

TOWN OF MIDLAND

Audited Financial Statements

June 30, 2020

**TOWN OF MIDLAND
NORTH CAROLINA**

Town Council Members

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

Administrative and Financial Staff

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

Audited

Financial Statements

At

June 30, 2020

And

For The Year Then Ended

*** * * * ***

TOWN OF MIDLAND, NORTH CAROLINA
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FINANCIAL SECTION



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Town of Midland, North Carolina**, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the **Town of Midland's** basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

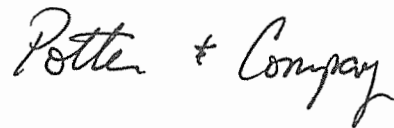
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 - 9 and the Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Liability and Contributions, on pages 35 and 36 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Potter & Company, P.A.
Monroe, North Carolina
October 27, 2020

A handwritten signature in cursive script that reads "Potter & Company". The signature is written in dark ink and is positioned to the right of the typed name.

Management's Discussion and Analysis Town of Midland

As management of the Town of Midland, we offer readers of the Town of Midland's financial statements this narrative overview and analysis of the financial activities of the Town of Midland for the fiscal year ended June 30, 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

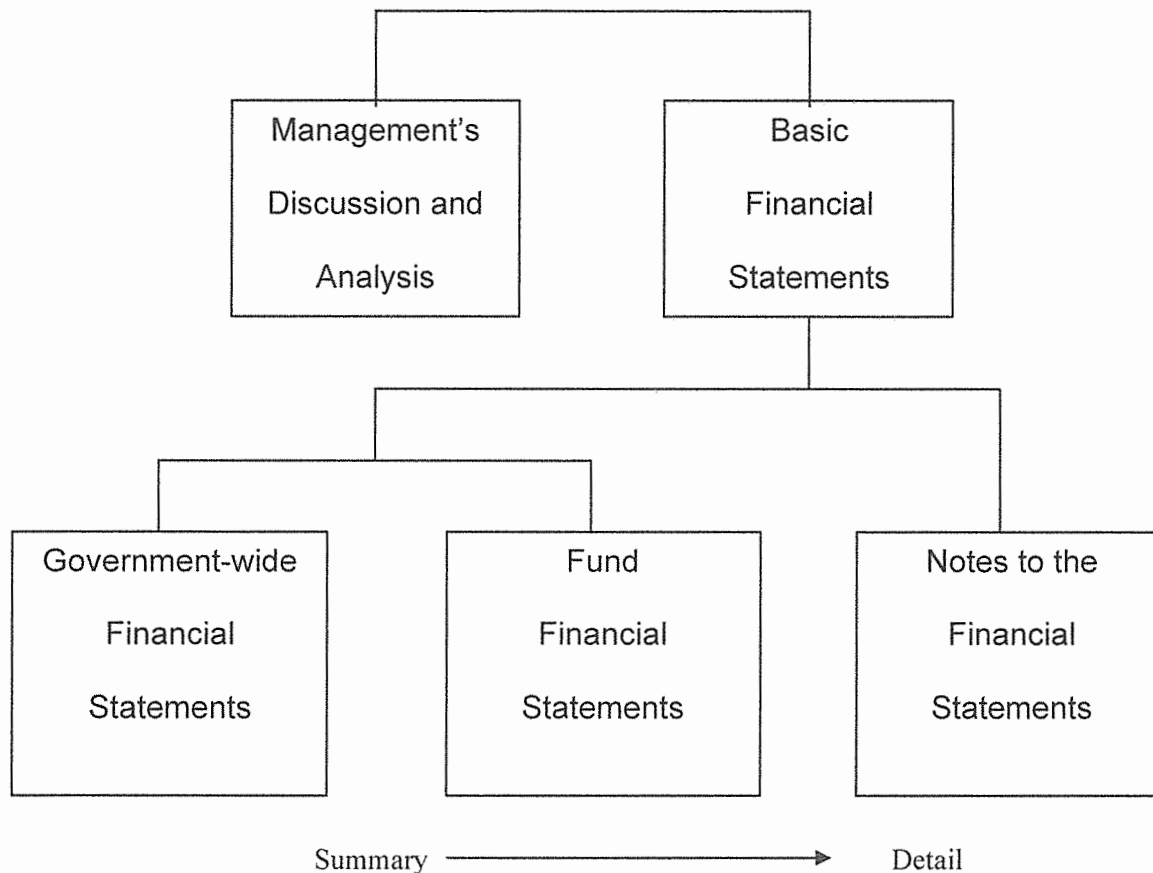
- The assets and deferred outflows of resources of the Town of Midland exceeded its liabilities at the close of the fiscal year by \$10,703,074 (*net position*).
- The government's total net position increased by \$1,000,783 due to increases in the governmental type activities net position.
- As of the close of the current fiscal year, the Town of Midland's governmental funds reported combined ending fund balances of \$4,555,249, an increase of \$424,476 in fund balance. \$378,715 is restricted for stabilization by state statute and \$253,255 is restricted for streets. \$2,341,913 is committed for the utility capital reserve.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,581,366 or 96.18 percent of total general fund expenditures of \$1,644,024 for the fiscal year.
- The Town of Midland's long-term obligations increased by \$8,838 during the fiscal year. The key drivers were the reduction of \$39,522 in Clean Water State Revolving Fund loan balance related to the Cabarrus Acres Phase I sewer project and an increase in Net Pension liability of \$45,617 for the fiscal year. Annual debt service payments for the loan will be paid for by a community-wide \$8.50 per month sewer fee.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

Management Discussion and Analysis
Town of Midland

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 17 - 34 of this report.

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

Government-Wide Financial Analysis

**Town of Midland Net Position
Figure 2**

	Governmental Activities		Total	
	2020	2019	2020	2019
Current and other assets	\$ 4,652,662	\$ 4,271,306	\$ 4,652,662	\$ 4,271,306
Capital assets	6,732,570	6,172,107	6,732,570	6,172,107
Deferred outflows of resources	70,218	54,816	70,218	54,816
Total assets and deferred outflows of resources	11,455,450	10,498,229	11,455,450	10,498,229
Long-term liabilities outstanding	656,817	650,723	656,817	650,723
Other liabilities	86,909	143,771	86,909	143,771
Deferred inflows of resources	8,650	1,444	8,650	1,444
Total liabilities and deferred inflows of resources	752,376	795,938	752,376	795,938
Net position:				
Net investment in capital assets	6,139,732	5,539,748	6,139,732	5,539,748
Restricted	631,970	610,273	631,970	610,273
Unrestricted	3,931,372	3,552,270	3,931,372	3,552,270
Total net position	\$ 10,703,074	\$ 9,702,291	\$ 10,703,074	\$ 9,702,291

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Midland exceeded liabilities and deferred inflows by \$10,703,074 as of June 30, 2020. The Town's net position increased by \$1,000,783 for the fiscal year ended June 30, 2020. However, the largest portion (57.36%) reflects the town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Midland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Midland's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Midland's net position, \$631,970, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,931,372 is unrestricted.

Management Discussion and Analysis
Town of Midland

Town of Midland Changes in Net Position
Figure 3

	Governmental Activities		Total	
	2020	2019	2020	2019
Revenues:				
Program Revenue				
Charges for services	\$ 20,802	\$ 18,823	\$ 20,802	\$ 18,823
Operating grants and contributions	91,786	86,136	91,786	86,136
Capital grants and contributions	945,120	-	945,120	-
General Revenues:				
Property taxes	1,015,371	853,740	1,015,371	853,740
Other taxes	481,220	487,183	481,220	487,183
Other	389,717	417,266	389,717	417,266
Total revenues	<u>2,944,016</u>	<u>1,863,148</u>	<u>2,944,016</u>	<u>1,863,148</u>
Expenses:				
General government	685,657	702,033	685,657	702,033
Public safety	607,501	459,142	607,501	459,142
Transportation	174,731	162,070	174,731	162,070
Environmental protection	258,149	239,466	258,149	239,466
Economic and physical development	192,219	189,906	192,219	189,906
Parks and recreation	12,725	12,126	12,725	12,126
Interest on long-term debt	12,251	13,570	12,251	13,570
Total expenses	<u>1,943,233</u>	<u>1,778,313</u>	<u>1,943,233</u>	<u>1,778,313</u>
Increase in net position	1,000,783	84,835	1,000,783	84,835
Net position, beginning, previously reported	9,702,291	7,057,184	9,702,291	7,057,184
Restatement	-	2,560,272	-	2,560,272
Net position, beginning, restated	<u>9,702,291</u>	<u>9,617,456</u>	<u>9,702,291</u>	<u>9,617,456</u>
Net position, June 30	<u>\$ 10,703,074</u>	<u>\$ 9,702,291</u>	<u>\$ 10,703,074</u>	<u>\$ 9,702,291</u>

Governmental activities. Governmental activities increased the Town's net position by \$1,000,783 thereby accounting for 100% of the total growth in the net position of the Town of Midland. The Town of Midland is located in the growing Charlotte region in North Carolina, which is driving growth in governmental revenues. Coupled with strong budgetary and expenditure control, the Town continues to experience a favorable net position.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Midland's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Midland's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Midland. At the end of the current fiscal year, Town of Midland's unassigned fund balance of the General Fund was \$1,581,366, while total fund balance reached \$4,555,249. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to governmental funds expenditures. Unassigned

Management Discussion and Analysis
Town of Midland

fund balance represents 96.18 percent of total General Fund expenditures while total fund balance represents 277.08 percent of the same amount.

At June 30, 2020, the governmental funds of the Town of Midland reported a combined fund balance of \$4,555,249 with a net increase in fund balance of \$424,476.

Capital Asset and Debt Administration

Capital assets. The Town of Midland's investment in capital assets for its governmental activities as of June 30, 2020 totals \$6,732,570 (net of accumulated depreciation). These assets include office equipment, vehicles, parks & recreation, land, infrastructure and construction in progress.

2020 asset additions include:

Rob Wallace Park Memorial expenditures
Rob Wallace Walkway expenditures
24/27 sewer extension expenditures
Street resurfacing
Truck

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

	Governmental Activities		Total	
	2020	2019	2020	2019
Equipment and furniture	\$ 10,471	\$ 14,223	\$ 10,471	\$ 14,223
Infrastructure	5,739,914	4,981,324	5,739,914	4,981,324
Vehicles	53,458	39,234	53,458	39,234
Parks & Recreation	102,761	112,786	102,761	112,786
Land	254,017	254,017	254,017	254,017
Construction in progress	571,949	770,523	571,949	770,523
Total	\$ 6,732,570	\$ 6,172,107	\$ 6,732,570	\$ 6,172,107

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

Debt. In June 30, 2016 the Town completed the Cabarrus Acres Phase I sewer line expansion with a state revolving fund loan from the North Carolina Department of Environmental and Natural Resources totaling \$790,450. During the fiscal year ending June 30, 2020, the town made a scheduled interest payment of \$12,645 and a scheduled principal payment of \$39,522. The maturity date on the loan is May 1, 2035. Annual debt service payments for the loan are being paid for by a community-wide \$8.50 per month sewer fee.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The Town of Midland is experiencing growth in property tax and sales tax revenues and did not require a property tax or fee increase this year to balance the budget. Over the prior five year period the town's tax base has grown by 45%. Residential and commercial development from the Town's favorable position in the Charlotte region will continue to benefit the Town's revenue sources. The Town budgeted revenues conservatively for FY20-21 due to potential impacts of Covid-19. The Town Council passed an \$8.50 sewer fee four years prior to cover the annual debt payments related to the Cabarrus Acres Phase 1 Sewer Project Loan. In FY16-17 the town completed a pavement condition rating (PCR) study of all town owned streets. This allowed for paving funds to be allocated annually based on need rather than random request. During FY18-19 the town resurfaced White Tail Lane. During FY17-18 the town initiated two capital projects: the crossroads pump station project and the Rob Wallace Park crosswalk project. During FY18-19 the town initiated a new capital project: the Highway 24/27 sewer project. Both sewer projects are aligned with the town's #1 goal to improve sewer infrastructure along the town's main commercial corridor to attract new tax base. The crosswalk is to improve pedestrian safety between the park and adjacent neighborhoods.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

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

BASIC FINANCIAL STATEMENTS

TOWN OF MIDLAND, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2020

EXHIBIT 1

	Primary Government Governmental Activities	Totals
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,972,951	\$ 3,972,951
Taxes receivable (net)	41,385	41,385
Accrued interest receivable on taxes	6,356	6,356
Due from other governments	378,715	378,715
Restricted cash and cash equivalents	253,255	253,255
Total Current Assets	<u>4,652,662</u>	<u>4,652,662</u>
Non-current Assets		
Capital assets		
Land and construction in progress	825,966	825,966
Other capital assets, net of depreciation	5,906,604	5,906,604
Total Capital Assets	<u>6,732,570</u>	<u>6,732,570</u>
 TOTAL ASSETS	 <u>11,385,232</u>	 <u>11,385,232</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	<u>70,218</u>	<u>70,218</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	41,551	41,551
Accrued interest payable	1,984	1,984
Current portion of long-term liabilities	43,374	43,374
Total Current Liabilities	<u>86,909</u>	<u>86,909</u>
Long-term Liabilities		
Net pension liability	103,502	103,502
Due in more than one year	553,315	553,315
Total Long-term Liabilities	<u>656,817</u>	<u>656,817</u>
 TOTAL LIABILITIES	 <u>743,726</u>	 <u>743,726</u>
DEFERRED INFLOWS OF RESOURCES		
Prepaid taxes	8,121	8,121
Pension deferrals	529	529
Total Deferred Inflows of Resources	<u>8,650</u>	<u>8,650</u>
NET POSITION		
Net investment in capital assets	6,139,732	6,139,732
Restricted for:		
Streets - Powell Bill funds	253,255	253,255
Stabilization by State Statute	378,715	378,715
Unrestricted	<u>3,931,372</u>	<u>3,931,372</u>
 Total Net Position	 <u>\$ 10,703,074</u>	 <u>\$ 10,703,074</u>

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

TOWN OF MIDLAND, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

EXHIBIT 2

	Program Revenue				Net (Expense) Revenue And Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
FUNCTIONS/PROGRAMS						
Primary Government:						
Government Activities:						
General government	\$ 685,657	\$ -	\$ -	\$ -	\$ (685,657)	\$ (685,657)
Public safety	607,501	-	-	-	(607,501)	(607,501)
Transportation	174,731	-	91,786	945,120	862,175	862,175
Environmental protection	258,149	-	-	-	(258,149)	(258,149)
Economic and physical development	192,219	20,802	-	-	(171,417)	(171,417)
Parks and recreation	12,725	-	-	-	(12,725)	(12,725)
Interest on long-term debt	12,251	-	-	-	(12,251)	(12,251)
 Total Governmental Activities (See Note 1)	 1,943,233	 20,802	 91,786	 945,120	 (885,525)	 (885,525)
 Total Primary Government	 \$ 1,943,233	 \$ 20,802	 \$ 91,786	 \$ 945,120	 \$ (885,525)	 \$ (885,525)
 General Revenues						
Taxes:						
Property taxes, levied for general purpose					\$ 1,015,371	\$ 1,015,371
Other taxes					481,220	481,220
Unrestricted investment earnings					48,808	48,808
Restricted investment earnings					2,308	2,308
Miscellaneous					338,601	338,601
 Total general revenues not including transfers					 1,886,308	 1,886,308
 Change in net position					 1,000,783	 1,000,783
 Net position - beginning					 9,702,291	 9,702,291
Net position - ending					 \$ 10,703,074	 \$ 10,703,074

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

TOWN OF MIDLAND, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

EXHIBIT 3

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,972,951	\$ -	\$ 3,972,951
Restricted cash and cash equivalents	253,255	-	253,255
Taxes receivable (net)	41,385	-	41,385
Due from other governments	378,715	-	378,715
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>4,646,306</u>	\$ <u>-</u>	\$ <u>4,646,306</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued liabilities	\$ 41,551	\$ -	\$ 41,551
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	41,551	-	41,551
	<u> </u>	<u> </u>	<u> </u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	41,385	-	41,385
Prepaid taxes	8,121	-	8,121
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	49,506	-	49,506
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Restricted:			
Stabilization by State Statute	378,715	-	378,715
Streets	253,255	-	253,255
Committed			
Utility Capital Reserve	2,341,913	-	2,341,913
Unassigned	1,581,366	-	1,581,366
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	4,555,249	-	4,555,249
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>4,646,306</u>	\$ <u>-</u>	\$ <u>4,646,306</u>

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

TOWN OF MIDLAND, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2020

EXHIBIT 3
(Continued)

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

Total Fund Balance, Governmental Funds	\$ 4,555,249
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Gross capital assets at historical cost	\$ 8,576,061
Accumulated depreciation	<u>(1,843,491)</u> 6,732,570
Deferred outflows of resources related to pension are not reported in the funds	70,218
Other assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds	6,356
Earned revenues considered deferred inflows of resources in fund statements	41,385
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Installment obligation	(592,838)
Net pension liability	(103,502)
Deferred inflows of resources related to pensions are not reported in the funds	(529)
Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest	(1,984)
Compensated absences	<u>(3,851)</u>
Net position of governmental activities	\$ <u><u>10,703,074</u></u>

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

TOWN OF MIDLAND, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE -- GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

EXHIBIT 4

	Major Funds General Fund	Non-Major Funds Capital Projects Fund	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 1,007,400	\$ -	\$ 1,007,400
Unrestricted intergovernmental	814,580	-	814,580
Restricted intergovernmental	91,786	-	91,786
Permits and fees	22,182	-	22,182
Investment earnings	51,116	-	51,116
Miscellaneous	186,862	-	186,862
	<hr/>	<hr/>	<hr/>
Total Revenues	2,173,926	-	2,173,926
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
General government	463,090	-	463,090
Public safety	593,707	-	593,707
Transportation	7,034	-	7,034
Environmental protection	258,149	-	258,149
Economic and physical development	190,830	-	190,830
Parks and recreation	2,700	-	2,700
Capital outlay	76,347	105,426	181,773
Debt service			
Principal	39,522	-	39,522
Interest	12,645	-	12,645
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,644,024	105,426	1,749,450
	<hr/>	<hr/>	<hr/>
Excess of revenues over (under) expenditures	529,902	(105,426)	424,476
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Transfers from other funds	-	105,426	105,426
Transfers to other funds	(105,426)	-	(105,426)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(105,426)	105,426	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	424,476	-	424,476
	<hr/>	<hr/>	<hr/>
Fund balances - beginning	4,130,773	-	4,130,773
	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 4,555,249	\$ -	\$ 4,555,249
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

TOWN OF MIDLAND, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

EXHIBIT 4
(Continued)

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

Net changes in fund balances - total governmental funds	\$	424,476
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Capital outlay expenditures which were capitalized	\$	181,773
Disposals, net book value		(304,000)
Depreciation expense for governmental assets		(262,430)
		(384,657)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.		20,232
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Amount of donated assets		945,120
Change in accrued interest receivable from taxes		(308)
Change in unavailable revenue for tax revenues		8,278
Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long-term debt		39,522
Decrease in accrued interest payable		397
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(2,743)
Pension expense		(49,534)
Total changes in net position of governmental activities	\$	1,000,783

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

TOWN OF MIDLAND, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

EXHIBIT 5

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 947,719	\$ 947,719	\$ 1,007,400	\$ 59,681
Unrestricted intergovernmental	813,245	813,245	814,580	1,335
Restricted intergovernmental	87,592	87,592	91,786	4,194
Permits and fees	11,400	11,400	22,182	10,782
Investment earnings	40,000	40,000	51,116	11,116
Miscellaneous	750	2,877	186,862	183,985
Total Revenues	<u>1,900,706</u>	<u>1,902,833</u>	<u>2,173,926</u>	<u>271,093</u>
Expenditures:				
Current:				
General government	616,449	616,449	494,222	122,227
Public safety	614,465	616,592	593,707	22,885
Transportation	87,592	87,592	52,249	35,343
Environmental protection	262,404	262,404	258,149	4,255
Economic and physical development	199,585	199,585	190,830	8,755
Parks and recreation	3,000	3,000	2,700	300
Debt service	52,170	52,170	52,167	3
Total Expenditures	<u>1,835,665</u>	<u>1,837,792</u>	<u>1,644,024</u>	<u>193,768</u>
Revenues Over (Under) Expenditures	<u>65,041</u>	<u>65,041</u>	<u>529,902</u>	<u>464,861</u>
Other financing uses:				
Transferred to other funds	<u>(105,426)</u>	<u>(105,426)</u>	<u>(105,426)</u>	<u>-</u>
Total other financing sources (uses)	<u>(105,426)</u>	<u>(105,426)</u>	<u>(105,426)</u>	<u>-</u>
Fund balance appropriated	<u>40,385</u>	<u>40,385</u>	<u>-</u>	<u>40,385</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>424,476</u>	<u>\$ 424,476</u>
Fund Balance - beginning			<u>4,130,773</u>	
Fund Balance - ending			<u>\$ 4,555,249</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

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

C. Measurement Focus and Basis of Accounting

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

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

D. *Budgetary Data*

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Budget Officer is authorized to transfer amounts between line item expenditures within a department without limitation, except that these transfers shall not be the result of increases in recurring obligations. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, one amendment to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

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

Restricted Assets

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

Town of Midland Restricted Cash

Governmental Activities

General Fund

Restricted for Streets	<u>\$ 253,255</u>
Total restricted cash	<u>\$ 253,255</u>

Ad Valorem Taxes Receivable

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

Allowances For Doubtful Accounts

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$1,000 for all asset classes. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at their acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

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TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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	15 - 30
Buildings	30
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment & software	3

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and pension deferrals.

Long-Term Obligations

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

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

Defined Benefit Cost-Sharing Plan

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

***TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020***

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. *Noncompliance with North Carolina General Statutes*
None

B. Deficit in Fund Balance or Net Position of Individual Funds
None

C. Excess of Expenditures over Appropriations
None

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. *Assets*

Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$149,656 and a bank balance of \$173,795. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$231.

Investments

At June 30, 2020, the Town of Midland had \$4,076,319 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

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TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

Capital Assets

Primary Government

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

	Balance June 30, 2019	Increases	Reclassify/ Decreases	Balance June 30, 2020
Government Activities:				
Capital assets not being depreciated:				
Land	\$ 254,017	\$ -	\$ -	\$ 254,017
Construction in progress	770,523	105,426	304,000	571,949
Total capital assets not being depreciated	1,024,540	105,426	304,000	825,966
Capital assets being depreciated:				
Leasehold Improvements	8,541	-	-	8,541
Equipment	64,090	-	-	64,090
Vehicles	68,971	31,132	-	100,103
Parks & recreation	150,380	-	-	150,380
Infrastructure	6,436,646	990,335	-	7,426,981
Total capital assets being depreciated	6,728,628	\$ 1,021,467	\$ -	7,750,095
Less accumulated depreciation for:				
Leasehold improvements	8,541	\$ -	\$ -	8,541
Equipment	49,868	3,752	-	53,620
Vehicles	29,737	16,908	-	46,645
Parks & recreation	37,594	10,025	-	47,619
Infrastructure	1,455,321	231,745	-	1,687,066
Total accumulated depreciation	1,581,061	\$ 262,430	\$ -	1,843,491
Total capital assets being depreciated, net	5,147,567			5,906,604
Governmental activity capital assets, net	\$ 6,172,107			\$ 6,732,570

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

General government	\$ 70,913
Public safety	13,794
Parks & recreation	167,698
Transportation	10,025
Total	\$ 262,430

Construction Commitments

The government had no active construction projects as of June 30, 2020.

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

B. Liabilities

Pension Plan and Postemployment Obligations

Local Government Employees' Retirement System

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Midland employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Midland's contractually required contribution rate for the year ended June 30, 2020, was 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Midland were \$20,232 for the year ended June 30, 2020.

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 236,728	\$ 103,502	\$ (7,236)

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

Deferred Outflows and Inflows of Resources

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

Source	Amount
Employer contributions subsequent to the measurement date	\$ 20,232
Differences between expected and actual experience	17,722
Change of assumptions	16,869
Net difference between projected and actual earnings on pension plan investments	2,524
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,871
Total	\$ 70,218

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

	Statement of Net Position	General Fund - Balance Sheet
Prepaid taxes (General Fund)	\$ 8,121	\$ 8,121
Taxes receivable, less penalties (General Fund)	-	41,385
Changes in proportion and difference between employer contributions and proportionate share of contributions	529	-
Total	\$ 8,650	\$ 49,506

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

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

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

At June 30, 2020, the Town reported a liability of \$103,502 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020, the Town's proportion was 0.00379% (measured as of June 30, 2019), which was an increase of .00135% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the Town recognized pension expense of \$49,534. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,722	\$ -
Changes of assumptions	16,869	-
Net difference between projected and actual earnings on pension plan investments	2,524	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	12,871	529
Town of Midland's contributions subsequent to the measurement date	<u>20,232</u>	<u>-</u>
Total	\$ <u><u>70,218</u></u>	\$ <u><u>529</u></u>

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

There was \$20,232 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date that will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>		
2021	\$	21,938
2022		9,690
2023		12,685
2024		5,144
2025		-
Thereafter		-
Total	\$	<u>49,457</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

<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%</u>	

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

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

-Continued-

***TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020***

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

Risk Management

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

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

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

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

Claims, Judgements and Contingent Liabilities

At June 30, 2020, the Town was the defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Long-Term Obligations

Installment Purchase

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

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

Annual debt service payments of the installment obligation as of June 30, 2020, including \$94,854 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 39,523	\$ 11,857
2022	39,523	11,066
2023	39,522	10,276
2024	39,523	9,485
2025	39,522	8,695
2026-2030	197,612	31,618
2031-2035	197,613	11,857
Total	<u>\$ 592,838</u>	<u>\$ 94,854</u>

Changes in Long-Term Obligations

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 1,108	\$ 2,743	\$ -	\$ 3,851	\$ 3,851
Installment obligation	632,360	-	39,522	592,838	39,523
Net pension liability (LGERS)	57,885	45,617	-	103,502	-
Governmental activity long-term liabilities	<u>\$ 691,353</u>	<u>\$ 48,360</u>	<u>\$ 39,522</u>	<u>\$ 700,191</u>	<u>\$ 43,374</u>

Operating Leases

The Town has a lease agreement for office space that runs through June 30, 2023 at a monthly amount of \$3,700. Office rent expense for the year ending June 30, 2020 was \$44,400. The Town entered into a lease agreement for office equipment that runs through October 31, 2023, rent expense under this lease was \$998. In addition, the Town signed a lease for library space running through December 31, 2023 at a monthly amount of \$3,500. Library rent expense for the year ending June 30, 2020 was \$42,000.

Future minimum lease payments are as follows:

For the Year Ending June 30:

2021	\$ 87,398
2022	87,398
2023	87,398
2024	<u>21,333</u>
Total	<u>\$ 283,527</u>

-Continued-

TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 4 - INTERFUND BALANCES AND ACTIVITY

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

From the General Fund to the Capital Projects Fund	<u>\$105,426</u>
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Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs. During the 2020 fiscal year, the Town made various transfers from the General Fund to the Capital Projects Fund for park memorial, 24/27 extension and park walkway.

NOTE 5 - FUND BALANCE

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

Total fund balance – General Fund	\$ 4,555,249
Less:	
Stabilization by State Statute	378,715
Streets – Powell Bill	253,255
Committed for Utility Capital Reserve	<u>2,341,913</u>
Remaining Fund Balance	<u>\$ 1,581,366</u>

NOTE 6 - JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with five counties and thirty-eight other municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$934 to the Council during the fiscal year ended June 30, 2020.

NOTE 7 - JOINT VENTURES

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

-Continued-

***TOWN OF MIDLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020***

NOTE 8 - CONDUIT DEBT OBLIGATION

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

NOTE 9 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 10 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Town’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Government is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year ending June 30, 2021.

The Town’s operations are heavily dependent on property taxes and state revenue distributions. Additionally, access to grants and contracts from federal, state and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected depress the tax bases and other areas in which the Town received revenue during fiscal year 2020. As such, this may hinder our ability for the Town to meet the needs of its constituents. It may also lead to the Town to seek debt forbearance and additional sources of debt. As such, our financial condition and liquidity may be negatively impacted for the fiscal year 2021.

Management has evaluated subsequent events through October 27, 2020, the date the financial statements were made available to be issued and determined that no other events occurred that required recording in the financial statements.

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REQUIRED SUPPLEMENTAL FINANCIAL DATA:

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

	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.00379%	0.00244%	0.00251%	0.00144%	0.002130%	0.001874%	0.00170%
Proportion of the net pension liability (asset)	\$ 103,502	\$ 57,885	\$ 38,346	\$ 30,560	\$ 9,559	\$ (10,792)	\$ 20,492
Covered payroll	\$ 220,276	\$ 192,763	\$ 129,745	\$ 106,577	\$ 89,766	\$ 85,233	\$ 79,406
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	46.99%	30.03%	29.55%	28.67%	10.65%	-12.66%	25.81%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 20,232	\$ 17,071	\$ 14,457	\$ 9,173	\$ 7,535	\$ 6,346	\$ 6,026
Contributions in relation to the contractually required contribution	20,232	17,071	14,457	9,173	7,535	6,346	6,026
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 225,240	\$ 220,276	\$ 192,763	\$ 129,745	\$ 106,577	\$ 89,766	\$ 85,233
Contributions as a percentage of covered payroll	8.98%	7.75%	7.50%	7.07%	7.07%	7.07%	7.07%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF MIDLAND, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

Statement 1
Page 1 of 2

	2020		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 947,719	\$ 1,001,232	\$ 53,513
Penalties and interest	-	6,168	6,168
Total	947,719	1,007,400	59,681
Unrestricted intergovernmental:			
Local option sales tax	268,348	288,356	20,008
Franchise taxes	170,172	172,512	2,340
Beer and wine tax	16,420	17,307	887
Solid waste tax	2,875	3,045	170
Natural gas pipeline fee	283,979	261,744	(22,235)
Capital recovery fee	70,951	70,856	(95)
Capacity fee loan income	500	760	260
Total	813,245	814,580	1,335
Restricted intergovernmental:			
Powell Bill allocation	87,592	91,786	4,194
Total	87,592	91,786	4,194
Permits and fees:			
Business license fees	1,400	1,380	(20)
Zoning fees	10,000	20,802	10,802
Total	11,400	22,182	10,782
Investment earnings	40,000	51,116	11,116
Miscellaneous	2,877	186,862	183,985
Total Revenues	1,902,833	2,173,926	271,093
Expenditures:			
General Government			
Salaries and employee benefits		239,523	
Professional services		56,470	
Membership dues		12,126	
Other operating expenditures		154,971	
Capital outlay		31,132	
Total	616,449	494,222	122,227

TOWN OF MIDLAND, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2020

Statement 1
Page 2 of 2

	2020		Variance
	Budget	Actual	Positive (Negative)
Expenditures, Continued			
Public Safety:			
Contracted Services:			
Fire protection	\$	\$ 429,824	\$
Police protection		163,883	
	<u>616,592</u>	<u>593,707</u>	<u>22,885</u>
Transportation:			
Streets and highways:			
Other operating expenditures		7,034	
Capital outlay		45,215	
	<u>87,592</u>	<u>52,249</u>	<u>35,343</u>
Environmental protection:			
Solid waste:			
Contracted services	<u>262,404</u>	<u>258,149</u>	<u>4,255</u>
Economic & Physical Development:			
Planning and Zoning			
Salaries and employee benefits		103,470	
Operating expenditures		87,360	
	<u>199,585</u>	<u>190,830</u>	<u>8,755</u>
Parks and Recreation			
Operating expenditures		2,700	
	<u>3,000</u>	<u>2,700</u>	<u>300</u>
Debt Service:			
Principal		39,522	
Interest		12,645	
	<u>52,170</u>	<u>52,167</u>	<u>3</u>
Total Expenditures - General Government	<u>1,837,792</u>	<u>1,644,024</u>	<u>193,768</u>
Revenues Over (Under) Expenditures	<u>65,041</u>	<u>529,902</u>	<u>464,861</u>
Other financing uses:			
Transfers to other funds:			
Capital Projects fund	(105,426)	(105,426)	-
Total	<u>(105,426)</u>	<u>(105,426)</u>	<u>-</u>
Fund balance appropriated	<u>40,385</u>	<u>-</u>	<u>40,385</u>
Net change in fund balance	\$ <u>-</u>	<u>424,476</u>	\$ <u>424,476</u>
Fund balance - beginning		<u>4,130,773</u>	
Fund balance - ending		\$ <u>4,555,249</u>	

TOWN OF MIDLAND, NORTH CAROLINA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2020

Statement 2

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Cabarrus Acres Phase II					
Capital Outlay	2,230,000	179,060	-	179,060	2,050,940
Main Street Phase 1B					
Capital Outlay	105,000	103,220	-	103,220	1,780
Town Hall Building					
Capital Outlay	2,500,000	137,953	-	137,953	2,362,047
Pump Station Expansion					
Capital Outlay	108,303	23,833	-	23,833	84,470
Rob Wallace Park Walkway					
Capital Outlay	209,562	11,316	25,130	36,446	173,116
NC 24/27 Extension					
Capital Outlay	1,297,550	703	72,699	73,402	1,224,148
Rob Wallace Park Memorial					
Capital Outlay	19,660	-	7,597	7,597	12,063
Total Expenditures	6,470,075	456,085	105,426	561,511	5,908,564
Revenues under expenditures	(6,470,075)	(456,085)	(105,426)	(561,511)	(5,908,564)
Other Financing Sources:					
Sewer Project:					
Cabarrus Acres Phase II					
NC SRF Loan Proceeds	1,839,000	-	-	-	1,839,000
Transfers from general fund	391,000	81,540	-	81,540	309,460
Main Street Phase 1B					
Transfers from general fund	105,000	105,000		105,000	-
Town Hall Building					
USDA loan proceeds	990,000	-	-	-	990,000
Transfers from general fund	1,510,000	233,693	-	233,693	1,276,307
Pump Station Expansion					
Transfers from general fund	108,303	23,833	-	23,833	84,470
Rob Wallace Park Walkway					
CMAQ Funds	108,029	-	-	-	108,029
Transfers from general fund	101,533	11,316	25,130	36,446	65,087
NC 24/27 Extension					
Transfers from general fund	1,297,550	703	72,699	73,402	1,224,148
Rob Wallace Park Memorial					
Transfers from general fund	19,660	-	7,597	7,597	12,063
Total other financing sources	6,470,075	456,085	105,426	561,511	5,908,564
Revenues and other sources over (under) expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund Balance - beginning			-		
Fund Balance - ending			\$ -		

OTHER SCHEDULES

This section contains additional information required on property taxes.

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

TOWN OF MIDLAND, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2020

Schedule 1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019 - 2020	\$ -	\$ 1,004,500	\$ 978,816	\$ 25,684
2018 - 2019	14,428	-	7,237	7,191
2017 - 2018	9,114	-	7,275	1,839
2016 - 2017	1,965	-	253	1,712
2015 - 2016	1,970	-	418	1,552
2014 - 2015	1,522	-	288	1,234
2013 - 2014	1,321	-	326	995
2012 - 2013	493	-	343	150
2011 - 2012	804	-	329	475
2010 - 2011	747	-	194	553
2009 - 2010	743	-	743	-
	<u>\$ 33,107</u>	<u>\$ 1,004,500</u>	<u>\$ 996,222</u>	<u>\$ 41,385</u>

Reconcilement with revenues:

Ad valorem taxes - General fund	\$ 1,007,400
Reconciling items:	
Interest and penalties collected	(6,168)
Taxes written off	444
Refunds and adjustments	<u>(5,454)</u>
	<u>\$ 996,222</u>

TOWN OF MIDLAND
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2020

Schedule 2

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 443,318,922	0.22	\$ 991,472	\$ 879,190	\$ 112,282
Discoveries - current and prior years	5,917,075	0.22	13,845	13,845	-
Releases	<u>(161,160)</u>		<u>(817)</u>	<u>(817)</u>	<u>-</u>
Total property valuation	<u>\$ 449,074,837</u>				
Net levy			1,004,500	892,218	112,282
Less uncollected tax at June 30, 2020			<u>25,684</u>	<u>25,349</u>	<u>335</u>
Current year's taxes collected			<u>\$ 978,816</u>	<u>\$ 866,869</u>	<u>\$ 111,947</u>
Current levy collection percentage			<u>97.44%</u>	<u>97.16%</u>	<u>99.70%</u>