

TOWN OF MOUNT GILEAD, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2020

JBW

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

Certified Public Accountants

TOWN OF MOUNT GILEAD, NORTH CAROLINA
LOCAL GOVERNMENT OFFICIALS
June 30, 2020

Town Council Members

Joseph (Chip) Miller – Mayor

Tim McAuley – Mayor Pro Tem

Paula Covington

Mary Lucas

Vera Richardson

Administrative and Financial Staff

Hiram Marziano, II – Town Manager

Amy Roberts – Town Clerk/Finance Officer

Lessie Jackson – Tax Collector

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FINANCIAL SECTION

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Town of Mount Gilead, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and schedule of expenditures of federal and State awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, on our consideration of Town of Mount Gilead's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Mount Gilead's internal control over financial reporting and compliance.



Wadesboro, North Carolina
December 21, 2020

Management's Discussion and Analysis

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

Financial Highlights

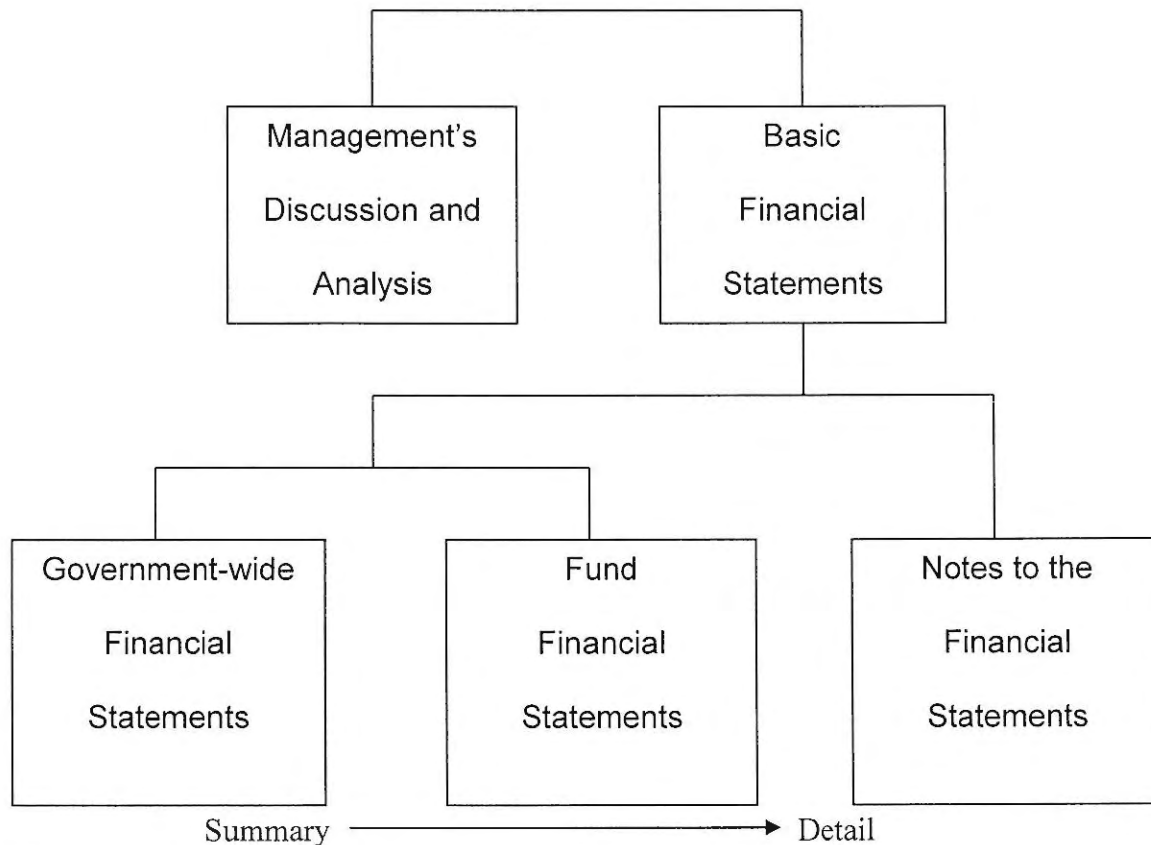
- The assets and deferred outflows of resources of Town of Mount Gilead exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,148,642 (*net position*).
- The government's total net position increased by \$194,744 which is due largely to capital contributions for the wastewater rehabilitation project.
- As of the close of the current fiscal year, Town of Mount Gilead's governmental funds reported combined ending fund balance of \$1,605,667, an increase of \$51,047 in comparison with the prior year. Approximately sixty percent (60%) of this total amount, or \$909,778, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$909,778 or 79% of total General Fund expenditures for the fiscal year.
- Town of Mount Gilead's debt increased by \$2,200,703 during the current fiscal year due largely to Clean Water State Revolving Funds loan proceeds for the Wastewater Rehabilitation Project.
- Town of Mount Gilead has spent \$2,781,553 to date on a major wastewater rehabilitation project. The total estimated project cost of \$3,524,100 is being funded with Clean Water State Revolving Funds provided by the U.S. Environmental Protection Agency.
- Due to the NC Governor's Executive Orders No. 124 and 142, Towns were not able to charge late fees for water services or charge disconnection fees for nonpayment of water services from March through July 2020. This accounted for a loss of approximately \$7,058 in Enterprise Fund revenue.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Management's Discussion and Analysis

Town of Mount Gilead

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

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

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

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

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

Management's Discussion and Analysis
Town of Mount Gilead

Government-Wide Financial Analysis

Town of Mount Gilead's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,722,736	\$ 1,680,296	\$ 2,179,856	\$ 1,608,339	\$ 3,902,592	\$ 3,288,635
Capital assets, net	1,580,597	1,502,612	11,837,221	9,700,037	13,417,818	11,202,649
Deferred outflows of resources	111,063	109,598	59,339	76,929	170,402	186,527
Total assets and deferred outflows of resources	<u>3,414,396</u>	<u>3,292,506</u>	<u>14,076,416</u>	<u>11,385,305</u>	<u>17,490,812</u>	<u>14,677,811</u>
Current and other liabilities	50,214	69,202	518,873	129,973	569,087	199,175
Long-term liabilities:						
Due within one year	-	6,942	176,750	28,000	176,750	34,942
Due after one year	228,126	172,573	3,313,343	1,252,701	3,541,469	1,425,274
Deferred inflows of resources	50,319	64,715	4,545	(193)	54,864	64,522
Total liabilities and deferred inflows of resources	<u>328,659</u>	<u>313,432</u>	<u>4,013,511</u>	<u>1,410,481</u>	<u>4,342,170</u>	<u>1,723,913</u>
Net Position						
Net investment in capital assets	1,580,597	1,494,297	8,471,203	8,543,037	10,051,800	10,037,334
Restricted	233,301	251,195	-	-	233,301	251,195
Unrestricted	1,271,839	1,233,582	1,591,702	1,431,787	2,863,541	2,665,369
Total net position	<u>\$ 3,085,737</u>	<u>\$ 2,979,074</u>	<u>\$ 10,062,905</u>	<u>\$ 9,974,824</u>	<u>\$ 13,148,642</u>	<u>\$ 12,953,898</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Mount Gilead exceeded liabilities and deferred inflows by \$13,148,642, as of June 30, 2020. The Town's net position increased by \$194,744 for the fiscal year ended June 30, 2020. The largest portion, \$10,051,800 (76%), reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. Town of Mount Gilead uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Town of Mount Gilead's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Town of Mount Gilead's net position, \$233,301 or (2%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,863,541 or (22%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 94.43%

Management's Discussion and Analysis
Town of Mount Gilead

- Conservative spending in all departments on expendable items
- Unrestricted grants and contributions received in current fiscal year

Town of Mount Gilead's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for services	\$ 109,749	\$ 111,392	\$ 1,085,596	\$ 1,134,415	\$ 1,195,345	\$ 1,245,807
Operating grants and contributions	48,181	66,097	-	-	48,181	66,097
Capital grants and contributions	79,419	-	466,921	-	546,340	-
General Revenues:						
Property taxes	568,771	582,487	-	-	568,771	582,487
Other taxes and licenses	395,877	381,183	-	-	395,877	381,183
Grants and contributions not restricted	7,109	4,024	-	-	7,109	4,024
Investment earnings, unrestricted	80	75	1,909	1,754	1,989	1,829
Miscellaneous, unrestricted	636	1,655	288	-	924	1,655
Total Revenues	<u>1,209,822</u>	<u>1,146,913</u>	<u>1,554,714</u>	<u>1,136,169</u>	<u>2,764,536</u>	<u>2,283,082</u>
Expenses						
Program Expenses:						
General government	185,632	153,282	-	-	185,632	153,282
Public safety	560,566	524,667	-	-	560,566	524,667
Transportation	129,446	167,585	-	-	129,446	167,585
Economic and physical development	60,638	18,272	-	-	60,638	18,272
Environmental protection	83,517	80,760	-	-	83,517	80,760
Culture and recreation	85,930	124,033	-	-	85,930	124,033
Interest on long-term debt	75	1,858	-	-	75	1,858
Water and sewer	-	-	1,463,988	1,358,566	1,463,988	1,358,566
Total Expenses	<u>1,105,804</u>	<u>1,070,457</u>	<u>1,463,988</u>	<u>1,358,566</u>	<u>2,569,792</u>	<u>2,429,023</u>
Change in net position before transfers	104,018	76,456	90,726	(222,397)	194,744	(145,941)
Transfers	<u>2,645</u>	<u>2,646</u>	<u>(2,645)</u>	<u>(2,646)</u>	<u>-</u>	<u>-</u>
Change in net position	106,663	79,102	88,081	(225,043)	194,744	(145,941)
Net Position	<u>2,979,074</u>	<u>2,899,972</u>	<u>9,974,824</u>	<u>10,199,867</u>	<u>12,953,898</u>	<u>13,099,839</u>
Net Position, June 30	<u>\$ 3,085,737</u>	<u>\$ 2,979,074</u>	<u>\$ 10,062,905</u>	<u>\$ 9,974,824</u>	<u>\$ 13,148,642</u>	<u>\$ 12,953,898</u>

Governmental activities: Governmental activities increased the Town's net position by \$106,663. Key elements of this increase are as follows:

- Increases in other taxes and licenses revenues
- Increases in restricted grants and contributions
- Reductions and savings in some expenditures with increases in public safety
- Decreased spending for the park program due to the COVID pandemic

Business-type activities: Business-type activities increased Town of Mount Gilead's net position by \$88,081. Key elements of this increase are as follows:

- Increase in contracted services for new meter reading service
- Clean Water State Revolving Funds for the Wastewater Rehabilitation Project
- Depreciation of assets in the amount of \$409,869

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of Town of Mount Gilead. At the end of the current fiscal year, the fund balance available in the General Fund was \$1,460,494, while the total fund balance was \$1,591,036. The Town currently has an available fund balance of 127% of General Fund expenditures, while the total fund balance represents 138% of the same amount.

At June 30, 2020, the governmental funds of Town of Mount Gilead reported a combined fund balance of \$1,605,667, a 3% increase from last year. Included in this change in fund balance is an increase in the fund balance of the Debt Service Reserve Fund.

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

There were several funding sources introduced throughout the year for public safety. Budgeted expenditures increased in the areas of general government, public safety, transportation, and economic and physical development. Overall, there was an increase in budgeted expenditures in the General Fund of 8.6% primarily due to normal operating costs and capital outlay.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,591,702. The total increase in net position for the Water and Sewer Fund was \$88,081. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Assets and Debt Administration

Capital assets: Town of Mount Gilead's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$13,417,818 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and distribution and collection systems.

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

- Culvert replacement at E. Haywood and Roosevelt Streets
- LED bay lights at the fire department
- Purchase of a 2004 fire/rescue vehicle
- Purchase of a 2019 vehicle and rifles and radios for the police department with grant funds
- Purchase of accessory for leaf vac
- Purchase of a 2020 vehicle for the water and sewer departments
- Purchase of two samplers and a new flow meter for the wastewater treatment plant
- Nearly completing construction of the wastewater rehabilitation project

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

Figure 4

Description	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 223,785	\$ 223,785	\$ 4,000	\$ 4,000	\$ 227,785	\$ 227,785
Construction in progress	-	-	2,781,554	300,379	2,781,554	300,379
Buildings	365,995	379,550	-	-	365,995	379,550
Other improvements	71,806	77,808	-	-	71,806	77,808
Infrastructure	442,678	398,706	-	-	442,678	398,706
Equipment	272,830	206,957	-	-	272,830	206,957
Recreation facilities	195,504	207,640	-	-	195,504	207,640
Artwork	7,999	8,166	-	-	7,999	8,166
Water distribution system	-	-	1,945,324	2,005,855	1,945,324	2,005,855
Sewer system	-	-	7,106,343	7,389,803	7,106,343	7,389,803
	<u>\$1,580,597</u>	<u>\$1,502,612</u>	<u>\$11,837,221</u>	<u>\$ 9,700,037</u>	<u>\$13,417,818</u>	<u>\$11,202,649</u>

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

Management's Discussion and Analysis
Town of Mount Gilead

Long-term Debt: As of June 30, 2020, Town of Mount Gilead had total bonded debt outstanding of \$1,129,000. Of this, \$512,000 is debt backed by the full faith and credit of the Town.

Town of Mount Gilead's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct placement general obligation bonds	\$ -	\$ -	\$ 512,000	\$ 529,000	\$ 512,000	\$ 529,000
Direct placement revenue bonds	-	-	617,000	628,000	617,000	628,000
Direct borrowing installment purchases	-	8,315	2,237,018	-	2,237,018	8,315
Compensated absences	18,967	20,765	17,774	18,016	36,741	38,781
Net pension liability (LGERS)	167,884	134,159	106,301	105,685	274,185	239,844
Total pension liability (LEO)	41,275	16,276	-	-	41,275	16,276
	<u>\$ 228,126</u>	<u>\$ 179,515</u>	<u>\$ 3,490,093</u>	<u>\$ 1,280,701</u>	<u>\$ 3,718,219</u>	<u>\$ 1,460,216</u>

Town of Mount Gilead's Outstanding Debt

Town of Mount Gilead's total debt increased by \$2,258,003 during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Mount Gilead is \$5,631,857. The Town had \$-0- in bonds authorized, but un-issued, at June 30, 2020.

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

Economic Factors and Next Year's Budgets and Rates

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

- Expected continued growth and development along Lake Tillery
- Expected continued growth of Main Street and the downtown Historic District

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

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property tax rates will remain steady at \$.57 per \$100 of assessed value and stabilized, allowing for a 94.36% collection rate. Sales taxes are forecasted to have minimal change, per N.C. Department of Revenue projections. Considering economic factors, the Town budgeted conservatively for those revenues. The Town hopes to maintain programs currently in place.

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

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

Business-type Activities: The water and sewer rates for the Town will not change in the 2020-2021 fiscal year. However, future rate increases are necessary to accommodate unfunded state monitoring mandates and improvements to capital infrastructure. Rates for customers outside of the Town's corporate limits will remain higher and under constant cost analysis and review. The Town will solicit a rate study to determine adequacy of existing rates.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2020

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,451,053	\$ 1,326,587	\$ 2,777,640
Receivables:			
Taxes receivable (net)	59,577	-	59,577
Accounts receivable (net)	27,895	99,401	127,296
Accrued interest receivable	7,278	129	7,407
Due from other governments	98,753	52,196	150,949
Inventories	3,894	26,299	30,193
Restricted assets:			
Cash and cash equivalents	74,286	160,000	234,286
Due from other governments	-	515,244	515,244
Capital assets:			
Land and other nondepreciable assets	223,785	2,785,554	3,009,339
Other capital assets (net)	1,356,812	9,051,667	10,408,479
TOTAL ASSETS	3,303,333	14,017,077	17,320,410
DEFERRED OUTFLOWS OF RESOURCES	111,063	59,339	170,402
LIABILITIES			
Accounts payable and accrued liabilities	46,759	38,416	85,175
Due to other governments	3,455	9,742	13,197
Accrued interest payable	-	3,005	3,005
Payable from restricted assets	-	467,710	467,710
Long-term liabilities:			
Due within one year	-	176,750	176,750
Due in more than one year	228,126	3,313,343	3,541,469
TOTAL LIABILITIES	278,340	4,008,966	4,287,306
DEFERRED INFLOWS OF RESOURCES	50,319	4,545	54,864
NET POSITION			
Net investment in capital assets	1,580,597	8,471,203	10,051,800
Restricted for:			
Stabilization by State statute	126,648	-	126,648
Streets - Powell Bill	74,286	-	74,286
Public safety	27,825	-	27,825
Culture and recreation	4,049	-	4,049
Other purposes	493	-	493
Unrestricted	1,271,839	1,591,702	2,863,541
TOTAL NET POSITION	\$ 3,085,737	\$ 10,062,905	\$ 13,148,642

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Exhibit 2

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental activities:							
General government	\$ 185,632	\$ 4,275	\$ -	\$ -	\$ (181,357)	\$ -	\$ (181,357)
Public safety	560,566	1,326	45,331	40,532	(473,377)	-	(473,377)
Transportation	129,446	-	-	38,887	(90,559)	-	(90,559)
Economic and physical development	60,638	2,240	-	-	(58,398)	-	(58,398)
Environmental protection	83,517	81,933	-	-	(1,584)	-	(1,584)
Culture and recreation	85,930	19,975	2,850	-	(63,105)	-	(63,105)
Interest on long-term debt	75	-	-	-	(75)	-	(75)
Total governmental activities	<u>1,105,804</u>	<u>109,749</u>	<u>48,181</u>	<u>79,419</u>	<u>(868,455)</u>	<u>-</u>	<u>(868,455)</u>
Business-type activities:							
Water and sewer	<u>1,463,988</u>	<u>1,085,596</u>	<u>-</u>	<u>466,921</u>	<u>-</u>	<u>88,529</u>	<u>88,529</u>
	<u>\$ 2,569,792</u>	<u>\$ 1,195,345</u>	<u>\$ 48,181</u>	<u>\$ 546,340</u>	<u>(868,455)</u>	<u>88,529</u>	<u>(779,926)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					568,771	-	568,771
Other taxes and licenses					395,877	-	395,877
Grants and contributions not restricted to specific programs					7,109	-	7,109
Investment earnings, unrestricted					80	1,909	1,989
Miscellaneous, unrestricted					636	288	924
Total general revenues not including transfers					<u>972,473</u>	<u>2,197</u>	<u>974,670</u>
Transfers					<u>2,645</u>	<u>(2,645)</u>	<u>-</u>
Total general revenues and transfers					<u>975,118</u>	<u>(448)</u>	<u>974,670</u>
Change in net position					106,663	88,081	194,744
Net position, beginning					<u>2,979,074</u>	<u>9,974,824</u>	<u>12,953,898</u>
Net position, ending					<u>\$ 3,085,737</u>	<u>\$ 10,062,905</u>	<u>\$ 13,148,642</u>

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

Exhibit 3-1

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,436,422	\$ 14,631	\$ 1,451,053
Restricted cash and cash equivalents	74,286	-	74,286
Taxes receivable (net)	59,577	-	59,577
Accounts receivable (net)	27,895	-	27,895
Due from other governments	98,753	-	98,753
Inventories	3,894	-	3,894
TOTAL ASSETS	\$ 1,700,827	\$ 14,631	\$ 1,715,458
LIABILITIES			
Accounts payable and accrued liabilities	\$ 46,759	\$ -	\$ 46,759
Due to other governments	3,455	-	3,455
TOTAL LIABILITIES	50,214	-	50,214
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	59,577	-	59,577
Prepaid taxes	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	59,577	-	59,577
FUND BALANCES			
Nonspendable:			
Inventories	3,894	-	3,894
Restricted:			
Stabilization by State statute	126,648	-	126,648
Streets - Powell Bill	74,286	-	74,286
Public safety	27,825	-	27,825
Culture and recreation	-	4,049	4,049
Other purposes	493	-	493
Committed:			
Debt service	-	10,582	10,582
Assigned:			
Fire department	117,051	-	117,051
Subsequent year's expenditures	331,061	-	331,061
Unassigned	909,778	-	909,778
TOTAL FUND BALANCES	1,591,036	14,631	1,605,667
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,700,827	\$ 14,631	\$ 1,715,458

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

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

Exhibit 3-2

Fund balances - Total governmental funds (Exhibit 3-1) **\$ 1,605,667**

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

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds. 1,580,597

Deferred outflows of resources related to pensions are not
reported in the funds. 111,063

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are inflows of resources in the funds.
Accrued interest receivable on taxes receivable 7,278

Earned revenues considered deferred inflows of resources in
fund statements. 59,577

Deferred inflows of resources related to pensions are not reported
in the funds. (50,319)

Long-term liabilities used in governmental activities are not financial
uses and, therefore, are not reported in the funds.
Compensated absences (18,967)
Net pension liability (LGERS) (167,884)
Total pension liability (LEO) (41,275)

Net position of governmental activities (Exhibit 1) **\$ 3,085,737**

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

Exhibit 4-1

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 558,390	\$ -	\$ 558,390
Other taxes and licenses	105	-	105
Unrestricted intergovernmental	399,478	-	399,478
Restricted intergovernmental	118,538	-	118,538
Permits and fees	720	-	720
Sales and services	106,108	-	106,108
Investment earnings	80	-	80
Miscellaneous	16,022	-	16,022
TOTAL REVENUES	<u>1,199,441</u>	<u>-</u>	<u>1,199,441</u>
EXPENDITURES			
Current:			
General government	175,143	-	175,143
Public safety	575,846	-	575,846
Transportation	183,102	-	183,102
Economic and physical development	60,638	-	60,638
Environmental protection	83,517	-	83,517
Culture and recreation	64,403	-	64,403
Debt service:			
Principal retirement	8,315	-	8,315
Interest and fees	75	-	75
TOTAL EXPENDITURES	<u>1,151,039</u>	<u>-</u>	<u>1,151,039</u>
REVENUES OVER EXPENDITURES	<u>48,402</u>	<u>-</u>	<u>48,402</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	29,895	29,895
Transfers to other funds	-	(27,250)	(27,250)
	<u>-</u>	<u>2,645</u>	<u>2,645</u>
NET CHANGE IN FUND BALANCES	48,402	2,645	51,047
FUND BALANCES, beginning	<u>1,542,634</u>	<u>11,986</u>	<u>1,554,620</u>
FUND BALANCES, ending	<u>\$ 1,591,036</u>	<u>\$ 14,631</u>	<u>\$ 1,605,667</u>

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

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

Exhibit 4-2

Net change in fund balances - total governmental funds (Exhibit 4-1) \$ 51,047

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

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

Capital outlay expenditures	168,593
Depreciation expense for governmental assets	(90,608)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities	30,748
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Benefit payments paid and administration costs for the LEOSA are not included on the statement of activities.	341
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in accrued interest receivable on taxes	(1,106)
Change in unavailable revenue for tax revenues	11,487

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

Principal payment on debt owed	8,315
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	1,798
Pension expense	<u>(73,952)</u>

Total change in net position of governmental activities (Exhibit 2) \$ 106,663

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

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

Exhibit 5

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 517,000	\$ 523,000	\$ 558,390	\$ 35,390
Other taxes and licenses	100	100	105	5
Unrestricted intergovernmental	328,382	328,382	399,478	71,096
Restricted intergovernmental	82,095	117,095	118,538	1,443
Permits and fees	600	600	720	120
Sales and services	99,920	99,920	106,108	6,188
Investment earnings	1,000	1,000	80	(920)
Miscellaneous	23,850	26,500	16,022	(10,478)
TOTAL REVENUES	<u>1,052,947</u>	<u>1,096,597</u>	<u>1,199,441</u>	<u>102,844</u>
EXPENDITURES				
Current:				
General government	187,260	188,660	175,143	13,517
Public safety	613,450	645,000	575,846	69,154
Transportation	140,000	206,000	183,102	22,898
Economic and physical development	64,800	75,559	60,638	14,921
Environmental protection	93,900	93,900	83,517	10,383
Culture and recreation	150,148	150,148	64,403	85,745
Debt service:				
Principal retirement	28,500	28,090	8,315	19,775
Interest and fees	300	651	75	576
TOTAL EXPENDITURES	<u>1,278,358</u>	<u>1,388,008</u>	<u>1,151,039</u>	<u>236,969</u>
REVENUES OVER (UNDER) EXPENDITURES	(225,411)	(291,411)	48,402	339,813
OTHER FINANCING SOURCES				
Sale of capital assets	<u>2,000</u>	<u>2,000</u>	-	<u>(2,000)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(223,411)	(289,411)	48,402	337,813
APPROPRIATED FUND BALANCE	<u>223,411</u>	<u>289,411</u>	-	<u>(289,411)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	48,402	<u>\$ 48,402</u>
FUND BALANCE, beginning			<u>1,542,634</u>	
FUND BALANCE, ending			<u>\$ 1,591,036</u>	

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
June 30, 2020

Exhibit 6

	<u>Water and Sewer Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,326,587
Accounts receivable (net)	99,401
Accrued interest receivable	129
Due from other governments	52,196
Inventories	26,299
Restricted assets:	
Cash and cash equivalents	160,000
Due from other governments	515,244
TOTAL CURRENT ASSETS	<u>2,179,856</u>
NONCURRENT ASSETS	
Capital assets:	
Land and other nondepreciable assets	2,785,554
Other capital assets (net)	9,051,667
TOTAL NONCURRENT ASSETS	<u>11,837,221</u>
TOTAL ASSETS	<u>14,017,077</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>59,339</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	38,416
Due to other governments	9,742
Accrued interest payable	3,005
Current portion of long-term debt	176,750
Payable from restricted assets	467,710
TOTAL CURRENT LIABILITIES	<u>695,623</u>
NONCURRENT LIABILITIES	
Compensated absences	17,774
Net pension liability	106,301
Long-term debt	3,189,268
TOTAL NONCURRENT LIABILITIES	<u>3,313,343</u>
TOTAL LIABILITIES	<u>4,008,966</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,545</u>
NET POSITION	
Net investment in capital assets	8,471,203
Unrestricted	1,591,702
TOTAL NET POSITION	<u>\$ 10,062,905</u>

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2020

Exhibit 7

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Water sales	\$ 196,323
Sewer charges	836,312
Water and sewer taps and fees	38,577
Other operating revenues	<u>14,384</u>
TOTAL OPERATING REVENUES	<u>1,085,596</u>
OPERATING EXPENSES	
Water/Wastewater administration	235,908
Water operations	394,013
Wastewater collection system	186,008
Wastewater plant	199,427
Depreciation	<u>409,869</u>
TOTAL OPERATING EXPENSES	<u>1,425,225</u>
OPERATING LOSS	<u>(339,629)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,909
Interest and fees	(38,763)
Disposal of capital assets	<u>288</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(36,566)</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(376,195)
CAPITAL CONTRIBUTIONS	466,921
TRANSFERS	<u>(2,645)</u>
CHANGE IN NET POSITION	88,081
NET POSITION, beginning	<u>9,974,824</u>
NET POSITION, ending	<u><u>\$ 10,062,905</u></u>

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2020

Exhibit 8
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,106,178
Cash paid for goods and services	(820,237)
Cash paid to or on behalf of employees for services	(223,750)
Other operating receipts	<u>14,384</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

76,575

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to debt service reserve fund	<u>(2,645)</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES**

Acquisition and construction of capital assets	(2,152,290)
Loan proceeds	2,237,018
Principal paid on debt	(28,000)
Interest paid on debt	<u>(38,844)</u>

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

17,884

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	<u>1,780</u>
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**NET INCREASE IN CASH
AND CASH EQUIVALENTS**

93,594

CASH AND CASH EQUIVALENTS, beginning

1,392,993

CASH AND CASH EQUIVALENTS, ending

\$ 1,486,587

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

Cash and cash equivalents in current assets	\$ 1,326,587
Cash and cash equivalents in restricted assets	<u>160,000</u>

\$ 1,486,587

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2020

Exhibit 8
Page 2 of 2

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

Operating loss	\$ (339,629)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	409,869
(Increase) decrease in:	
Accounts receivable (net)	45,060
Due from other governments	(57,574)
Inventories	2,916
Deferred outflows of resources - pensions	17,590
Increase (decrease) in:	
Accounts payable and accrued liabilities	(2,140)
Due to other governments	(4,629)
Compensated absences payable	(242)
Net pension liability	616
Deferred inflows of resources - pensions	<u>4,738</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 76,575</u>

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. BASIS OF PRESENTATION

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

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

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise fund:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for Town of Mount Gilead because the tax is levied by Montgomery County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program

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

D. BUDGETARY DATA

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

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

DEPOSITS AND INVESTMENTS

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

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

CASH AND CASH EQUIVALENTS

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

RESTRICTED ASSETS

Restricted cash and cash equivalents in the Water and Sewer Fund represent \$160,000 restricted for the purchase and installation of two additional sewer pumping stations for the Lake Tillery Sewer System. Powell Bill funds of \$74,286 are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

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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, 2019.

ALLOWANCES FOR DOUBTFUL ACCOUNTS

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

INVENTORIES

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

CAPITAL ASSETS

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 16, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. The minimum capitalization limit as of July 1, 2017, is \$5,000. The minimum capitalization limit prior to that was \$1,500. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and have not been capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Town are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	30 years
Other improvements	10 - 30 years
Infrastructure	25 - 30 years
Equipment	5 - 30 years
Recreation facilities	10 - 30 years
Artwork	30 years
Water distribution system	5 - 40 years
Sewer system	10 - 40 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion – pension deferrals for the current fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial

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

LONG-TERM OBLIGATIONS

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

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

COMPENSATED ABSENCES

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

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

NET POSITION/FUND BALANCES

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Restricted for public safety - portion of fund balance that is restricted by revenue source for police and fire protection. This amount represents the balance of unexpended donations for police and County funding for the fire department.

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

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

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

Committed for debt service – portion of fund balance that has been set aside for future debt service obligations.

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

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

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

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

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

DEFINED BENEFIT COST-SHARING PLANS

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT FUND BALANCE OR NET POSITION OF INDIVIDUAL FUNDS

The Wastewater Rehabilitation Project Fund had a deficit fund balance at June 30, 2020. This project is being funded by Clean Water State Revolving Funds (CWSRF). The CWSRF loan closed in May 2019. The deficit resulted from the project fund borrowing from the Town's Water and Sewer Fund to pay invoices as they came due. These invoices, however, were not yet included in pay requisitions submitted to the State.

NOTE 3 – DETAIL NOTES ON ALL FUNDS

A. ASSETS

DEPOSITS

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces

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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 \$2,832,869 and a bank balance of \$2,870,912. At June 30, 2020, the Town's bank balances exceeded federally insured limits by \$2,159,912. All deposits of the Town are insured or collateralized under the Pooling Method. At June 30, 2020, the Town's petty cash fund totaled \$550.

INVESTMENTS

At June 30, 2020, the Town's investments consisted of \$178,507 in the North Carolina Capital Management's Trust – Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no formal policy on credit risk, but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30.

RECEIVABLES – ALLOWANCES FOR DOUBTFUL ACCOUNTS

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

Funds

General – Taxes receivable	\$ 20,000
Enterprise	<u>262,000</u>
TOTAL	<u>\$ 282,000</u>

(Left blank intentionally.)

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 223,785	\$ -	\$ -	\$ 223,785
Capital assets being depreciated:				
Buildings	673,953	5,750	-	679,703
Other improvements	155,242	-	-	155,242
Infrastructure	511,226	62,060	-	573,286
Equipment	730,497	100,783	-	831,280
Recreation facilities	696,724	-	-	696,724
Artwork	10,000	-	-	10,000
	<u>2,777,642</u>	<u>168,593</u>	<u>-</u>	<u>2,946,235</u>
Less accumulated depreciation for:				
Buildings	294,403	19,305	-	313,708
Other improvements	77,434	6,002	-	83,436
Infrastructure	112,520	18,088	-	130,608
Equipment	523,540	34,910	-	558,450
Recreation facilities	489,084	12,136	-	501,220
Artwork	1,834	167	-	2,001
	<u>1,498,815</u>	<u>90,608</u>	<u>-</u>	<u>1,589,423</u>
	<u>1,278,827</u>			<u>1,356,812</u>
Governmental activities capital assets, net	<u>\$ 1,502,612</u>			<u>\$ 1,580,597</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 7,815
Public safety	37,603
Transportation	23,663
Culture and recreation	21,527
	<u>\$ 90,608</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in progress	300,379	2,481,175	-	2,781,554
	<u>304,379</u>	<u>2,481,175</u>	<u>-</u>	<u>2,785,554</u>
Capital assets being depreciated:				
Water distribution system	3,328,220	15,608	-	3,343,828
Sewer system	13,179,360	51,257	32,195	13,198,422
	<u>16,507,580</u>	<u>66,865</u>	<u>32,195</u>	<u>16,542,250</u>
Less accumulated depreciation for:				
Water distribution system	1,322,365	76,139	-	1,398,504
Sewer system	5,789,557	333,730	31,208	6,092,079
	<u>7,111,922</u>	<u>409,869</u>	<u>31,208</u>	<u>7,490,583</u>
	<u>9,395,658</u>			<u>9,051,667</u>
Business-type activities capital assets, net	<u>\$ 9,700,037</u>			<u>\$ 11,837,221</u>

Depreciation expense for the year ended June 30, 2020, was \$409,869.

Construction commitments

The Town had various active projects at June 30, 2020. The projects are to be funded largely by federal and State grants. The Town's commitments with contractors and engineers at June 30, 2020, are as follows:

Wastewater rehabilitation project	<u>\$ 585,026</u>
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TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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B. LIABILITIES

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

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Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Mount Gilead employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Mount Gilead's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.01% for general employees, actuarially determined as an amount that when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Town of Mount Gilead were \$50,765 for the year ended June 30, 2020.

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 \$274,185 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 liability 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 0.01004% (measured as of June 30, 2019), which was a decrease of 0.00007% 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 \$115,976. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,947	\$ -
Changes of assumptions	44,688	-
Net difference between projected and actual earnings on pension plan investments	6,688	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,100	11,724
Town's contributions subsequent to the measurement date	50,765	-
Total	\$ 152,188	\$ 11,724

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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\$50,765 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2021	\$ 45,942
2022	14,145
2023	24,027
2024	5,585
2025	-
Thereafter	-

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 actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 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.

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 627,110	\$ 274,185	\$ (19,168)

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Law Enforcement Officers' Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of 7 active plan members.

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

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

Actuarial Assumptions: The entry age normal actuarial cost method was used in the December 31, 2018, valuation. 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	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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

At June 30, 2020, the Town reported a total pension liability of \$41,275. The total pension liability was measured as of December 31, 2019, based on a December 31, 2018, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$594.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,617	41,418
Changes of assumptions and other inputs	4,256	1,722
Town benefit payments and plan administrative expenses incurred subsequent to the measurement date	341	-
Total	<u>\$ 18,214</u>	<u>\$ 43,140</u>

\$341 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ (6,634)
2022	(6,634)
2023	(6,634)
2024	(6,056)
2025	(2,454)
Thereafter	3,145
	<u>\$ (25,267)</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate: The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.26 percent) or one percentage point higher (4.26 percent) than the current rate:

	1% Decrease <u>(2.26%)</u>	Discount Rate <u>(3.26%)</u>	1% Increase <u>(4.26%)</u>
Total pension liability	\$ 46,985	\$ 41,275	\$ 36,257

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

Beginning balance	\$ 16,276
Service cost	6,640
Interest on the total pension liability	592
Change of benefit terms	-
Differences between expected and actuarial experience	15,782
Changes of assumptions or other inputs	1,985
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 41,275</u>

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

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 115,976	\$ 594	\$ 116,570
Pension liability	274,185	41,275	315,460
Proportionate share of the net pension liability (asset)	0.01004%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	46,947	13,617	60,564
Changes of assumptions	44,688	4,256	48,944
Net difference between projected and actual earnings on plan investments	6,688	-	6,688
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,100	-	3,100
Benefit payments and administrative costs paid subsequent to the measurement date	50,765	341	51,106
	<u>152,188</u>	<u>18,214</u>	<u>170,402</u>
Deferred inflows of resources:			
Differences between expected and actual experience	-	41,418	41,418
Changes of assumptions	-	1,722	1,722
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	11,724	-	11,724
	<u>11,724</u>	<u>43,140</u>	<u>54,864</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Supplemental Retirement Income Plan For Law Enforcement Officers and General Employees

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

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

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

The Town made contributions of \$22,191 for the reporting year. No amounts were forfeited.

OTHER EMPLOYMENT BENEFITS

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

For the fiscal year ended June 30, 2020, the Town made contributions to the State for death benefits of \$524. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.06% and 0.14% of covered payroll, respectively.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

Contributions to pension plan in current fiscal year (LGERS)	\$	50,765
Benefit payments and administrative costs paid subsequent to the measurement date (LEOSSA)		341
Differences between expected and actual experience		60,564
Changes of assumptions		48,944
Net difference between projected and actual earnings on plan investments		6,688
Changes in proportion and differences between employer contributions and proportionate share of contributions		<u>3,100</u>
	\$	<u>170,402</u>

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

	General Fund Balance Sheet	Statement of Net Position
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable, less penalties (General Fund)	59,577	-
Differences between expected and actual experience	-	41,418
Changes of assumptions	-	1,722
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributinos and proportionate share of contributions	<u>-</u>	<u>11,724</u>
	<u>\$ 59,577</u>	<u>\$ 54,864</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

COMMITMENTS

The Town entered into a maintenance contract for the water tank July 5, 2005. The Town has the right to continue the contract for an indefinite period of time provided the annual fee is paid. The first five annual fees were \$22,463 per year. The sixth annual fee was \$10,978. Each third year thereafter the annual fee is adjusted to reflect the current cost of service. The adjustments, either up or down, are limited to a maximum of 5% annually. The fee paid in 2019-2020 was \$15,014. The annual contract amount is appropriated in each annual budget.

On July 3, 2018, the Town entered into a four year meter servicing agreement. The agreement involves removal of all old meters, installation of new meter equipment and all related hardware and software, licensing, training, billing interface, ongoing maintenance of equipment, and network monitoring and troubleshooting. The agreement requires three annual payments of \$98,500. In 2019-2020 the Town paid the scheduled second year payment of \$98,500 and a discounted third year payment of \$93,575 satisfying the agreement early.

The Town also entered into agreements in 2019-2020 for professional services for street mapping and pavement management and also for updating the Town's comprehensive plan. The remaining balance on these commitments totaled \$18,300 at June 30, 2020.

RISK MANAGEMENT

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

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

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

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

CLAIMS AND JUDGMENTS

The Town is and may be subject to various lawsuits and claims. In the opinion of the Town's management and the Town's attorneys, the ultimate impact of any of these legal matters will not materially affect the Town's financial position.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

LONG-TERM OBLIGATIONS

1. Installment Purchase

Installment purchase payable consisted of the following direct borrowing at June 30, 2020:

The Town entered into a direct borrowing installment purchase contract with the State of North Carolina Dept. of Environmental Quality, Division of Water Infrastructure to finance a sanitary sewer project. The financing contract requires 20 annual installments of \$147,750 beginning May 1, 2021. The interest rate is 0%. The unpaid principal will be immediately reduced by \$500,000 as principal forgiveness. The note is unsecured and is payable solely from the revenues of the sewer system. In the event of default, the State of North Carolina may withhold any monies due and apply them to the principal of this note.

\$ 2,237,018

The future minimum payments of the installment purchase as of June 30, 2020, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 147,750	\$ -
2022	147,750	-
2023	147,750	-
2024	147,750	-
2025	147,750	-
2026-2030	738,750	-
2031-2035	738,750	-
2036-2040	20,768	-
	<u>\$ 2,237,018</u>	<u>\$ -</u>

2. General Obligation Bonds

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

General obligation bonds payable at June 30, 2020, are comprised of the following direct placement issue:

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

\$ 512,000

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Year Ending <u>June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 18,000	\$ 22,400
2022	19,000	21,613
2023	20,000	20,781
2024	21,000	19,906
2025	22,000	18,988
2026-2030	123,500	79,822
2031-2035	152,500	50,334
2036-2039	136,000	14,875
	<u>\$ 512,000</u>	<u>\$ 248,719</u>

At June 30, 2020, Town of Mount Gilead had a legal debt margin of \$5,631,857.

3. Revenue Bonds

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

Revenue bonds payable at June 30, 2020, are comprised of the following direct placement issues:

\$618,000 Water and Sewer revenue bond, Series 2015A, issued for water system improvements. Principal and interest installments are due annually on June 1 at an annual interest rate of 2.5%.	\$ 570,000
\$52,000 Water and Sewer revenue bond, Series 2015B, issued for water system improvements. Principal and interest installments are due annually on June 1 at an annual interest rate of 2.5%.	<u>47,000</u>
	<u>\$ 617,000</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

The future payments of the revenue bonds are as follows:

Year Ending <u>June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 11,000	\$ 15,425
2022	12,000	15,150
2023	12,000	14,850
2024	12,000	14,550
2025	12,000	14,250
2026-2030	67,000	66,475
2031-2035	75,000	57,725
2036-2040	84,000	47,925
2041-2045	94,000	36,925
2046-2050	111,000	24,325
2051-2055	<u>127,000</u>	<u>9,725</u>
	<u>\$ 617,000</u>	<u>\$ 317,325</u>

The Town is in compliance with all revenue bond covenants as of June 30, 2020. Section 3.04 of the Bond Order requires the debt service coverage ratio with respect to the revenue bonds to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2020, is as follows:

Operating revenues	\$ 1,085,596
Operating expenses (excluding depreciation)	<u>1,015,356</u>
Operating income	70,240
Nonoperating revenues (expenses)*	<u>(20,888)</u>
Income available for debt service	<u>\$ 49,352</u>
Debt service, principal and interest paid (revenue bonds only)	<u>\$ 26,700</u>
Debt service coverage ratio	<u>185%</u>

* Does not include revenue bond interest of \$15,678.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

4. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2020:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
Direct borrowing installment purchases	\$ 8,315	\$ -	\$ 8,315	\$ -	\$ -
Compensated absences	20,765	-	1,798	18,967	-
Net pension liability (LGERS)	134,159	33,725	-	167,884	-
Total pension liability (LEO)	16,276	24,999	-	41,275	-
Total governmental activities	<u>\$ 179,515</u>	<u>\$ 58,724</u>	<u>\$ 10,113</u>	<u>\$ 228,126</u>	<u>\$ -</u>
Business-type activities:					
Direct placement general obligation bonds	\$ 529,000	\$ -	\$ 17,000	\$ 512,000	\$ 18,000
Direct placement revenue bonds	628,000	-	11,000	617,000	11,000
Direct borrowing installment purchase	-	2,237,018	-	2,237,018	147,750
Compensated absences	18,016	-	242	17,774	-
Net pension liability (LGERS)	105,685	616	-	106,301	-
Total business-type activities	<u>\$ 1,280,701</u>	<u>\$ 2,237,634</u>	<u>\$ 28,242</u>	<u>\$ 3,490,093</u>	<u>\$ 176,750</u>

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

5. Operating Leases

The Town leases office equipment under various noncancellable operating leases. The annual minimum lease payments as of June 30, 2020, are as follows:

Year Ending June 30,	
2021	<u>\$ 4,802</u>

Rent expense for the year ended June 30, 2020, was \$6,110.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

C. OPERATING LEASE REVENUE

The Town leases property to various parties under noncancellable operating leases with initial terms of one year or more. Each lease also contains renewal options. Lease revenue under these leases for the year ended June 30, 2020, was \$9,590. The total future minimum rental payments receivable under these leases (excluding any unexercised renewal options) are as follows at June 30, 2020:

Year Ending June 30, _____	
2021	\$ 11,100
2022	11,100
2023	5,500
2024	1,800
2025	1,800
Thereafter	<u>6,450</u>
	<u>\$ 37,750</u>

D. INTERFUND BALANCES AND ACTIVITY

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

Due to Water and Sewer Fund:	
From Wastewater Rehabilitation Project Fund	<u>\$ 56,049</u>

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

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

	<u>From</u>	<u>To</u>
Debt Service Fund:		
From Water and Sewer Fund	\$ 27,250	\$ -
To Water and Sewer Fund	-	27,250
Debt Service Reserve Fund:		
From Water and Sewer Fund	2,645	-
Water and Sewer Fund:		
From Debt Service Fund	27,250	-
From Main Street Water Main Replacement Project Fund	26,823	-
To Debt Service Fund		27,250
To Debt Service Reserve Fund	-	2,645
To Wastewater Rehabilitation Project Fund	-	12,100
Main Street Water Main Replacement Project Fund:		
To Water and Sewer Fund	-	26,823
Wastewater Rehabilitation Project Fund:		
From Water and Sewer Fund	<u>12,100</u>	<u>-</u>
	<u>\$ 96,068</u>	<u>\$ 96,068</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

NOTE 4 – JOINT VENTURES

Montgomery Municipal ABC Board

The Town participates in a joint venture with Montgomery County and four other towns in the County in the operation of the Montgomery Municipal ABC Board. The ABC Board is composed of one board member appointed by each of the five towns in the County. The County does not appoint a board member. The towns and the County receive profit distributions from the ABC Board as required by State statute. The basic criteria of oversight responsibility was used to determine that the towns do not exercise sufficient control to warrant inclusion of the ABC Board as part of any of the towns' reporting entities. The amount of distributions received by the Town for the year ended June 30, 2020, was \$7,399. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the Town's financial statements at June 30, 2020. Complete financial statements for the ABC Board may be obtained from the ABC Board at PO Box 279, Biscoe, North Carolina 27209.

North Carolina Rural Water Association

The Town also participates in a joint venture, North Carolina Rural Water Association (NCRWA), with other municipal and county water systems and related businesses in North Carolina to help attain the highest standards in drinking water and wastewater service. NCRWA is governed by a volunteer board of directors from the association's membership. None of the participating governments or businesses have any equity interest in NCRWA, so no equity interest has been reflected in the financial statements at June 30, 2020. In accordance with the agreement between the Town and NCRWA, the Town paid \$360 to NCRWA during the year ended June 30, 2020, for membership dues based upon the Town's water connections. Complete financial statements for NCRWA can be obtained from NCRWA's office at PO Box 540, Welcome, NC 27374.

NOTE 5 – UNDIVIDED INTEREST IN JOINT OPERATION

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

NOTE 6 – RELATED ORGANIZATION

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

FEDERAL AND STATE ASSISTED PROGRAMS

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

NOTE 8 – SUBSEQUENT EVENT

In March 2020, the World Health Organization (WHO) classified the COVID-19 outbreak as a pandemic. State response to the pandemic resulted in executive orders that had an indirect adverse effect on the collection of delinquent property taxes. The pandemic response is expected to affect the timing of collection of property taxes, motor vehicle taxes, and intergovernmental revenues. In August 2020, Montgomery County notified the Town of CARES Act funding available to the Town. The Town has been awarded \$46,244 in CARES Act monies. As of the date of this report, the full impact of the COVID-19 pandemic continues to evolve. Management is monitoring the situation. An estimate of the future financial impact, if any, is not practicable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.01004%	0.01011%	0.00940%	0.00771%	0.00907%	0.01127%	0.01150%
Town's proportionate share of the net pension liability (asset) (\$)	\$ 274,185	\$ 239,844	\$ 143,606	\$ 163,632	\$ 40,706	\$ (66,464)	\$ 138,619
Town's covered payroll	\$ 549,939	\$ 519,906	\$ 487,834	\$ 431,358	\$ 473,167	\$ 546,813	\$ 544,619
Town's proportion of the net pension liability (asset) as a percentage of its covered payroll	49.86%	46.13%	29.44%	37.93%	8.60%	(12.15%)	25.45%
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%

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 50,765	\$ 44,777	\$ 40,974	\$ 37,394	\$ 29,995	\$ 34,109	\$ 39,216
Contributions in relation to the contractually required contribution	<u>50,765</u>	<u>44,777</u>	<u>40,974</u>	<u>37,394</u>	<u>29,995</u>	<u>34,109</u>	<u>39,216</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 544,472	\$ 549,939	\$ 519,906	\$ 487,834	\$ 431,358	\$ 473,167	\$ 546,813
Contributions as a percentage of covered payroll	9.32%	8.14%	7.88%	7.67%	6.95%	7.21%	7.17%

TOWN OF MOUNT GILEAD, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 16,276	\$ 50,220	\$ 60,940	\$ 53,001
Service cost	6,640	5,552	5,577	8,433
Interest on the total pension liability	592	1,587	2,352	1,892
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	15,782	(40,099)	(23,142)	-
Changes of assumptions and other inputs	1,985	(984)	4,493	(2,386)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 41,275</u>	<u>\$ 16,276</u>	<u>\$ 50,220</u>	<u>\$ 60,940</u>

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF
COVERED PAYROLL
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 41,275	\$ 16,276	\$ 50,220	\$ 60,940	\$ 53,001
Covered payroll	\$ 268,287	\$ 225,036	\$ 254,101	\$ 365,080	\$ 365,080
Total pension liability as a percentage of covered payroll	15.38%	7.23%	19.76%	16.69%	14.52%

Notes to the schedules:

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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit A-1
Page 1 of 4

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes			
Taxes	\$ 521,000	\$ 554,037	\$ 33,037
Interest	2,000	4,353	2,353
Total	523,000	558,390	35,390
Other taxes and licenses			
Privilege licenses	100	105	5
Unrestricted intergovernmental			
Local option sales taxes	183,000	234,760	51,760
Telecommunications sales tax	17,000	12,601	(4,399)
Utilities sales tax	53,102	58,217	5,115
Piped natural gas sales tax	1,000	1,708	708
Video franchise fee	6,630	6,121	(509)
Sales and use tax hold harmless	60,000	73,819	13,819
Beer and wine tax	4,750	4,877	127
Payments in lieu of taxes	800	2,916	2,116
ABC profit distribution	2,100	4,459	2,359
Total	328,382	399,478	71,096
Restricted intergovernmental			
Powell Bill allocation	38,000	38,887	887
Controlled substance tax	-	321	321
Police department grants	41,495	40,532	(963)
Fire department grant	35,000	35,000	-
ABC revenue for law enforcement	2,000	2,940	940
Solid waste disposal tax	600	858	258
Total	117,095	118,538	1,443
Permits and fees			
Zoning permits and fees	600	720	120
Sales and services			
Refuse collection	74,520	81,047	6,527
Rents received	18,700	21,121	2,421
Pool revenues	5,000	2,954	(2,046)
Other	1,700	986	(714)
Total	99,920	106,108	6,188

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit A-1
Page 2 of 4

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Investment earnings	<u>1,000</u>	<u>80</u>	<u>(920)</u>
Miscellaneous	<u>26,500</u>	<u>16,022</u>	<u>(10,478)</u>
TOTAL REVENUES	<u>1,096,597</u>	<u>1,199,441</u>	<u>102,844</u>
EXPENDITURES			
General government			
Governing body:			
Salaries and employee benefits	-	10,016	-
Professional services	-	10,322	-
Other operating expenditures	-	10,133	-
Total	<u>33,660</u>	<u>30,471</u>	<u>3,189</u>
General administration:			
Salaries and employee benefits	-	73,272	-
Professional services	-	6,799	-
Other operating expenditures	-	64,601	-
Total	<u>155,000</u>	<u>144,672</u>	<u>10,328</u>
Total general government	<u>188,660</u>	<u>175,143</u>	<u>13,517</u>
Public safety			
Police:			
Salaries and employee benefits	-	382,412	-
Other operating expenditures	-	63,118	-
Capital outlay	-	59,822	-
Total	<u>546,200</u>	<u>505,352</u>	<u>40,848</u>
Fire:			
Other operating expenditures	-	40,744	-
Capital outlay	-	29,750	-
Total	<u>98,800</u>	<u>70,494</u>	<u>28,306</u>
Total public safety	<u>645,000</u>	<u>575,846</u>	<u>69,154</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit A-1
Page 3 of 4

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation			
Salaries and employee benefits	-	39,839	-
Other operating expenditures	-	64,242	-
Capital outlay	-	79,021	-
Total transportation	<u>206,000</u>	<u>183,102</u>	<u>22,898</u>
Economic and physical development			
Planning:			
Operating expenditures	49,350	35,787	13,563
Community development:			
Operating expenditures	7,400	6,875	525
Artisan Center:			
Operating expenditures	<u>18,809</u>	<u>17,976</u>	<u>833</u>
Total economic and physical development	<u>75,559</u>	<u>60,638</u>	<u>14,921</u>
Environmental protection			
Sanitation:			
Contracted services	89,400	82,694	6,706
Cemetery:			
Operating expenditures	<u>4,500</u>	<u>823</u>	<u>3,677</u>
Total environmental protection	<u>93,900</u>	<u>83,517</u>	<u>10,383</u>
Culture and recreation			
Parks and recreation:			
Salaries and employee benefits	-	22,655	-
Other operating expenditures	-	33,146	-
Total	<u>139,748</u>	<u>55,801</u>	<u>83,947</u>
Library:			
Donation to library	-	4,400	-
Other operating expenditures	-	4,202	-
Total	<u>10,400</u>	<u>8,602</u>	<u>1,798</u>
Total culture and recreation	<u>150,148</u>	<u>64,403</u>	<u>85,745</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit A-1
Page 4 of 4

	Final Budget	Actual	Variance Positive (Negative)
Debt service			
Principal retirement	-	8,315	-
Interest and fees	-	75	-
Total debt service	<u>28,741</u>	<u>8,390</u>	<u>20,351</u>
TOTAL EXPENDITURES	<u>1,388,008</u>	<u>1,151,039</u>	<u>236,969</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(291,411)</u>	<u>48,402</u>	<u>339,813</u>
OTHER FINANCING SOURCES			
Sale of capital assets	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(289,411)</u>	<u>48,402</u>	<u>337,813</u>
APPROPRIATED FUND BALANCE	<u>289,411</u>	<u>-</u>	<u>(289,411)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>48,402</u>	<u>\$ 48,402</u>
FUND BALANCE, beginning		<u>1,542,634</u>	
FUND BALANCE, ending		<u>\$ 1,591,036</u>	

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit B-1

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2020

	Grants Fund	Debt Service Fund	Debt Service Reserve Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 4,049	\$ -	\$ 10,582	\$ 14,631
TOTAL ASSETS	<u>\$ 4,049</u>	<u>\$ -</u>	<u>\$ 10,582</u>	<u>\$ 14,631</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
FUND BALANCE				
Restricted:				
Culture and recreation	4,049	-	-	4,049
Committed:				
Debt service	-	-	10,582	10,582
TOTAL FUND BALANCE	<u>4,049</u>	<u>-</u>	<u>10,582</u>	<u>14,631</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,049</u>	<u>\$ -</u>	<u>\$ 10,582</u>	<u>\$ 14,631</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	Grants Fund	Debt Service Fund	Debt Service Reserve Fund	Totals
REVENUES				
Restricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Current:				
Economic and physical development	-	-	-	-
Culture and recreation	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
REVENUES OVER EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	27,250	2,645	29,895
Transfers to other funds	-	(27,250)	-	(27,250)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,645	2,645
NET CHANGE IN FUND BALANCE	-	-	2,645	2,645
FUND BALANCE				
Beginning of year, July 1	4,049	-	7,937	11,986
End of year, June 30	\$ 4,049	\$ -	\$ 10,582	\$ 14,631

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit B-3

GRANTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2020

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit B-4

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2020

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit B-5

DEBT SERVICE RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	\$ 2,750	\$ 2,645	\$ (105)
Transfers to other funds	<u>(2,750)</u>	<u>-</u>	<u>2,750</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	2,645	<u>\$ 2,645</u>
FUND BALANCE			
Beginning of year, July 1		<u>7,937</u>	
End of year, June 30		<u>\$ 10,582</u>	

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2020

Exhibit C-1
Page 1 of 2

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Operating revenues:			
Water sales	\$ 205,000	\$ 196,323	\$ (8,677)
Sewer charges	871,061	836,312	(34,749)
Water and sewer taps and fees	6,000	38,577	32,577
Other operating revenues	<u>14,500</u>	<u>14,384</u>	<u>(116)</u>
Total operating revenues	1,096,561	1,085,596	(10,965)
Nonoperating revenues:			
Investment earnings	<u>-</u>	<u>1,909</u>	<u>1,909</u>
TOTAL REVENUES	<u>1,096,561</u>	<u>1,087,505</u>	<u>(9,056)</u>
EXPENDITURES			
Water/Wastewater Administration:			
Salaries and employee benefits	-	140,766	-
Repairs and maintenance	-	2,050	-
Other operating expenditures	<u>-</u>	<u>97,368</u>	<u>-</u>
Total	<u>246,467</u>	<u>240,184</u>	<u>6,283</u>
Water Operations:			
Salaries and employee benefits	-	56,315	-
Water purchases	-	98,205	-
Repairs and maintenance	-	2,845	-
Other operating expenditures	<u>-</u>	<u>225,783</u>	<u>-</u>
Total	<u>424,775</u>	<u>383,148</u>	<u>41,627</u>
Wastewater Collection System:			
Salaries and employee benefits	-	56,343	-
Repairs and maintenance	-	31,429	-
Other operating expenditures	<u>-</u>	<u>84,968</u>	<u>-</u>
Total	<u>213,450</u>	<u>172,740</u>	<u>40,710</u>
Wastewater Plant:			
Salaries and employee benefits	-	64,607	-
Repairs and maintenance	-	18,418	-
Other operating expenditures	<u>-</u>	<u>113,557</u>	<u>-</u>
Total	<u>218,700</u>	<u>196,582</u>	<u>22,118</u>
Debt service:			
Interest and fees	-	38,844	-
Principal retirement	<u>-</u>	<u>28,000</u>	<u>-</u>
Total	<u>67,819</u>	<u>66,844</u>	<u>975</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2020

Exhibit C-1
Page 2 of 2

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES - CONTINUED			
Capital outlay	77,100	66,865	10,235
TOTAL EXPENDITURES	1,248,311	1,126,363	121,948
REVENUES UNDER EXPENDITURES	(151,750)	(38,858)	112,892
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	27,250	54,073	26,823
Transfers to other funds	(42,075)	(41,995)	80
Disposal of capital assets	-	288	288
	<u>(14,825)</u>	<u>12,366</u>	<u>27,191</u>
REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES	(166,575)	(26,492)	140,083
APPROPRIATED FUND BALANCE	166,575	-	(166,575)
NET CHANGE IN FUND BALANCE	\$ -	\$ (26,492)	\$ (26,492)
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
NET CHANGE IN FUND BALANCE		\$ (26,492)	
RECONCILING ITEMS:			
Principal retirement		28,000	
Change in accrued interest payable		81	
Capital outlay		66,865	
Depreciation		(409,869)	
Decrease in accrued vacation pay		242	
Decrease in deferred outflows of resources - pensions		(17,590)	
Increase in net pension liability		(616)	
Increase in deferred inflows of resources - pensions		(4,738)	
Capital contributions		466,921	
Transactions from Main Street Water Main Replacement Project Fund:			
Transfers		(26,823)	
Transactions from Wastewater Rehabilitation Project Fund:			
Transfers		<u>12,100</u>	
CHANGE IN NET POSITION (EXHIBIT 7)		\$ 88,081	

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit C-2

MAIN STREET WATER MAIN REPLACEMENT PROJECT FUND

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

From Inception and for the Year Ended June 30, 2020

		Actual			Variance
	Project Authorization <i>(As amended)</i>	Prior Years	Current Year	Total to Date	Positive Negative
REVENUES					
Restricted intergovernmental revenues:					
USDA funding	\$ 395,000	\$ 377,403	\$ -	\$ 377,403	\$ (17,597)
Investment earnings	-	102	-	102	102
TOTAL REVENUES	<u>395,000</u>	<u>377,505</u>	<u>-</u>	<u>377,505</u>	<u>(17,495)</u>
EXPENDITURES					
Construction/Contingencies	934,746	933,569	-	933,569	1,177
Engineering	143,874	125,584	-	125,584	18,290
Land/Rights-of-Way	-	-	-	-	-
Legal fees	24,500	24,500	-	24,500	-
Permit fees	-	-	-	-	-
Capitalized interest	35,500	10,649	-	10,649	24,851
TOTAL EXPENDITURES	<u>1,138,620</u>	<u>1,094,302</u>	<u>-</u>	<u>1,094,302</u>	<u>44,318</u>
REVENUES UNDER EXPENDITURES	<u>(743,620)</u>	<u>(716,797)</u>	<u>-</u>	<u>(716,797)</u>	<u>26,823</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	670,000	670,000	-	670,000	-
Transfers from (to) other funds	73,620	73,620	(26,823)	46,797	(26,823)
TOTAL OTHER SOURCES (USES)	<u>743,620</u>	<u>743,620</u>	<u>(26,823)</u>	<u>716,797</u>	<u>(26,823)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 26,823</u>	<u>\$ (26,823)</u>	<u>\$ -</u>	<u>\$ -</u>

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

Exhibit C-3

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2020**

		<u>Actual</u>			Variance
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive (Negative)</u>
	<i>(As amended)</i>				
EXPENDITURES					
Construction	\$ 3,030,000	\$ -	\$ 2,463,674	\$ 2,463,674	\$ 566,326
Engineering	340,000	190,860	-	190,860	149,140
Administration costs	154,100	109,519	17,500	127,019	27,081
TOTAL EXPENDITURES	<u>3,524,100</u>	<u>300,379</u>	<u>2,481,174</u>	<u>2,781,553</u>	<u>742,547</u>
REVENUES UNDER EXPENDITURES	<u>(3,524,100)</u>	<u>(300,379)</u>	<u>(2,481,174)</u>	<u>(2,781,553)</u>	<u>742,547</u>
OTHER FINANCING SOURCES					
Loan proceeds	3,455,000	-	2,703,938	2,703,938	(751,062)
Transfers from other funds	69,100	57,000	12,100	69,100	-
TOTAL OTHER SOURCES	<u>3,524,100</u>	<u>57,000</u>	<u>2,716,038</u>	<u>2,773,038</u>	<u>(751,062)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (243,379)</u>	<u>\$ 234,864</u>	<u>\$ (8,515)</u>	<u>\$ (8,515)</u>

OTHER SCHEDULES

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2020

Exhibit D-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	\$ -	\$ 562,000	\$ 530,718	\$ 31,282
2018-2019	27,088	-	13,975	13,113
2017-2018	13,744	-	7,655	6,089
2016-2017	6,628	-	1,181	5,447
2015-2016	5,049	-	453	4,596
2014-2015	4,352	-	93	4,259
2013-2014	5,299	-	135	5,164
2012-2013	4,256	-	-	4,256
2011-2012	3,043	-	-	3,043
2010-2011	2,328	-	-	2,328
2009-2010	1,303	-	1,303	-
	<u>\$ 73,090</u>	<u>\$ 562,000</u>	<u>\$ 555,513</u>	79,577
Less: allowance for uncollectible accounts				<u>(20,000)</u>
				<u>\$ 59,577</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 558,390
Reconciling items:				
Taxes written off and/or adjusted, net				1,476
Collection of taxes previously written-off				-
Interest collected				<u>(4,353)</u>
Total collections and credits				<u>\$ 555,513</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
For the Year Ended June 30, 2020

Exhibit D-2

				<u>Total Levy</u>	
	<u>Town-wide</u>			Property Excluding	
	Property Valuation	Rate	Amount of Levy	Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 98,383,017	0.57	\$ 560,784	\$ 510,588	\$ 50,196
Penalties and adjustments	-		1,375	1,375	-
Total	<u>98,383,017</u>		<u>562,159</u>	<u>511,963</u>	<u>50,196</u>
Discoveries:					
Current and prior years	-	0.57	-	-	-
Penalties and adjustments	-		-	-	-
	-		-	-	-
Releases	<u>(22,075)</u>		<u>(159)</u>	<u>(159)</u>	-
Total property valuation	<u>\$ 98,360,942</u>				
Net levy			562,000	511,804	50,196
Unpaid (by taxpayer) taxes at June 30, 2020			<u>(31,282)</u>	<u>(31,282)</u>	-
Current year's taxes collected			<u>\$ 530,718</u>	<u>\$ 480,522</u>	<u>\$ 50,196</u>
Current levy collection percentage			<u>94.43%</u>	<u>93.89%</u>	<u>100.00%</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - WATER AND SEWER FUND BY FUNCTION
For the Year Ended June 30, 2020

Exhibit D-3

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Water sales	\$ 196,323	\$ -	\$ 196,323
Sewer charges	-	836,312	836,312
Water and sewer taps and fees	2,031	36,546	38,577
Other operating revenues	<u>5,238</u>	<u>9,146</u>	<u>14,384</u>
TOTAL OPERATING REVENUES	<u>203,592</u>	<u>882,004</u>	<u>1,085,596</u>
OPERATING EXPENSES			
Water/Wastewater Administration	85,905	150,003	235,908
Water Operations	394,013	-	394,013
Wastewater Collection System	-	186,008	186,008
Wastewater Plant	-	199,427	199,427
Depreciation	<u>76,139</u>	<u>333,730</u>	<u>409,869</u>
TOTAL OPERATING EXPENSES	<u>556,057</u>	<u>869,168</u>	<u>1,425,225</u>
OPERATING INCOME (LOSS)	<u>(352,465)</u>	<u>12,836</u>	<u>(339,629)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	695	1,214	1,909
Interest and fees	(15,678)	(23,085)	(38,763)
Disposal of capital assets	<u>-</u>	<u>288</u>	<u>288</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(14,983)</u>	<u>(21,583)</u>	<u>(36,566)</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(367,448)</u>	<u>(8,747)</u>	<u>(376,195)</u>
CAPITAL CONTRIBUTIONS	-	466,921	466,921
TRANSFERS	<u>(2,645)</u>	<u>-</u>	<u>(2,645)</u>
CHANGE IN NET POSITION	<u>\$ (370,093)</u>	<u>\$ 458,174</u>	<u>\$ 88,081</u>

COMPLIANCE SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Mount Gilead, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Mount Gilead's basic financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Mount Gilead's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Mount Gilead's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. As described in the accompanying schedule of findings and questioned costs, however, we identified a certain deficiency as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Town of Mount Gilead's Response to Findings

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

Purpose of this Report

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



Wadesboro, North Carolina
December 21, 2020

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

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

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

Report on Compliance for Each Major Federal Program

We have audited Town of Mount Gilead, North Carolina's compliance with the types of compliance requirements described in OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. Town of Mount Gilead's major federal program(s) are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Mount Gilead's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Mount Gilead's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Mount Gilead's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Mount Gilead complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

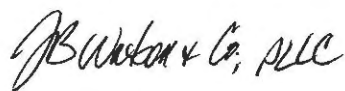
Management of Town of Mount Gilead is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Mount Gilead's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.



December 21, 2020

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Page 1 of 2

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(s) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified?	None reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal program(s):	

<u>CFDA No.</u>	<u>Names of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	No

State Awards

Town of Mount Gilead does not have any major State programs.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Page 2 of 2

Section II - Financial Statement Findings

MATERIAL WEAKNESS

Finding 2020-001:

Criteria:	Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.
Condition:	There is a lack of segregation of duties among Town personnel.
Effect:	There are inherent limitations of the effectiveness of certain controls, i.e., transactions could be mishandled.
Cause:	There are a limited number of personnel for certain functions.
Recommendation:	The duties should be separated as much as possible, and alternative controls should be used to compensate for the lack of separation. The governing board should provide some of these controls where feasible.
Views of Responsible Officials and Planned Corrective Actions:	Management agrees with the finding. Internal controls and review procedures will be changed as considered necessary and feasible.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

TOWN OF MOUNT GILEAD

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Mayor
Joseph Miller

Mayor Pro Tem
Tim McAuley

Commissioners
Paula Covington
Vera Richardson
Mary Lucas

Town Manager
Hiram Marziano II

Town Clerk
Amy Roberts

TOWN OF MOUNT GILEAD, NORTH CAROLINA CORRECTIVE ACTION PLAN For the Year Ended June 30, 2020

Section II - Financial Statement Findings

Finding 2020-001:

Name of Contact Person: Hiram Marziano, II - Town Manager

Corrective Action: Duties will be separated as much as possible, and alternative controls will be used to compensate for the lack of segregation. The governing board will become more involved in providing the additional controls. The Town will continue to use the services of an outside consultant to assist in providing some added controls and review procedures.

Proposed Completion Date: Immediately.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

**TOWN OF MOUNT GILEAD, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2020**

None reported.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Grant Funds Expended		
			Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
US Dept. of Justice:					
Bureau of Justice Assistance					
Passed-through NC Dept. of Public Safety:					
Governor's Crime Commission:					
Byrne Justice Assistance Grant	16.738	2018-DJ-BX-0041	\$ 23,037	\$ -	\$ -
US Dept. of Transportation:					
Passed-through NC Dept. of Transportation:					
Governor's Highway Safety Program	20.600	PT-19-06-32	17,495	-	17,495
US Environmental Protection Agency:					
Passed-through NC Dept. of Environmental Quality:					
Division of Water Infrastructure:					
Capitalization Grants for Clean Water					
State Revolving Funds	66.458	CS370754-01	2,472,660	-	8,515
Total federal assistance			2,513,192	-	26,010
State Grants:					
NC Dept. of Transportation:					
Powell Bill			-	84,722	-
Total State assistance			-	84,722	-
Total assistance			\$ 2,513,192	\$ 84,722	\$ 26,010

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Mount Gilead under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of Town of Mount Gilead, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of Town of Mount Gilead.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Subsequent Event - Coronavirus Relief Funds

Town of Mount Gilead was awarded \$46,244 of funding from the Coronavirus Relief Fund (21.019) from Montgomery County in August, 2020. Town of Mount Gilead has a plan to spend these funds approved by OSBM as a subrecipient of Montgomery County. CRF must be spent during the period March 1, 2020, to December 30, 2020. The Town's expenditures will be reported on the FY 2021 SEFSA.