58,727 |
| 2021 | 40,645 |
| 2022 | 8,613 |
| 2023 | 18,574 |
| 2024 | - |
| Thereafter | - |

Actuarial Assumptions: The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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 as of 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:

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| Total | <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 3.00%. All rates of return and inflation are annualized.

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

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

| | <u>1% Decrease (6.00%)</u> | <u>Discount Rate (7.00%)</u> | <u>1% Increase (8.00%)</u> |
|--|------------------------------------|--------------------------------------|------------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 576,126 | \$ 239,844 | \$ (41,159) |

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.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Law Enforcement Officers' Special Separation Allowance

Plan Description: Town of Mount Gilead administers a public employee retirement system (the Separation Allowance), a single-employer, defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of 6 active plan members.

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement No. 73.

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

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

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Contributions: The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$-0- as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$16,276. The total pension liability was measured as of December 31, 2018, based on a December 31, 2017, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of (\$1,944).

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 50,655 |
| Changes of assumptions and other inputs | 3,193 | 2,206 |
| Town benefit payments and plan administrative expenses incurred subsequent to the measurement date | <u>337</u> | <u>-</u> |
| Total | <u>\$ 3,530</u> | <u>\$ 52,861</u> |

\$337 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | |
|---------------------------------|--------------------|
| 2020 | \$ (9,071) |
| 2021 | (9,071) |
| 2022 | (9,071) |
| 2023 | (9,071) |
| 2024 | (8,493) |
| Thereafter | <u>(4,891)</u> |
| | <u>\$ (49,668)</u> |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate: The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.64 percent) or one percentage point higher (4.64 percent) than the current rate:

| | 1% Decrease <u>(2.64%)</u> | Discount Rate <u>(3.64%)</u> | 1% Increase <u>(4.64%)</u> |
|-------------------------|----------------------------------|------------------------------------|----------------------------------|
| Total pension liability | \$ 18,398 | \$ 16,276 | \$ 14,414 |

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

| | |
|---|------------------|
| Beginning balance | \$ 50,220 |
| Service cost | 5,552 |
| Interest on the total pension liability | 1,587 |
| Change of benefit terms | - |
| Differences between expected and actuarial experience | (40,099) |
| Changes of assumptions or other inputs | (984) |
| Benefit payments | - |
| Other changes | - |
| Ending balance of the total pension liability | <u>\$ 16,276</u> |

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

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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:

| | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|---|----------------|---------------|----------------|
| Pension expense | \$ 59,548 | \$ (1,944) | \$ 57,604 |
| Pension liability | 239,844 | 16,276 | 256,120 |
| Proportionate share of the net pension liability (asset) | 0.01011% | n/a | |
| Deferred outflows of resources: | | | |
| Differences between expected and actual experience | 37,002 | - | 37,002 |
| Changes of assumptions | 63,645 | 3,193 | 66,838 |
| Net difference between projected and actual earnings on plan investments | 32,924 | - | 32,924 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 4,649 | - | 4,649 |
| Benefit payments and administrative costs paid subsequent to the measurement date | <u>44,777</u> | <u>337</u> | <u>45,114</u> |
| | <u>182,997</u> | <u>3,530</u> | <u>186,527</u> |
| Deferred inflows of resources: | | | |
| Differences between expected and actual experience | 1,242 | 50,655 | 51,897 |
| Changes of assumptions | - | 2,206 | 2,206 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | <u>10,419</u> | <u>-</u> | <u>10,419</u> |
| | <u>11,661</u> | <u>52,861</u> | <u>64,522</u> |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Supplemental Retirement Income Plan For Law Enforcement Officers and General Employees

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

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan.

The Town has elected to make the Supplemental Retirement Income Plan available to general employees. The Town matches up to three percent of each general participant's salary if the employee makes voluntary contributions. All amounts contributed are immediately vested in the name of each participant.

The Town made contributions of \$23,117 for the reporting year. No amounts were forfeited.

OTHER EMPLOYMENT BENEFITS

The Town 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 months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

For the fiscal year ended June 30, 2019, the Town made contributions to the State for death benefits of \$542. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.06% and 0.14% of covered payroll, respectively.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

| | | |
|---|----|-----------------------|
| Contributions to pension plan in current fiscal year (LGERS) | \$ | 44,777 |
| Benefit payments and administrative costs paid subsequent to the measurement date (LEOSSA) | | 337 |
| Differences between expected and actual experience | | 37,002 |
| Changes of assumptions | | 66,838 |
| Net difference between projected and actual earnings on plan investments | | 32,924 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | <u>4,649</u> |
| | \$ | <u><u>186,527</u></u> |

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

| | General Fund Balance Sheet | Statement of Net Position |
|---|----------------------------------|------------------------------|
| Prepaid taxes (General Fund) | \$ - | \$ - |
| Taxes receivable, less penalties (General Fund) | 48,090 | - |
| Differences between expected and actual experience | - | 51,897 |
| Changes of assumptions | - | 2,206 |
| Net difference between projected and actual earnings on plan investments | - | - |
| Changes in proportion and differences between employer contributinos and proportionate share of contributions | <u>-</u> | <u>10,419</u> |
| | <u><u>\$ 48,090</u></u> | <u><u>\$ 64,522</u></u> |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

COMMITMENTS

The Town entered into a maintenance contract for the water tank July 5, 2005. The Town has the right to continue the contract for an indefinite period of time provided the annual fee is paid. The first five annual fees were \$22,463 per year. Beginning in 2010, the annual base fee was adjusted to \$10,978 per year. In 2013 and each third year thereafter, the annual fee will be adjusted to reflect the current cost of service. The annual fee was adjusted to \$12,186 beginning fiscal year 2013-14 and to \$13,526 beginning fiscal year 2016-17. The annual contract amount is appropriated in the applicable annual budgets.

On July 3, 2018, the Town entered into a four year meter servicing agreement. The agreement involves removal of all old meters, installation of new meter equipment and all related hardware and software, licensing, training, billing interface, ongoing maintenance of equipment, and network monitoring and troubleshooting. The agreement requires three annual payments of \$98,500.

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in a self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town obtains workers' compensation coverage up to the statutory limits. The pool is reinsured through commercial companies up to statutory limits for workers' compensation.

The Town carries commercial coverage for employee health coverage and all other risks of loss. The Town obtains general liability and auto liability coverage of \$5 million per occurrence with a \$5 million total limit, property coverage up to the total insurance values of the property policy, and unlimited lifetime employee health insurance coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance through the National Flood Insurance Plan (NFIP).

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and Town manager are each individually bonded for \$67,000.

CLAIMS AND JUDGMENTS

At June 30, 2019, the Town was party to a breach of contract lawsuit brought by a homeowners association regarding sewage disposal. The Town has filed a motion to dismiss this lawsuit, and a hearing was held November 18, 2019. The Town is awaiting a ruling on this motion.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

LONG-TERM OBLIGATIONS

1. Installment Purchases

Installment purchases payable consisted of the following direct borrowings at June 30, 2019:

On November 6, 2014, Mount Gilead Redevelopment Corporation (a blended component unit of the Town) entered into an installment purchase contract with McRae Industries, Inc. to finance building improvements. The financing contract requires 71 monthly installments of \$600, including interest at 5.0%, beginning December 6, 2014. The contract is serviced by the General Fund.

\$ 8,315

In the event of default of the above loan, the remaining unpaid principal and any accrued interest shall become due immediately at the option of the lender.

The future minimum payments of the installment purchases as of June 30, 2019, are as follows:

| Year Ending <u>June 30,</u> | <u>Governmental Activities</u> | |
|--------------------------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | \$ 6,942 | \$ 258 |
| 2021 | <u>1,373</u> | <u>10</u> |
| | <u>\$ 8,315</u> | <u>\$ 268</u> |

2. General Obligation Bonds

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the wastewater system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. In the event of default, the Town agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the Town under the related agreement.

General obligation bonds payable at June 30, 2019, are comprised of the following direct placement issue:

General obligation bonds due in annual installments of varying amounts through June 1, 2039, with interest at 4.375% per annum. \$ 529,000

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

| Year Ending <u>June 30,</u> | <u>Business-type Activities</u> | |
|--------------------------------|---------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | \$ 17,000 | \$ 23,144 |
| 2021 | 18,000 | 22,400 |
| 2022 | 19,000 | 21,613 |
| 2023 | 20,000 | 20,781 |
| 2024 | 21,000 | 19,906 |
| 2025-2029 | 118,500 | 85,006 |
| 2030-2034 | 146,500 | 56,744 |
| 2035-2039 | <u>169,000</u> | <u>22,269</u> |
| | <u>\$ 529,000</u> | <u>\$ 271,863</u> |

At June 30, 2019, Town of Mount Gilead had a legal debt margin of \$7,890,273.

3. Revenue Bonds

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$670,000 in Water and Sewer, 2015 Series USDA revenue bonds. Proceeds from the bonds repaid Water and Sewer, Series 2014 revenue bond anticipation notes issued October 14, 2014, to finance water system improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2055. In the event of default, the Town agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the Town under the related agreements.

Revenue bonds payable at June 30, 2019, are comprised of the following direct placement issues:

| | |
|--|-------------------|
| \$618,000 Water and Sewer revenue bond, Series 2015A, issued for water system improvements. Principal and interest installments are due annually on June 1 at an annual interest rate of 2.5%. | \$ 580,000 |
| \$52,000 Water and Sewer revenue bond, Series 2015B, issued for water system improvements. Principal and interest installments are due annually on June 1 at an annual interest rate of 2.5%. | <u>48,000</u> |
| | <u>\$ 628,000</u> |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

The future payments of the revenue bonds are as follows:

| Year Ending <u>June 30,</u> | <u>Business-type Activities</u> | |
|--------------------------------|---------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | \$ 11,000 | \$ 15,700 |
| 2021 | 11,000 | 15,425 |
| 2022 | 12,000 | 15,150 |
| 2023 | 12,000 | 14,850 |
| 2024 | 12,000 | 14,550 |
| 2025-2029 | 65,000 | 68,100 |
| 2030-2034 | 73,000 | 59,550 |
| 2035-2039 | 82,000 | 49,975 |
| 2040-2044 | 92,000 | 39,225 |
| 2045-2049 | 108,000 | 27,025 |
| 2050-2054 | 122,500 | 12,788 |
| 2055 | <u>27,500</u> | <u>687</u> |
| | <u>\$ 628,000</u> | <u>\$ 333,025</u> |

The Town is in compliance with all revenue bond covenants as of June 30, 2019. Section 3.04 of the Bond Order requires the debt service coverage ratio with respect to the revenue bonds to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2019, is as follows:

| | |
|--|-------------------|
| Operating revenues | \$ 1,134,415 |
| Operating expenses (excluding depreciation) | <u>881,097</u> |
| Operating income | 253,318 |
| Nonoperating revenues (expenses)* | <u>(46,998)</u> |
| Income available for debt service | <u>\$ 206,320</u> |
| Debt service, principal and interest paid (revenue bonds only) | <u>\$ 26,975</u> |
| Debt service coverage ratio | <u>765%</u> |

* Does not include revenue bond interest of \$15,953

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2019:

| | Beginning Balances | Increases | Decreases | Ending Balances | Due Within One Year |
|---|-----------------------|------------------|------------------|---------------------|---------------------------|
| Governmental activities: | | | | | |
| Direct borrowing installment purchases | \$ 34,002 | \$ - | \$ 25,687 | \$ 8,315 | \$ 6,942 |
| Compensated absences | 17,535 | 3,230 | - | 20,765 | - |
| Net pension liability (LGERS) | 77,070 | 57,089 | - | 134,159 | - |
| Total pension liability (LEO) | 50,220 | - | 33,944 | 16,276 | - |
| Total governmental activities | <u>\$ 178,827</u> | <u>\$ 60,319</u> | <u>\$ 59,631</u> | <u>\$ 179,515</u> | <u>\$ 6,942</u> |
| Business-type activities: | | | | | |
| Direct placement general obligation bonds | \$ 545,000 | \$ - | \$ 16,000 | \$ 529,000 | \$ 17,000 |
| Direct placement revenue bonds | 639,000 | - | 11,000 | 628,000 | 11,000 |
| Compensated absences | 21,396 | - | 3,380 | 18,016 | - |
| Net pension liability (LGERS) | 66,536 | 39,149 | - | 105,685 | - |
| Total business-type activities | <u>\$ 1,271,932</u> | <u>\$ 39,149</u> | <u>\$ 30,380</u> | <u>\$ 1,280,701</u> | <u>\$ 28,000</u> |

Compensated absences typically have been liquidated in the General and Water and Sewer Funds and are accounted for on a LIFO basis, assuming employees are taking leave time as earned.

5. Operating Leases

The Town leases office equipment under various noncancellable operating leases. The annual minimum lease payments as of June 30, 2019, are as follows:

| | |
|-------------------------------|-----------------|
| Year Ending June 30, _____ | |
| 2020 | \$ 5,328 |
| 2021 | <u>4,440</u> |
| | <u>\$ 9,768</u> |

Rent expense for the year ended June 30, 2019, was \$5,602.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

C. OPERATING LEASE REVENUE

The Town leases property to various parties under noncancellable operating leases with initial terms of one year or more. Each lease also contains renewal options. Lease revenue under these leases for the year ended June 30, 2019, was \$14,625. The total future minimum rental payments receivable under these leases (excluding any unexercised renewal options) are as follows at June 30, 2019:

| Year Ending June 30, _____ | |
|-------------------------------|------------------|
| 2020 | \$ 4,800 |
| 2021 | 1,800 |
| 2022 | 1,800 |
| 2023 | 1,800 |
| 2024 | 1,800 |
| Thereafter | <u>8,250</u> |
| | <u>\$ 20,250</u> |

D. INTERFUND BALANCES AND ACTIVITY

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

Due to Water and Sewer Fund:

From Wastewater Rehabilitation Project Fund \$ 171,419

The above interfund balance resulted from time lags between the date State grant reimbursable expenditures occur and grant funds will be received.

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

| | <u>From</u> | <u>To</u> |
|---|-------------------|-------------------|
| Debt Service Fund: | | |
| From Water and Sewer Fund | \$ 27,250 | \$ - |
| To Water and Sewer Fund | - | 27,250 |
| Debt Service Reserve Fund: | | |
| From Water and Sewer Fund | 2,646 | - |
| Water and Sewer Fund: | | |
| From Debt Service Fund | 27,250 | - |
| To Debt Service Fund | | 27,250 |
| To Debt Service Reserve Fund | - | 2,646 |
| To Wastewater Rehabilitation Project Fund | - | 48,000 |
| Wastewater Rehabilitation Project Fund: | | |
| From Water and Sewer Fund | <u>48,000</u> | <u>-</u> |
| | <u>\$ 105,146</u> | <u>\$ 105,146</u> |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations and bond orders, including amounts providing matching funds for various grant programs.

NOTE 4 – JOINT VENTURES

Montgomery Municipal ABC Board

The Town participates in a joint venture with Montgomery County and four other towns in the County in the operation of the Montgomery Municipal ABC Board. The ABC Board is composed of one board member appointed by each of the five towns in the County. The County does not appoint a board member. The towns and the County receive profit distributions from the ABC Board as required by State statute. The basic criteria of oversight responsibility was used to determine that the towns do not exercise sufficient control to warrant inclusion of the ABC Board as part of any of the towns' reporting entities. The amount of distributions received by the Town for the year ended June 30, 2019, was \$6,676. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the Town's financial statements at June 30, 2019. Complete financial statements for the ABC Board may be obtained from the ABC Board at PO Box 279, Biscoe, North Carolina 27209.

North Carolina Rural Water Association

The Town also participates in a joint venture, North Carolina Rural Water Association (NCRWA), with other municipal and county water systems and related businesses in North Carolina to help attain the highest standards in drinking water and wastewater service. NCRWA is governed by a volunteer board of directors from the association's membership. None of the participating governments or businesses have any equity interest in NCRWA, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the agreement between the Town and NCRWA, the Town paid \$340 to NCRWA during the year ended June 30, 2019, for membership dues based upon the Town's water connections. Complete financial statements for NCRWA can be obtained from NCRWA's office at PO Box 540, Welcome, NC 27374.

NOTE 5 – UNDIVIDED INTEREST IN JOINT OPERATION

The Town and Montgomery County jointly operate the Mount Gilead Volunteer Fire Department. Each participating government retains their claim to specific assets and liabilities. The Fire Department provides fire service for both governments. The specific assets and costs relating to the Fire Department are included in the appropriate government's financial statements.

NOTE 6 – RELATED ORGANIZATION

The board of Mount Gilead Housing Authority is appointed by Town of Mount Gilead. The Authority is managed by the Troy Housing Authority. The Town of Mount Gilead is accountable for the Authority because it appoints the governing board; however, the Town is not financially accountable for the Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at 106 West Second Avenue, Mt. Gilead, North Carolina 27306.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

FEDERAL AND STATE ASSISTED PROGRAMS

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MOUNT GILEAD, NORTH CAROLINA
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Last Six Fiscal Years*

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Town's proportion of the net pension liability (asset) (%) | 0.01011% | 0.00940% | 0.00771% | 0.00907% | 0.01127% | 0.01150% |
| Town's proportionate share of the net pension liability (asset) (\$) | \$ 239,844 | \$ 143,606 | \$ 163,632 | \$ 40,706 | \$ (66,464) | \$ 138,619 |
| Town's covered payroll | \$ 519,906 | \$ 487,834 | \$ 431,358 | \$ 473,167 | \$ 546,813 | \$ 544,619 |
| Town's proportion of the net pension liability (asset) as a percentage of its covered payroll | 46.13% | 29.44% | 37.93% | 8.60% | -12.15% | 25.45% |
| Plan fiduciary net position as a percentage of the total pension liability** | 91.63% | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

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

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
Last Six Fiscal Years

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 44,777 | \$ 40,974 | \$ 37,394 | \$ 29,995 | \$ 34,109 | \$ 39,216 |
| Contributions in relation to the contractually required contribution | <u>44,777</u> | <u>40,974</u> | <u>37,394</u> | <u>29,995</u> | <u>34,109</u> | <u>39,216</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered payroll | \$ 549,939 | \$ 519,906 | \$ 487,834 | \$ 431,358 | \$ 473,167 | \$ 546,813 |
| Contributions as a percentage of covered payroll | 8.14% | 7.88% | 7.67% | 6.95% | 7.21% | 7.17% |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
June 30, 2019

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|------------------|
| Beginning balance | \$ 50,220 | \$ 60,940 | \$ 53,001 |
| Service cost | 5,552 | 5,577 | 8,433 |
| Interest on the total pension liability | 1,587 | 2,352 | 1,892 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | (40,099) | (23,142) | - |
| Changes of assumptions or other inputs | (984) | 4,493 | (2,386) |
| Benefit payments | - | - | - |
| Other changes | <u>-</u> | <u>-</u> | <u>-</u> |
| Ending balance of the total pension liability | <u>\$ 16,276</u> | <u>\$ 50,220</u> | <u>\$ 60,940</u> |

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF
COVERED PAYROLL
June 30, 2019

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|-------------|-------------|
| Total pension liability | \$ 16,276 | \$ 50,220 | \$ 60,940 | \$ 53,001 |
| Covered payroll | \$ 225,036 | \$ 254,101 | \$ 365,080 | \$ 365,080 |
| Total pension liability as a percentage of covered payroll | 7.23% | 19.76% | 16.69% | 14.52% |

Notes to the schedules:

Town of Mount Gilead has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits nor does the plan provide pay related benefits.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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

Exhibit A-1
Page 1 of 4

| | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------------|-----------------|----------------|------------------------------------|
| REVENUES | | | |
| Ad valorem taxes | | | |
| Taxes | \$ 499,700 | \$ 555,850 | \$ 56,150 |
| Interest | 2,000 | 4,772 | 2,772 |
| Total | <u>501,700</u> | <u>560,622</u> | <u>58,922</u> |
| Other taxes and licenses | | | |
| Privilege licenses | <u>140</u> | <u>120</u> | <u>(20)</u> |
| Unrestricted intergovernmental | | | |
| Local option sales taxes | 181,000 | 217,413 | 36,413 |
| Telecommunications sales tax | 17,670 | 15,505 | (2,165) |
| Utilities sales tax | 42,194 | 59,979 | 17,785 |
| Piped natural gas sales tax | 1,000 | 2,151 | 1,151 |
| Video franchise fee | 4,750 | 6,191 | 1,441 |
| Sales and use tax hold harmless | 60,000 | 71,779 | 11,779 |
| Beer and wine tax | 5,000 | 4,757 | (243) |
| Payments in lieu of taxes | 800 | 2,590 | 1,790 |
| ABC profit distribution | <u>1,800</u> | <u>4,024</u> | <u>2,224</u> |
| Total | <u>314,214</u> | <u>384,389</u> | <u>70,175</u> |
| Restricted intergovernmental | | | |
| Powell Bill allocation | 40,000 | 38,575 | (1,425) |
| Controlled substance tax | - | 326 | 326 |
| Police department grant | 41,500 | - | (41,500) |
| Fire department grant | 1,500 | - | (1,500) |
| ABC revenue for law enforcement | 1,000 | 2,652 | 1,652 |
| Solid waste disposal tax | <u>600</u> | <u>818</u> | <u>218</u> |
| Total | <u>84,600</u> | <u>42,371</u> | <u>(42,229)</u> |
| Permits and fees | | | |
| Zoning permits and fees | <u>800</u> | <u>755</u> | <u>(45)</u> |

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

Exhibit A-1
Page 2 of 4

| | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------|------------------|------------------|------------------------------------|
| Sales and services | | | |
| Refuse collection | 72,200 | 77,959 | 5,759 |
| Rents received | 14,150 | 22,825 | 8,675 |
| Pool revenues | 4,800 | 7,389 | 2,589 |
| Other | 1,000 | 150 | (850) |
| Total | 92,150 | 108,323 | 16,173 |
| Investment earnings | 1,000 | 75 | (925) |
| Miscellaneous | 25,550 | 28,393 | 2,843 |
| TOTAL REVENUES | 1,020,154 | 1,125,048 | 104,894 |
| EXPENDITURES | | | |
| General government | | | |
| Governing body: | | | |
| Professional services | - | 8,000 | - |
| Other operating expenditures | - | 7,917 | - |
| Total | 22,000 | 15,917 | 6,083 |
| General administration: | | | |
| Salaries and employee benefits | - | 53,185 | - |
| Professional services | - | 6,438 | - |
| Other operating expenditures | - | 65,773 | - |
| Capital outlay | - | 5,930 | - |
| Total | 161,200 | 131,326 | 29,874 |
| Total general government | 183,200 | 147,243 | 35,957 |
| Public safety | | | |
| Police: | | | |
| Salaries and employee benefits | - | 393,969 | - |
| Other operating expenditures | - | 65,324 | - |
| Capital outlay | - | 11,052 | - |
| Total | 537,110 | 470,345 | 66,765 |

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

Exhibit A-1
Page 3 of 4

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|----------------|---|
| Fire: | | | |
| Other operating expenditures | - | 27,878 | - |
| Capital outlay | - | 25,598 | - |
| Total | <u>87,760</u> | <u>53,476</u> | <u>34,284</u> |
| Total public safety | <u>624,870</u> | <u>523,821</u> | <u>101,049</u> |
| Transportation | | | |
| Salaries and employee benefits | - | 38,695 | - |
| Other operating expenditures | - | 107,153 | - |
| Capital outlay | - | 7,456 | - |
| Total transportation | <u>160,300</u> | <u>153,304</u> | <u>6,996</u> |
| Economic and physical development | | | |
| Community development: | | | |
| Operating expenditures | 11,500 | 8,228 | 3,272 |
| Artisan Center: | | | |
| Operating expenditures | <u>13,000</u> | <u>10,044</u> | <u>2,956</u> |
| Total economic and physical development | <u>24,500</u> | <u>18,272</u> | <u>6,228</u> |
| Environmental protection | | | |
| Sanitation: | | | |
| Contracted services | 84,800 | 80,180 | 4,620 |
| Cemetery: | | | |
| Operating expenditures | <u>800</u> | <u>580</u> | <u>220</u> |
| Total environmental protection | <u>85,600</u> | <u>80,760</u> | <u>4,840</u> |
| Culture and recreation | | | |
| Parks and recreation: | | | |
| Salaries and employee benefits | - | 31,848 | - |
| Other operating expenditures | - | 58,744 | - |
| Capital outlay | - | 97,986 | - |
| Total | <u>192,685</u> | <u>188,578</u> | <u>4,107</u> |

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

Exhibit A-1
Page 4 of 4

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|---------------------|---|
| Library: | | | |
| Donation to library | - | 4,400 | - |
| Other operating expenditures | - | 3,486 | - |
| Total | <u>9,400</u> | <u>7,886</u> | <u>1,514</u> |
| Total culture and recreation | <u>202,085</u> | <u>196,464</u> | <u>5,621</u> |
| Debt service | | | |
| Principal retirement | 25,660 | 25,687 | (27) |
| Interest and fees | <u>1,090</u> | <u>1,858</u> | <u>(768)</u> |
| Total debt service | <u>26,750</u> | <u>27,545</u> | <u>(795)</u> |
| TOTAL EXPENDITURES | <u>1,307,305</u> | <u>1,147,409</u> | <u>159,896</u> |
| REVENUES UNDER EXPENDITURES | (287,151) | (22,361) | 264,790 |
| OTHER FINANCING SOURCES | | | |
| Sale of capital assets | <u>3,000</u> | <u>-</u> | <u>(3,000)</u> |
| REVENUES AND OTHER SOURCES UNDER EXPENDITURES | (284,151) | (22,361) | 261,790 |
| APPROPRIATED FUND BALANCE | <u>284,151</u> | <u>-</u> | <u>(284,151)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | (22,361) | <u>\$ (22,361)</u> |
| FUND BALANCE, beginning | | <u>1,564,995</u> | |
| FUND BALANCE, ending | | <u>\$ 1,542,634</u> | |

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit B-1

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2019

| | Grants Fund | Debt Service Fund | Debt Service Reserve Fund | Totals |
|--|-----------------|-------------------------|------------------------------------|------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,049 | \$ - | \$ 7,937 | \$ 11,986 |
| TOTAL ASSETS | <u>\$ 4,049</u> | <u>\$ -</u> | <u>\$ 7,937</u> | <u>\$ 11,986</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| FUND BALANCE | | | | |
| Restricted: | | | | |
| Culture and recreation | 4,049 | - | - | 4,049 |
| Committed: | | | | |
| Debt service | <u>-</u> | <u>-</u> | <u>7,937</u> | <u>7,937</u> |
| TOTAL FUND BALANCE | <u>4,049</u> | <u>-</u> | <u>7,937</u> | <u>11,986</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 4,049</u> | <u>\$ -</u> | <u>\$ 7,937</u> | <u>\$ 11,986</u> |

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

| | Grants Fund | Debt Service Fund | Debt Service Reserve Fund | Totals |
|---|----------------|-------------------------|------------------------------------|-----------|
| REVENUES | | | | |
| Restricted intergovernmental revenues | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic and physical development | - | - | - | - |
| Culture and recreation | - | - | - | - |
| TOTAL EXPENDITURES | - | - | - | - |
| REVENUES OVER EXPENDITURES | - | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | - | 27,250 | 2,646 | 29,896 |
| Transfers to other funds | - | (27,250) | - | (27,250) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | 2,646 | 2,646 |
| NET CHANGE IN FUND BALANCE | - | - | 2,646 | 2,646 |
| FUND BALANCE | | | | |
| Beginning of year, July 1 | 4,049 | - | 5,291 | 9,340 |
| End of year, June 30 | \$ 4,049 | \$ - | \$ 7,937 | \$ 11,986 |

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit B-3

GRANTS 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) |
| REVENUES | <i>(As amended)</i> | | | | |
| Restricted intergovernmental revenues: | | | | | |
| NC STEP redevelopment grant | \$ 14,486 | \$ 10,000 | \$ - | \$ 10,000 | \$ (4,486) |
| NC STEP implementation grant | 235,200 | 200,000 | - | 200,000 | (35,200) |
| Rural Center pre-development grant | 25,000 | 15,000 | - | 15,000 | (10,000) |
| Rural Center development grant | 100,000 | 100,000 | - | 100,000 | - |
| NC DHHS physical activity grant | 24,999 | 24,999 | - | 24,999 | - |
| HKHC walking trail grant | 4,000 | 4,000 | - | 4,000 | - |
| Private donations | - | 4,600 | - | 4,600 | 4,600 |
| TOTAL REVENUES | 403,685 | 358,599 | - | 358,599 | (45,086) |
| EXPENDITURES | | | | | |
| Economic and physical development: | | | | | |
| Training | 1,449 | 783 | - | 783 | 666 |
| Travel/Meals | 874 | 874 | - | 874 | - |
| Planning | 6,860 | 1,491 | - | 1,491 | 5,369 |
| Supplies/Celebration | 2,687 | 2,687 | - | 2,687 | - |
| Printing/Advertising | 1,499 | 1,499 | - | 1,499 | - |
| Miscellaneous | 1,117 | 1,117 | - | 1,117 | - |
| Implementation grant | 235,200 | 201,114 | - | 201,114 | 34,086 |
| Artisan pre-development grant | 25,000 | 20,629 | - | 20,629 | 4,371 |
| Haywood Restaurant and Pub | 103,000 | 103,000 | - | 103,000 | - |
| Culture and recreation: | | | | | |
| Physical activity grant | 24,999 | 24,999 | - | 24,999 | - |
| Walking trail grant | 4,000 | 713 | - | 713 | 3,287 |
| TOTAL EXPENDITURES | 406,685 | 358,906 | - | 358,906 | 47,779 |
| REVENUES UNDER | | | | | |
| EXPENDITURES | (3,000) | (307) | - | (307) | 2,693 |
| OTHER FINANCING SOURCES | | | | | |
| Transfers from other funds | 3,000 | 4,356 | - | 4,356 | 1,356 |
| NET CHANGE IN FUND BALANCE | \$ - | \$ 4,049 | - | \$ 4,049 | \$ 4,049 |
| FUND BALANCE | | | | | |
| Beginning of year, July 1 | | | 4,049 | | |
| End of year, June 30 | | | <u>\$ 4,049</u> | | |

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit B-4

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2019

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|-----------------|-----------------|---|
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | \$ 27,250 | \$ 27,250 | \$ - |
| Transfers to other funds | <u>(27,250)</u> | <u>(27,250)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| FUND BALANCE | | | |
| Beginning of year, July 1 | | <u>-</u> | |
| End of year, June 30 | | <u>\$ -</u> | |

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit B-5

DEBT SERVICE RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2019

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|----------------|-----------------|---|
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | \$ 2,750 | \$ 2,646 | \$ (104) |
| Transfers to other funds | <u>(2,750)</u> | <u>-</u> | <u>2,750</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | 2,646 | <u>\$ 2,646</u> |
| FUND BALANCE | | | |
| Beginning of year, July 1 | | <u>5,291</u> | |
| End of year, June 30 | | <u>\$ 7,937</u> | |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2019

Exhibit C-1
Page 1 of 2

| | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------------|------------------|------------------|------------------------------------|
| REVENUES | | | |
| Operating revenues: | | | |
| Water sales | \$ 205,000 | \$ 220,417 | \$ 15,417 |
| Sewer charges | 831,061 | 887,353 | 56,292 |
| Water and sewer taps and fees | 6,100 | 9,970 | 3,870 |
| Other operating revenues | 16,000 | 16,675 | 675 |
| Total operating revenues | 1,058,161 | 1,134,415 | 76,254 |
| Nonoperating revenues: | | | |
| Investment earnings | - | 1,754 | 1,754 |
| TOTAL REVENUES | 1,058,161 | 1,136,169 | 78,008 |
| EXPENDITURES | | | |
| Water/Wastewater Administration: | | | |
| Salaries and employee benefits | - | 105,799 | - |
| Repairs and maintenance | - | 2,477 | - |
| Other operating expenditures | - | 83,127 | - |
| Total | 229,950 | 191,403 | 38,547 |
| Water Operations: | | | |
| Salaries and employee benefits | - | 75,689 | - |
| Water purchases | - | 114,512 | - |
| Repairs and maintenance | - | 4,985 | - |
| Other operating expenditures | - | 128,726 | - |
| Total | 324,224 | 323,912 | 312 |
| Wastewater Collection System: | | | |
| Salaries and employee benefits | - | 73,661 | - |
| Repairs and maintenance | - | 26,258 | - |
| Other operating expenditures | - | 82,941 | - |
| Total | 238,650 | 182,860 | 55,790 |
| Wastewater Plant: | | | |
| Salaries and employee benefits | - | 61,985 | - |
| Repairs and maintenance | - | 15,952 | - |
| Other operating expenditures | - | 101,575 | - |
| Total | 209,750 | 179,512 | 30,238 |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2019

Exhibit C-1
Page 2 of 2

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|---------------------|------------------------------------|
| EXPENDITURES - CONTINUED | | | |
| Debt service: | | | |
| Interest and fees | - | 39,819 | - |
| Principal retirement | - | 27,000 | - |
| Total | 67,819 | 66,819 | 1,000 |
| Capital outlay | 31,326 | 34,982 | (3,656) |
| TOTAL EXPENDITURES | 1,101,719 | 979,488 | 122,231 |
| REVENUES OVER (UNDER) EXPENDITURES | (43,558) | 156,681 | 200,239 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | 27,250 | 27,250 | - |
| Transfers to other funds | (77,975) | (77,896) | 79 |
| Disposal of capital assets | - | (24,964) | (24,964) |
| | (50,725) | (75,610) | (24,885) |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | (94,283) | 81,071 | 175,354 |
| APPROPRIATED FUND BALANCE | 94,283 | - | (94,283) |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ 81,071</u> | <u>\$ 81,071</u> |
| RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL: | | | |
| NET CHANGE IN FUND BALANCE | | \$ 81,071 | |
| RECONCILING ITEMS: | | | |
| Principal retirement | | 27,000 | |
| Change in accrued interest payable | | 78 | |
| Capital outlay | | 34,982 | |
| Depreciation | | (412,764) | |
| Decrease in accrued vacation pay | | 3,380 | |
| Increase in deferred outflows of resources - pensions | | 28,580 | |
| Increase in net pension liability | | (39,149) | |
| Decrease in deferred inflows of resources - pensions | | 3,779 | |
| Transactions from Wastewater Rehabilitation Project Fund: | | | |
| Transfers | | 48,000 | |
| CHANGE IN NET POSITION (EXHIBIT 7) | | <u>\$ (225,043)</u> | |

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit C-2

MAIN STREET WATER MAIN REPLACEMENT PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

From Inception and for the Year Ended June 30, 2019

| | | Actual | | | Variance |
|--|---------------------|------------------|-------------|------------------|------------------|
| | Project | Prior | Current | Total to | Positive |
| | Authorization | Years | Year | Date | (Negative) |
| | <i>(As amended)</i> | | | | |
| REVENUES | | | | | |
| Restricted intergovernmental revenues: | | | | | |
| USDA funding | \$ 395,000 | \$ 377,403 | \$ - | \$ 377,403 | \$ (17,597) |
| Investment earnings | - | 102 | - | 102 | 102 |
| TOTAL REVENUES | <u>395,000</u> | <u>377,505</u> | <u>-</u> | <u>377,505</u> | <u>(17,495)</u> |
| EXPENDITURES | | | | | |
| Construction/Contingencies | 934,746 | 933,569 | - | 933,569 | 1,177 |
| Engineering | 143,874 | 125,584 | - | 125,584 | 18,290 |
| Land/Rights-of-Way | - | - | - | - | - |
| Legal fees | 24,500 | 24,500 | - | 24,500 | - |
| Permit fees | - | - | - | - | - |
| Capitalized interest | 35,500 | 10,649 | - | 10,649 | 24,851 |
| TOTAL EXPENDITURES | <u>1,138,620</u> | <u>1,094,302</u> | <u>-</u> | <u>1,094,302</u> | <u>44,318</u> |
| REVENUES UNDER EXPENDITURES | <u>(743,620)</u> | <u>(716,797)</u> | <u>-</u> | <u>(716,797)</u> | <u>26,823</u> |
| OTHER FINANCING SOURCES | | | | | |
| Bond proceeds | 670,000 | 670,000 | - | 670,000 | - |
| Transfers from other funds | 73,620 | 73,620 | - | 73,620 | - |
| TOTAL OTHER SOURCES | <u>743,620</u> | <u>743,620</u> | <u>-</u> | <u>743,620</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ 26,823</u> | <u>\$ -</u> | <u>\$ 26,823</u> | <u>\$ 26,823</u> |

**TOWN OF MOUNT GILEAD, NORTH CAROLINA
WASTEWATER REHABILITATION PROJECT FUND**

Exhibit C-3

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

From Inception and for the Year Ended June 30, 2019

| | | <u>Actual</u> | | | Variance |
|------------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Project</u> | <u>Prior</u> | <u>Current</u> | <u>Total to</u> | <u>Positive</u> |
| | <u>Authorization</u> | <u>Years</u> | <u>Year</u> | <u>Date</u> | <u>(Negative)</u> |
| EXPENDITURES | | | | | |
| Construction | \$ 2,428,000 | \$ - | \$ - | \$ - | \$ 2,428,000 |
| Engineering | 340,000 | 97,500 | 93,360 | 190,860 | 149,140 |
| Administration costs | 142,000 | 40,000 | 69,519 | 109,519 | 32,481 |
| TOTAL EXPENDITURES | <u>2,910,000</u> | <u>137,500</u> | <u>162,879</u> | <u>300,379</u> | <u>2,609,621</u> |
| REVENUES UNDER EXPENDITURES | <u>(2,910,000)</u> | <u>(137,500)</u> | <u>(162,879)</u> | <u>(300,379)</u> | <u>2,609,621</u> |
| OTHER FINANCING SOURCES | | | | | |
| Loan proceeds | 2,853,000 | - | - | - | (2,853,000) |
| Transfers from other funds | 57,000 | 9,000 | 48,000 | 57,000 | - |
| TOTAL OTHER SOURCES | <u>2,910,000</u> | <u>9,000</u> | <u>48,000</u> | <u>57,000</u> | <u>(2,853,000)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ (128,500)</u> | <u>\$ (114,879)</u> | <u>\$ (243,379)</u> | <u>\$ (243,379)</u> |

OTHER SCHEDULES

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019

Exhibit D-1

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2018</u> | <u>Additions</u> | <u>Collections and Credits</u> | <u>Uncollected Balance June 30, 2019</u> |
|--------------------|--|-------------------|------------------------------------|--|
| 2018-2019 | \$ - | \$ 563,537 | \$ 536,449 | \$ 27,088 |
| 2017-2018 | 26,625 | - | 12,881 | 13,744 |
| 2016-2017 | 9,657 | - | 3,029 | 6,628 |
| 2015-2016 | 6,717 | - | 1,668 | 5,049 |
| 2014-2015 | 5,356 | - | 1,004 | 4,352 |
| 2013-2014 | 6,862 | - | 1,563 | 5,299 |
| 2012-2013 | 4,753 | - | 497 | 4,256 |
| 2011-2012 | 3,326 | - | 283 | 3,043 |
| 2010-2011 | 2,328 | - | - | 2,328 |
| 2009-2010 | 1,303 | - | - | 1,303 |
| 2008-2009 | <u>1,765</u> | <u>-</u> | <u>1,765</u> | <u>-</u> |
| | <u>\$ 68,692</u> | <u>\$ 563,537</u> | <u>\$ 559,139</u> | 73,090 |

Less: allowance for uncollectible accounts (25,000)

\$ 48,090

Reconcilement with revenues:

Ad valorem taxes - General Fund \$ 560,622

Reconciling items:

Taxes written off and/or adjusted, net 3,289

Collection of taxes previously written-off -

Interest collected (4,772)

Total collections and credits \$ 559,139

TOWN OF MOUNT GILEAD, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
For the Year Ended June 30, 2019

Exhibit D-2

| | Total Levy | | | | |
|---|-----------------------|---------|-------------------|---------------------------------|---------------------------------|
| | Town-wide | | | Property Excluding | |
| | Property Valuation | Rate | Amount of Levy | Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current rate | \$ 98,828,497 | \$ 0.57 | \$ 563,323 | \$ 515,663 | \$ 47,660 |
| Penalties and adjustments | - | | 1,439 | 1,439 | - |
| Total | 98,828,497 | | 564,762 | 517,102 | 47,660 |
| Discoveries: | | | | | |
| Current and prior years | - | 0.57 | - | - | - |
| Penalties and adjustments | - | | - | - | - |
| Releases | (200,084) | | (1,225) | (1,225) | - |
| Total property valuation | <u>\$ 98,628,413</u> | | | | |
| Net levy | | | 563,537 | 515,877 | 47,660 |
| Unpaid (by taxpayer) taxes at June 30, 2019 | | | (27,088) | (27,088) | - |
| Current year's taxes collected | | | <u>\$ 536,449</u> | <u>\$ 488,789</u> | <u>\$ 47,660</u> |
| Current levy collection percentage | | | 95.19% | 94.75% | 100.00% |

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - WATER AND SEWER FUND BY FUNCTION
For the Year Ended June 30, 2019

Exhibit D-3

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|---------------------|------------------|---------------------|
| OPERATING REVENUES | | | |
| Water sales | \$ 220,417 | \$ - | \$ 220,417 |
| Sewer charges | - | 887,353 | 887,353 |
| Water and sewer taps and fees | 5,089 | 4,881 | 9,970 |
| Other operating revenues | <u>5,671</u> | <u>11,004</u> | <u>16,675</u> |
| TOTAL OPERATING REVENUES | <u>231,177</u> | <u>903,238</u> | <u>1,134,415</u> |
| OPERATING EXPENSES | | | |
| Water/Wastewater Administration | 64,360 | 124,887 | 189,247 |
| Water Operations | 323,656 | - | 323,656 |
| Wastewater Collection System | - | 184,897 | 184,897 |
| Wastewater Plant | - | 183,297 | 183,297 |
| Depreciation | <u>74,034</u> | <u>338,730</u> | <u>412,764</u> |
| TOTAL OPERATING EXPENSES | <u>462,050</u> | <u>831,811</u> | <u>1,293,861</u> |
| OPERATING INCOME (LOSS) | <u>(230,873)</u> | <u>71,427</u> | <u>(159,446)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment earnings | 597 | 1,157 | 1,754 |
| Interest and fees | (15,953) | (23,788) | (39,741) |
| Disposal of capital assets | <u>(22,131)</u> | <u>(2,833)</u> | <u>(24,964)</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(37,487)</u> | <u>(25,464)</u> | <u>(62,951)</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | <u>(268,361)</u> | <u>45,964</u> | <u>(222,397)</u> |
| CAPITAL CONTRIBUTIONS | - | - | - |
| TRANSFERS | <u>(2,646)</u> | <u>-</u> | <u>(2,646)</u> |
| CHANGE IN NET POSITION | <u>\$ (271,007)</u> | <u>\$ 45,964</u> | <u>\$ (225,043)</u> |

COMPLIANCE SECTION

J. B. WATSON & CO., P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

120 SOUTH RUTHERFORD STREET

P. O. BOX 341

WADESBORO, N.C. 28170

JAMES F. HANNA, CPA
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and
Members of the Town Board
Town of Mount Gilead, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Mount Gilead, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Mount Gilead's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described below to be a material weakness.

Segregation of Duties:

In an organization such as Town of Mount Gilead with a limited number of personnel for certain functions, there are inherent limitations of the effectiveness of certain controls due to the lack of segregation of duties among the Town personnel. We, therefore, recommend the Town separate duties as much as possible and provide alternative controls, including involvement of the Town board with oversight and approvals, where feasible. The Town agrees with this finding and plans to alleviate the effects of this noted weakness where feasible and cost effective.

Compliance and Other Matters

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

Town of Mount Gilead's Response to Findings

Town of Mount Gilead's response to the finding identified in our audit is described above. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Wadesboro, North Carolina
November 22, 2019

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

| Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | State/ Pass-through Grantor's Number | Grant Funds Expended | | |
|---|---------------------------|---|--|-----------------------|-----------------------|
| | | | Federal (Direct & Pass-through) Expenditures | State Expenditures | Local Expenditures |
| State Grants: | | | | | |
| NC Dept. of Environmental Quality: | | | | | |
| Division of Water Infrastructure: | | | | | |
| Clean Water State Revolving Fund | | CS370754-01 | \$ - | \$ 102,779 | \$ 60,100 |
| NC Dept. of Transportation: | | | | | |
| Powell Bill | | | - | 45,803 | - |
| Total State assistance | | | - | 148,582 | 60,100 |
| Total assistance | | | \$ - | \$ 148,582 | \$ 60,100 |

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Mount Gilead under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. Because the SEFSA presents only a select portion of the operations of Town of Mount Gilead, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of Town of Mount Gilead.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.