

TOWN OF GATESVILLE

NORTH CAROLINA

ANNUAL FINANCIAL REPORT

Town Council Members

Elton Winslow, Mayor
Kaye Barker, Council Member
C. H. Carter, III, Council Member
Doug Lilley, Council Member

Administrative and Financial Staff

Michelle R. Sawyer, CPA, Finance Officer
Janet Lilley, Town Clerk

FOR THE FISCAL YEAR ENDED JUNE 30, 2020
Town of Gatesville, North Carolina
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June 30, 2020

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Financial Section

May & Place, PA

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SCOTT H. MAY, CPA
DALE R. PLACE, CPA, CFE

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Gatesville, 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 for the Town of Gatesville, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the Town of Gatesville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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 includes 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 from 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 our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gatesville, North Carolina as of June 30, 2020, and the respective changes in financial position and, where appropriate, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

May & Place, PA

May & Place, PA
Louisburg, NC
February 24, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Gatesville, we offer readers of the Town of Gatesville's financial statements this narrative overview and analysis of the financial activities of the Town of Gatesville for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

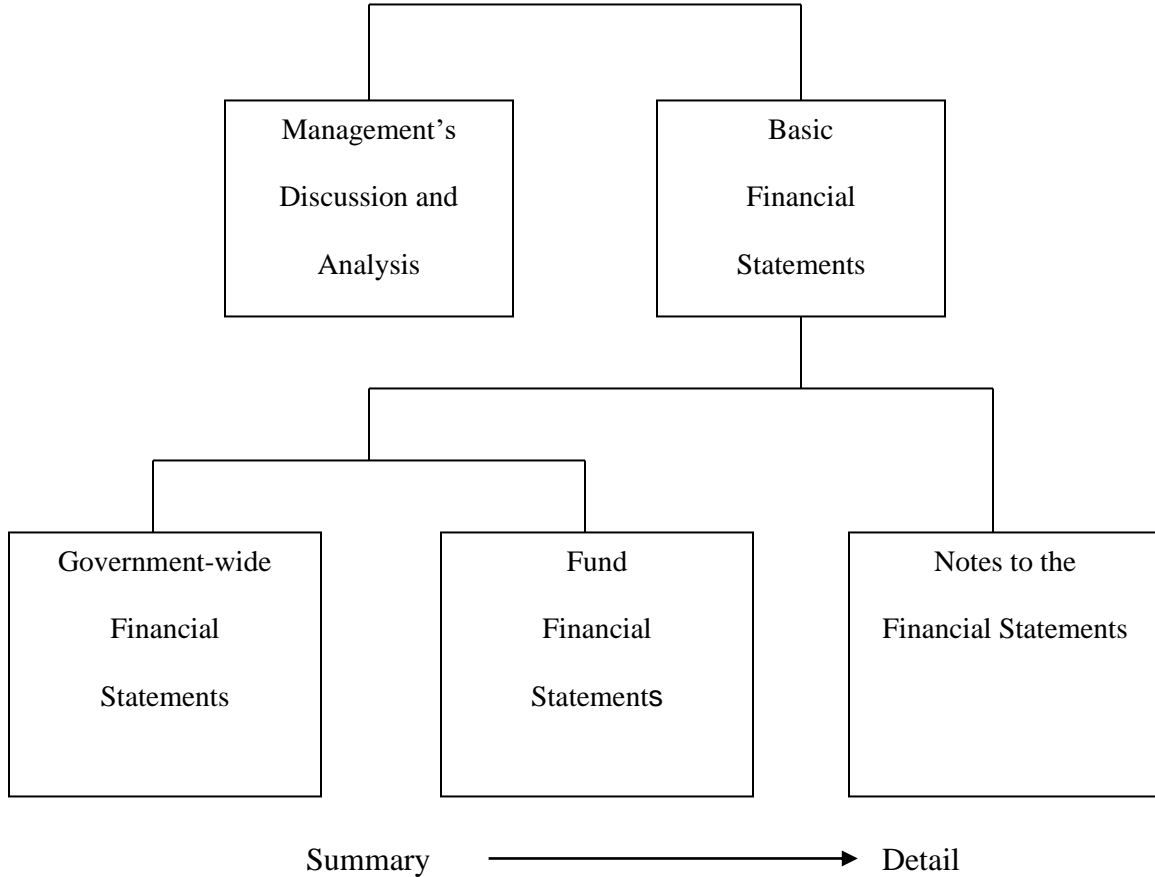
- The assets of the Town of Gatesville exceeded its liabilities at the close of the fiscal year by \$1,147,190(*net position*).
- The government's total net position increased by \$70,867 due to increase in governmental net position of \$71,144 and a decrease of \$277 for business-type net position.
- As of the close of the current fiscal year, the Town of Gatesville's governmental funds reported combined ending fund balances of \$924,729 with a net increase of \$43,299 in fund balance. Approximately 26.55 percent of this total amount, or \$245,470, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$679,259 or 402.86 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Gatesville'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 using government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Gatesville.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, transportation, and environmental protection. 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 services offered by the Town of Gatesville.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Gatesville, 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 the Town of Gatesville can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Gatesville 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 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 Gatesville 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 Gatesville uses enterprise funds to account for its water activities. 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.

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

Government-Wide Financial Analysis

Town of Gatesville's Net Position

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|----------------------------|--------------|-----------------------------|----------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current and other assets | \$ 936 205 | \$ 895 741 | \$ 2 386 | \$ 2 663 | \$ 938 591 | \$ 898 404 |
| Capital assets | 219 735 | 191 890 | - | - | 219 735 | 191 890 |
| Total assets | 1 155 940 | 1 087 631 | 2 386 | 2 663 | 1 158 326 | 1 090 294 |
| Other liabilities | 9 177 | 12 012 | 1 959 | 1 959 | 11 136 | 13 971 |
| Total liabilities | 9 177 | 12 012 | 1 959 | 1 959 | 11 136 | 13 971 |
| Net Position: | | | | | | |
| Net investment in capital assets | 219 735 | 191 890 | - | - | 219 735 | 191 890 |
| Restricted | 237 688 | 212 639 | - | - | 237 688 | 212 639 |
| Unrestricted | 689 340 | 671 090 | 427 | 704 | 689 767 | 671 794 |
| Total net position | \$ 1 146 763 | \$ 1 075 619 | \$ 427 | \$ 704 | \$ 1 147 190 | \$ 1 076 323 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Gatesville exceeded liabilities by \$1,147,190 as of June 30, 2020.

The Town's net position increased by \$70,867 for the fiscal year ended June 30, 2020. However, the largest portion (60.13%) reflects the Town's unrestricted net assets. The Town of Gatesville uses these unrestricted assets to provide services to citizens. The Town of Gatesville's net investment in capital assets of \$219,735 is reported net of any outstanding related debt. An additional portion of the Town of Gatesville's net position, \$277,688 represents resources that are subject to external restrictions on how they may be used.

Several 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 98.39%. The statewide average in fiscal year 2019 was 98.52% for similar sized non-electric municipalities.
- Increased local option sales tax revenues representing a 4.6% growth over the previous year.
- Maintaining total expenditures within budgeted amounts.

Town of Gatesville's Changes in Net Position

Figure 3

| | <u>Governmental Activities</u> <u>2020</u> | <u>Governmental Activities</u> <u>2019</u> | <u>Business-Type Activities</u> <u>2020</u> | <u>Business-Type Activities</u> <u>2019</u> |
|-------------------------------------|---|---|--|--|
| Revenues: | | | | |
| Program revenues | | | | |
| Charges for services | \$ 1 300 | \$ 1 200 | \$ - | \$ - |
| Operating grants and contributions | 8 874 | 9 022 | - | - |
| Capital grants and contributions | 12 600 | - | - | - |
| General Revenues | | | | |
| Property taxes | 74 202 | 53 787 | - | - |
| Other taxes | 112 924 | 109 375 | - | - |
| Unrestricted investment earnings | 2 009 | 695 | - | - |
| Miscellaneous revenue | - | - | - | - |
| Total revenues | <u>211 909</u> | <u>174 079</u> | <u>-</u> | <u>-</u> |
| Expenses: | | | | |
| General government | 26 304 | 39 594 | - | - |
| Public safety | 27 068 | 10 251 | - | - |
| Transportation | 43 333 | 56 461 | - | - |
| Environmental protection | 44 060 | 21 522 | - | - |
| Cultural and recreation | - | - | - | - |
| Water system | - | - | 277 | 263 |
| Total expenses | <u>140 765</u> | <u>127 828</u> | <u>-</u> | <u>263</u> |
| Increase (Decrease) in net position | 71 144 | 46 251 | (277) | (263) |
| Net position, July 1 | <u>1 075 619</u> | <u>1 029 368</u> | <u>704</u> | <u>967</u> |
| Net position, June 30 | <u>\$ 1 146 763</u> | <u>\$ 1 075 619</u> | <u>\$ 427</u> | <u>\$ 704</u> |

Governmental activities: Governmental activities increased the Town's net position by \$71,144 thereby accounting for all of the total growth in the net position of the Town of Gatesville.

Certain key elements for the governmental funds:

- Local option sales tax revenues increased by \$4,220 (4.62% increase).
- Property tax revenues increased by \$20,929.
- Maintaining expenditures within total budgeted amounts.
- Investment in capital assets, particularly road paving and parks renovations.

Business-type activities: Business-type activities decreased the Town of Gatesville's net position by \$277. Key elements of this activity are as follows:

- Town has limited expenditures remaining that are associated with the water system.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Gatesville. At the end of the current fiscal year, Town of Gatesville's fund balance available in the General Fund was \$679,259 while total Fund Balance was \$924,729. The Town currently has an available fund balance of 402.86% of general fund expenditures, while total fund balance represents 548.44% of that same amount.

At June 30, 2020, the governmental funds of Town of Gatesville reported a combined fund balance of \$924,729 with a net increase in fund balance of \$43,299.

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

Total revenues exceeded budgeted revenue primarily because of higher local option sales taxes while the Town was able to maintain total expenditures within total budgeted amount. Note that only two department budgets were adjusted due to a transfer of expenditures.

Proprietary Funds. The Town of Gatesville'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 Fund at the end of the fiscal year amounted to \$427. The total change in net position for this fund was a \$277

decrease. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Gatesville’s business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Gatesville’s investment in capital assets for its governmental and business–type activities as of June 30, 2020 totals \$219,735 (net of accumulated depreciation). These assets include buildings, land, other improvements, motorized vehicles and equipment, and infrastructure.

Capital asset transactions during the year include the following additions and disposals:

- Purchase of additional land to expand the cemetery.

**Town of Gatesville’s Capital Assets
(Net of Depreciation)
Figure 4**

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------|------------------------------------|-------------------|-------------------------------------|-------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 68 189 | \$ 68 189 | \$ - | \$ - | \$ 68 189 | \$ 68 189 |
| Construction in progress | 14 720 | | | | 14 720 | - |
| Buildings | 66 403 | 71 089 | - | - | 66 403 | 71 089 |
| Other improvements | 1 883 | 3 946 | - | - | 1 883 | 3 946 |
| Equipment | 17 | 17 | - | - | 17 | 17 |
| Vehicles and motorized equip | - | - | - | - | - | - |
| Infrastructure | 68 523 | 48 649 | - | - | 68 523 | 48 649 |
| Total | \$ 219 735 | \$ 191 890 | \$ - | \$ - | \$ 219 735 | \$ 191 890 |

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

Economic Factors and Next Year’s Budgets and Rates

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

- Retail sales are expected to remain consistent or increase slightly.
- Unemployment in Gates County is and continues to be ongoing problem for the Town. The Town is located in Gates County which had an unemployment rate in June 2020 of 5.8 percent while the state rate was at 7.9 percent and a national rate of 11.1 percent.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

- The Town of Gatesville has maintained the \$0.19 per \$100 valuation property tax rate for the 2020-2021 fiscal year with no expected increase in revenue.

- The overall budget for FY20-21 is \$4,000 less than the previous year's original budget due mainly to expectations that the following revenue sources will be lower: Sales tax (\$2,000), utilities franchise tax (\$1,000), Powell Bill distribution (\$2,000). Interest earnings are expected to increase \$500 due to the recent change in investment strategy to utilize the NC Cash Management Trust.

Business – type Activities:

- Water expenditures are expected to remain the same as the prior year with no increases.

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 Finance Officer, Town of Gatesville, P.O. Box 1, Gatesville, N.C. 27938.

Basic Financial Statements

Town of Gatesville, North Carolina
Statement of Net Position
June 30, 2020

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|--------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 869 127 | \$ 41 | \$ 869 168 |
| Taxes receivables (net) | 2 299 | - | 2 299 |
| Accrued interest receivable | 442 | - | 442 |
| Accounts receivable (net) | - | - | - |
| Due from other governments | 32 072 | - | 32 072 |
| Prepaid items | 7 782 | - | 7 782 |
| Internal balances | (386) | 386 | - |
| Restricted cash and cash equivalents | 24 869 | 1 959 | 26 828 |
| Total current assets | 936 205 | 2 386 | 938 591 |
| Non-current assets: | | | |
| Capital assets: (Note 3): | | | |
| Land, non-depreciable | | | |
| improvements, and construction in progress | 82 909 | - | 82 909 |
| Other capital assets, net of depreciation | 136 826 | - | 136 826 |
| Total capital assets | 219 735 | - | 219 735 |
| Total assets | 1 155 940 | 2 386 | 1 158 326 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 8 947 | - | 8 947 |
| Payroll liabilities | 230 | - | 230 |
| Customer deposits | - | 1 959 | 1 959 |
| Total current liabilities | 9 177 | - | 11 136 |
| Total liabilities | 9 177 | 1 959 | 11 136 |
| NET POSITION | | | |
| Net investment in capital assets | 219 735 | - | 219 735 |
| Restricted for: | | | |
| Stabilization by State Statute | 62 192 | - | 62 192 |
| Streets – Powell Bill | 24 869 | - | 24 869 |
| Public safety | 150 627 | - | 150 627 |
| Unrestricted | 689 340 | 427 | 689 767 |
| Total net position | \$ 1 146 763 | \$ 427 | \$ 1 147 190 |

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

Exhibit 2

**Town of Gatesville, North Carolina
Statement of Activities
For the Year Ended June 30, 2020**

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | | <u>Net (Expense) Revenue and Changes in Net Position</u> | | |
|--|-------------------------|-----------------------------|---|---|--|---------------------------------|---------------------|
| | <u>Expenses</u> | <u>Charges For Services</u> | <u>Operating Grants And Contributions</u> | <u>Capital Grants And Contributions</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| Primary government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 26 304 | \$ 1 300 | \$ - | \$ - | \$ (25 004) | \$ - | \$ (25 004) |
| Public safety | 27 068 | - | - | - | (27 068) | - | (27 068) |
| Transportation | 43 333 | - | 8 874 | - | (34 459) | - | (34 459) |
| Environmental protection | 44 060 | - | - | - | (44 060) | - | (44 060) |
| Cultural and recreation | - | - | - | 12 600 | 12 600 | - | 12 600 |
| Total governmental activities (See Note I) | <u>140 765</u> | <u>1 300</u> | <u>8 874</u> | <u>12 600</u> | <u>(117 991)</u> | <u>-</u> | <u>(117 991)</u> |
| Business-type activities: | | | | | | | |
| Water | <u>277</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(277)</u> | <u>(277)</u> |
| Total business-type activities | <u>277</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(277)</u> | <u>(277)</u> |
| Total primary government | <u>\$ 141 042</u> | <u>\$ 1 300</u> | <u>\$ 8 874</u> | <u>\$ 12 600</u> | <u>(117 991)</u> | <u>(277)</u> | <u>(118 268)</u> |
| General revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes levied for general purpose | | | | | 74 202 | - | 74 202 |
| Grants and contributions not restricted to specific programs | | | | | 112 924 | - | 112 924 |
| Unrestricted investment earnings | | | | | 2 009 | - | 2 009 |
| Miscellaneous | | | | | - | - | - |
| Total general revenues and transfers | | | | | <u>189 135</u> | <u>-</u> | <u>189 135</u> |
| Change in net position | | | | | 71 144 | (277) | 70 867 |
| Net position, beginning, previously reported | | | | | 1 075 619 | 704 | 1 076 323 |
| Net position, ending | | | | | <u>\$ 1 146 763</u> | <u>\$ 427</u> | <u>\$ 1 147 190</u> |

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

**Town of Gatesville, North Carolina
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2020**

| | | <u>Governmental Fund</u> <u>General Fund</u> |
|--|----|---|
| ASSETS | | |
| Cash and cash equivalents | \$ | 869 127 |
| Receivables, net: | | |
| Taxes | | 2 472 |
| Accounts | | 442 |
| Due from other governments | | 32 072 |
| Prepaid items | | 7 782 |
| Restricted cash and cash equivalents | | 24 869 |
| Total assets | \$ | <u>936 764</u> |
| LIABILITIES | | |
| Accounts payable | \$ | 8 947 |
| Payroll liabilities | | 230 |
| Due to other funds | | 386 |
| Total liabilities | | <u>9 563</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property taxes receivable | | 2 472 |
| Total deferred inflows of resources | | <u>2 472</u> |
| FUND BALANCES | | |
| Nonspendable: | | |
| Prepaid items | | 7 782 |
| Restricted: | | |
| Stabilization by State Statute | | 62 192 |
| Streets – Powell Bill | | 24 869 |
| Committed: | | |
| Public safety | | 150 627 |
| Unassigned | | 679 259 |
| Total fund balances | | <u>924 729</u> |
| Total liabilities, deferred inflows of resources and fund balances | \$ | <u>936 764</u> |

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

Exhibit 3 (continued)

**Town of Gatesville
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2020**

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

| | | | |
|--|----|------------------|-------------------------|
| Total Fund Balance, Governmental Funds | | \$ | 924 729 |
| Capital assets used in governmental activities are not financial resources and therefore are therefore are not reported in the funds. | | | |
| Gross capital assets at historical cost | \$ | 642 391 | |
| Accumulated depreciation | | <u>(422 656)</u> | 219 735 |
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds | | | - |
| Earned revenues considered deferred inflows of resources in fund statements | | | 2 299 |
| Net position of governmental activities | | \$ | <u><u>1 146 763</u></u> |

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

Town of Gatesville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

| | | Governmental Fund |
|--|----|------------------------------|
| | | General Fund |
| REVENUES | | |
| Ad valorem taxes | \$ | 74 202 |
| Unrestricted intergovernmental | | 112 924 |
| Restricted intergovernmental | | 21 474 |
| Sales and services | | 1 300 |
| Investment earnings | | 2 009 |
| Total revenues | | 211 909 |
| EXPENDITURES | | |
| Current: | | |
| General government | | 26 304 |
| Public safety | | 27 068 |
| Transportation | | 31 600 |
| Environmental protection | | 44 060 |
| Capital outlay | | 39 578 |
| Total expenditures | | 168 610 |
| Excess (deficiency) of revenues over expenditures | | 43 299 |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers to other funds | | - |
| Total other financing sources (uses) | | - |
| Net change in fund balances | | 43 299 |
| Fund balances, beginning | | 881 430 |
| Fund balances, ending | \$ | 924 729 |

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

Exhibit 4 (continued)

**Town of Gatesville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020**

Net changes in fund balances – total governmental funds \$ 43 299

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

| | | |
|--|-----------------|--------|
| Capital outlay expenditures which were capitalized | \$ 39 578 | |
| Depreciation expense for governmental assets | <u>(11 733)</u> | 27 845 |

Total changes in net position of governmental activities \$ 71 144

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

Town of Gatesville, North Carolina
General Fund and Annually Budgeted Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2020

| | General Fund | | | Variance with Final Budget- Positive (Negative) |
|---|--------------|-----------|-------------------|--|
| | Original | Final | Actual Amounts | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 53 400 | \$ 53 400 | \$ 74 202 | \$ 20 802 |
| Unrestricted intergovernmental | 101 300 | 101 300 | 112 924 | 11 624 |
| Restricted intergovernmental | 9 000 | 71 800 | 21 474 | (50 326) |
| Sales and services | 1 200 | 1 200 | 1 300 | 100 |
| Investment earnings | 1 600 | 1 600 | 2 009 | 409 |
| Total revenues | 166 500 | 229 300 | 211 909 | (17 391) |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 40 000 | 30 000 | 26 304 | 3 696 |
| Public safety | 33 000 | 33 000 | 27 068 | 5 932 |
| Transportation and utilities | 35 000 | 75 000 | 56 458 | 18 542 |
| Environmental protection | 46 000 | 46 000 | 44 060 | 1 940 |
| Cultural and recreation | - | 36 800 | 14 720 | 22 080 |
| Miscellaneous | 2 500 | 2 500 | - | 2 500 |
| Contingency | 10 000 | 6 000 | - | 6 000 |
| Total expenditures | 166 500 | 229 300 | 168 610 | 60 690 |
| Revenues over (under) expenditures | | | 43 299 | 43 299 |
| Fund Balance appropriated | - | - | - | - |
| Net change in fund balance | \$ - | \$ - | 43 299 | \$ 43 299 |
| Fund balances, beginning | | | 881 430 | |
| Fund balances, ending | | | \$ 924 729 | |

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

**Town of Gatesville, North Carolina
Statement of Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2020**

| | | Enterprise Fund Water Fund |
|--------------------------------------|----|---|
| <hr/> | | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ | 41 |
| Restricted cash and cash equivalents | | 1 959 |
| Due from other funds | | 386 |
| Total current assets | | <hr/> 2 386 <hr/> |
| Noncurrent assets: | | |
| Capital assets, net of depreciation | | <hr/> - |
| Total noncurrent assets | | <hr/> - |
| Total assets | | <hr/> <hr/> |
| LIABILITIES | | |
| Current liabilities: | | |
| Customer deposits | | <hr/> 1 959 |
| Total current liabilities | | <hr/> 1 959 <hr/> |
| NET POSITION | | |
| Net investment in capital assets | | - |
| Unrestricted | | 427 |
| Total net position | \$ | <hr/> <hr/> 427 <hr/> <hr/> |

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

Town of Gatesville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

| | Enterprise Fund |
|---|----------------------------|
| | Water Fund |
| OPERATING REVENUES | |
| Charges for services | \$ - |
| Total operating revenues | - |
| OPERATING EXPENSES | |
| Administration | 277 |
| Water treatment and distribution | - |
| Depreciation | - |
| Total operating expenses | - |
| Operating income (loss) | (277) |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | - |
| Interest and other charges | - |
| Total nonoperating revenue (expenses) | - |
| Change in net position | (277) |
| Total net position previously reported | 704 |
| Total net position, ending | \$ 427 |

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

**Town of Gatesville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020**

| | | <u>Enterprise Fund</u> <u>Water Fund</u> <u> </u> |
|---|----|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ | - |
| Cash paid for goods and services | | (277) |
| Cash paid to or on behalf of employees for services | | - |
| Customer deposits received (returned) net | | - |
| Other operating revenues (expenses) | | - |
| Net cash provided (used) by operating activities | | <u>(277)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Due to (from) other funds | | - |
| Net cash provided (used) by capital and related financing activities | | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on investments | | - |
| Net increase (decrease) in cash and cash equivalents | | <u>(277)</u> |
| Balances, beginning | | <u>2 277</u> |
| Balances, ending | \$ | <u><u>2 000</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income (loss) | \$ | <u>(277)</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | | - |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | | - |
| Increase (decrease) in accounts payable and accrued liabilities | | - |
| Increase (decrease) in customer deposits | | - |
| Total adjustments | | <u>-</u> |
| Net cash provided by operating activities | \$ | <u><u>(277)</u></u> |

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

Notes to the Financial Statements

Town of Gatesville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Gatesville is a municipal corporation that is governed by an elected mayor and a three-member commission. The Town is located in northeastern North Carolina and has a population of 314. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary fund. 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. Any remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Gatesville because the tax is levied by Gates County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating 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 project level for the multi-year funds. The budget officer (town clerk/finance director) is authorized to transfer monies from one appropriation to another within the same fund not to exceed 10% of the total fund. Any such transaction is required to be reported to the Town Commission at its next regular meeting. All other 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 and Fund Equity

1. Deposits and Investments

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

State law [G.S.159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Restricted Cash

| | | |
|--------------------------------|-----------------------|------------------|
| Governmental Activities | | |
| Total governmental activities | Streets – Powell Bill | \$ <u>24 869</u> |
| Business-type Activities | | |
| Water Fund | Customer deposits | \$ <u>1 959</u> |
| Total business-type activities | | \$ <u>1 959</u> |
| Total Restricted Cash | | \$ <u>26 828</u> |

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: \$25,000 for infrastructure, and \$5,000 for all other assets. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Infrastructure | 50 |
| Buildings | 40 |
| Improvements | 10-20 |
| Vehicles | 10 |
| Furniture and equipment | 10 |

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of*

Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does not have any items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has one item that meet the criterion for this category – property taxes receivable.

9. Compensated Absences

The Town does not provide vacation or sick leave.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Gatesville’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The Town has fund balances at June 30, 2020 committed to the Fire Department.

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

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

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

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

II. Stewardship, Compliance, and Accountability

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

During the fiscal year the Town invested in an annuity through Athene via First Citizens Investor Services. The annuity was in violation of North Carolina General Statute 159-30. The funds invested in the annuity were returned to the Town in June 2019.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town these deposits are held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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, 2020, the Town's deposits had a carrying amount of \$867,635 and a bank balance of \$880,200. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder balance of \$562,152 was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$0.

2. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 is net of the following allowances for doubtful accounts:

| | |
|------------------|-----------------------|
| General Fund: | |
| Taxes receivable | \$ <u> 128</u> |

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, were follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 68 189 | \$ - | \$ - | \$ 68 189 |
| Construction in progress | - | 14 720 | - | 14 720 |
| Total capital assets not being depreciated | <u>68 189</u> | <u>14 720</u> | <u>-</u> | <u>82 909</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 187 437 | - | - | 187 437 |
| Other improvements | 45 390 | - | - | 45 390 |
| Equipment | 22 831 | - | - | 22 831 |
| Vehicles and motorized equipment | 154 092 | - | - | 154 092 |
| Infrastructure | 124 874 | 24 858 | - | 149 732 |
| Total capital assets being depreciated | <u>534 624</u> | <u>24 858</u> | <u>-</u> | <u>559 482</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 116 348 | 4 686 | - | 121 034 |
| Other improvements | 41 444 | 2 063 | - | 43 507 |
| Equipment | 22 814 | - | - | 22 814 |
| Vehicles and motorized equipment | 154 092 | - | - | 154 092 |
| Infrastructure | 76 225 | 4 984 | - | 81 209 |
| Total accumulated depreciation | <u>410 923</u> | <u>\$ 11 733</u> | <u>\$ -</u> | <u>422 656</u> |
| Total capital assets being depreciated, net | <u>123 701</u> | | | <u>136 826</u> |
| Governmental activity capital assets, net | <u>\$ 191 890</u> | | | <u>\$ 219 735</u> |
| General government | | \$ 6 749 | | |
| Transportation and utilities | | 4 984 | | |
| Total depreciation expense | | <u>\$ 11 733</u> | | |

B. Liabilities

1. Pension Plan Obligations

The Town does not participate in any type of retirement systems.

2. Deferred Outflows and Inflows of Resources

The Town of Gatesville deferred outflow of resources is comprised of the following:

| | |
|----------------------------------|-----------------|
| Taxes receivables (General Fund) | 2 472 |
| Total | <u>\$ 2 472</u> |

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has property and general liability insurance coverage with a limit of \$300,000 per occurrence, \$500,000 aggregate. The Town currently has no flood insurance coverage.

The Town's volunteer fire department has property and general liability coverage with a \$1,000,000 limit and a commercial automobile policy of a \$1,000,000 limit, as well as umbrella excess liability coverage.

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

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

4. Claims, Judgments and Contingent Liabilities

At June 30, 2020 the Town was not a defendant to any lawsuits.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020 consist of the following:

Due to the General Fund for prior years' operating expenditures from:

| | | |
|------------|----|------------|
| Water Fund | \$ | <u>386</u> |
|------------|----|------------|

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

D. Fund Balances

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

| | | |
|--|----|----------------|
| <u>Total Fund Balance – General Fund</u> | \$ | <u>924 729</u> |
| <u>Less:</u> | | |
| Prepaid items | | 7 782 |
| Stabilization by State Statute | | 62 192 |
| Streets-Powell Bill | | 24 869 |
| Public safety | | 150 627 |
| <u>Remaining fund balance</u> | | <u>679 259</u> |

IV. Related Party Transactions

There were no related party transactions noted during the fiscal year ended June 30, 2020.

V. Extraordinary Item

The Town transferred its water system on October 1, 2013 to the County of Gates. The Water Fund bank account in the amount of \$2,000 and customer deposits in the amount of \$1,959 remain in the fund.

VI. 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 money to grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Individual Fund Statements and Schedules

**Town of Gatesville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------|----------------|----------------|---|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Taxes | \$ - | \$ 73 992 | \$ - |
| Interest | - | 210 | - |
| Total | <u>53 400</u> | <u>74 202</u> | <u>20 802</u> |
| Unrestricted intergovernmental: | | | |
| Local option sales taxes | - | 95 155 | - |
| Utility franchise and sales tax | - | 16 160 | - |
| Beer and wine tax | - | 1 368 | - |
| Solid waste disposal tax | - | 241 | - |
| Total | <u>101 300</u> | <u>112 924</u> | <u>11 624</u> |
| Restricted intergovernmental: | | | |
| Powell Bill allocation | - | 8 874 | - |
| Parks grant | - | 12 600 | - |
| Total | <u>71 800</u> | <u>21 474</u> | <u>(50 326)</u> |
| Sales and services: | | | |
| Rent | - | 1 300 | - |
| Total | <u>1 200</u> | <u>1 300</u> | <u>100</u> |
| Investment earnings | <u>1 600</u> | <u>2 009</u> | <u>409</u> |
| Total Revenues | <u>229 300</u> | <u>211 909</u> | <u>(17 391)</u> |

Town of Gatesville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|---------------|---------------|---|
| Expenditures: | | | |
| General Government | | | |
| Governing Body: | | | |
| Salaries and employee benefits | - | 5 800 | - |
| Total Governing Body | <u>5 800</u> | <u>5 800</u> | <u>-</u> |
| Administration: | | | |
| Accounting | - | 6 000 | - |
| Audit | - | 6 500 | - |
| Cost of tax collection | - | 1 000 | - |
| Electricity, water, and propane | - | 1 868 | - |
| Telephone | - | 1 522 | - |
| Insurance | - | 200 | - |
| Other operating expenditures | - | 3 414 | - |
| Total Administration | <u>24 200</u> | <u>20 504</u> | <u>3 696</u> |
| Total General Government | <u>30 000</u> | <u>26 304</u> | <u>3 696</u> |
| Public Safety: | | | |
| Fire Department: | | | |
| Insurance | - | 12 810 | - |
| Other operating expenditures | - | 14 258 | - |
| Total Fire Department | <u>33 000</u> | <u>27 068</u> | <u>5 932</u> |
| Total Public Safety | <u>33 000</u> | <u>27 068</u> | <u>5 932</u> |
| Transportation: | | | |
| Signage | - | 362 | - |
| Holiday decorations | - | 1 796 | - |
| Street lighting | - | 17 217 | - |
| Lawn care | - | 10 488 | - |
| Powell Bill lighting utility | - | 578 | - |
| Other expenditures | - | 1 159 | - |
| Capital outlay | - | 24 858 | - |
| Total Transportation and Utilities | <u>75 000</u> | <u>56 458</u> | <u>18 542</u> |
| Environmental Protection | | | |
| Health Department: | | | |
| Garbage collection | - | 44 060 | - |
| Total Health Department | <u>46 000</u> | <u>44 060</u> | <u>1 940</u> |

**Town of Gatesville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020**

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|---------------|---------------|---|
| Culture and Recreation | | | |
| Parks and Recreation | | - | 0 |
| Capital outlay | | 14 720 | |
| Total Cultural and Recreation | 36 800 | 14 720 | 22 080 |
| | | | |
| Miscellaneous | 2 500 | | 2 500 |
| Contingency | 6 000 | - | 6 000 |
| Total Expenditures | 229 300 | 168 610 | 60 690 |
| | | | |
| Revenues over (under) expenditures | - | 43 299 | 43 299 |
| | | | |
| Net Change in Fund Balance | \$ - | 43 299 | \$ |
| | | | |
| Fund Balances, beginning | | 881 430 | |
| Fund Balances, ending | | \$ 924 729 | |

Town of Gatesville, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

| | Budget | Actual | Variance Positive (Negative) |
|--|---------------|---------------|---|
| Revenues: | | | |
| Water sales: | | | |
| Residential and commercial | \$ - | \$ - | \$ - |
| Total Revenues | - | - | - |
| Expenditures: | | | |
| Water Administration: | | | |
| Salaries and employee benefits | - | - | - |
| Travel | - | - | - |
| Office supplies | - | - | - |
| Utilities | - | 277 | - |
| Other operating expenses | - | - | - |
| Total Water Administration | - | 277 | (277) |
| Water Treatment and Distribution: | | | |
| Insurance | - | - | - |
| Supplies | - | - | - |
| Repairs and Maintenance | - | - | - |
| Water Usage | - | - | - |
| Water Analysis | - | - | - |
| Total Water Treatment and Distributions | - | - | - |
| Total Expenditures | - | 277 | (277) |
| Revenues over (under) expenditures | | (277) | (277) |
| Revenues and other sources over expenditures and other uses: | \$ - | \$ (277) | \$ |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Reconciling items: | | | |
| Depreciation | | - | |
| Total reconciling items | | | |
| Change in net position | | \$ (277) | |

Other Schedules

This section contains additional information required on property taxes and USDA requested data.

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

Town of Gatesville, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2018</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Balance June 30, 2020</u> |
|--------------------|--|------------------|------------------------------------|--|
| 2019-2020 | \$ - | \$ 74 794 | \$ 73 593 | \$ 1 201 |
| 2018-2019 | 1 948 | - | 803 | 1 145 |
| 2017-2018 | 207 | - | 82 | 125 |
| 2016-2017 | - | - | - | - |
| 2015-2016 | - | - | - | - |
| 2014-2015 | - | - | - | - |
| 2013-2014 | 18 | - | - | 18 |
| 2012-2013 | 47 | - | - | 47 |
| 2011-2012 | 38 | - | - | 38 |
| 2010-2011 | 25 | - | - | 25 |
| 2009-2010 | 22 | - | 22 | - |
| | <u>\$ 2 305</u> | <u>\$ 74 794</u> | <u>\$ 74 500</u> | <u>\$ 2 599</u> |

Less: allowance for uncollectible accounts:
General Fund

128

Ad valorem taxes receivable – net

\$ 2 471

Reconciliation with revenues:

Ad valorem taxes – General Fund

\$ 74 202

Reconciling items:

Interest collected

(210)

Releases

486

Taxes written off

22

Subtotal

298

Total collections and credits

\$ 74 500

Town of Gatesville, North Carolina
Analysis of Current Tax Levy
Town – Wide Levy
For the Fiscal Year Ended June 30, 2020

| | <u>Town-Wide</u> | | | <u>Total Levy</u> | |
|------------------------------------|-------------------------------|-------------|-----------------------|---|--|
| | <u>Property Valuation</u> | <u>Rate</u> | <u>Total Levy</u> | <u>Property Excluding Registered Motor Vehicles</u> | <u>Registered Motor Vehicles</u> |
| Original levy: | | | | | |
| Property taxed at current rate | \$ 31 619 474 | 0.19 | \$ 60 077 | \$ 52 894 | \$ 7 183 |
| Penalties | - | | - | - | - |
| Total | <u>31 619 474</u> | | <u>60 077</u> | <u>\$ 52 894</u> | <u>\$ 7 183</u> |
| Discoveries: | | | | | |
| Prior year taxes | 6 734 091 | .19 | 14 815 | 14 815 | - |
| Releases | <u>(49 000)</u> | .19 | <u>(98)</u> | <u>(98)</u> | <u>-</u> |
| Total property valuation | <u>\$ 38 304 565</u> | | | | |
| Net levy | | | 74 794 | 67 611 | 7 183 |
| Uncollected taxes at June 30, 2020 | | | <u>(1 201)</u> | <u>(1 201)</u> | <u>-</u> |
| Current year's taxes collected | | | <u>\$ 73 593</u> | <u>\$ 66 410</u> | <u>\$ 7 183</u> |
| Current levy collection percentage | | | <u>98.39%</u> | <u>98.22%</u> | <u>100.00%</u> |