

**TOWN OF WILSON'S MILLS
NORTH CAROLINA**

Financial Statements and
Supplemental Information

For the Fiscal Year Ended June 30, 2020

Board of Commissioners

Jim Uzzle, Jr., Mayor
JC Triplett, Mayor Pro-Tem
Carolyn W. Dobbin
Randy Jernigan
David McGowan
Phillip R. Wright

Administrative Officers

Leighanna Worley, Town Administrator
Sherry Hudson, Finance Officer

TOWN OF WILSON'S MILLS, NORTH CAROLINA
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June 30, 2020

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FINANCIAL SECTION



SHARPE
PATEL CPA

Independent Auditors' Report

To the Honorable Mayor
and Members of the Town Council
Town of Wilson's Mills
Wilson's Mills, 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 the Town of Wilson's Mills, 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 controls 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 from 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 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 the Town of Wilson's Mills, 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 the Management's discussion and Analysis on pages 4 through 11, Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 48 through 49, and the Law Enforcement's Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 50 through 51 be presented to supplement the basic financial statements. Such information, although not a required 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 the Town of Wilson's Mills, North Carolina. The combining and individual nonmajor fund statements, budgetary schedules, and other schedules, as well as the accompanying 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, Costs Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act are presented for additional analysis and are a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and 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, the procedures performed as described above, the combining and individual fund statements, the budgetary schedules, other schedules, and the 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 reports dated January 22, 2021 on our consideration of the Town of Wilson's Mills'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 those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wilson's Mills's internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina
January 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Town of Wilson's Mills
Management's Discussion and Analysis
June 30, 2020**

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

Financial Highlights

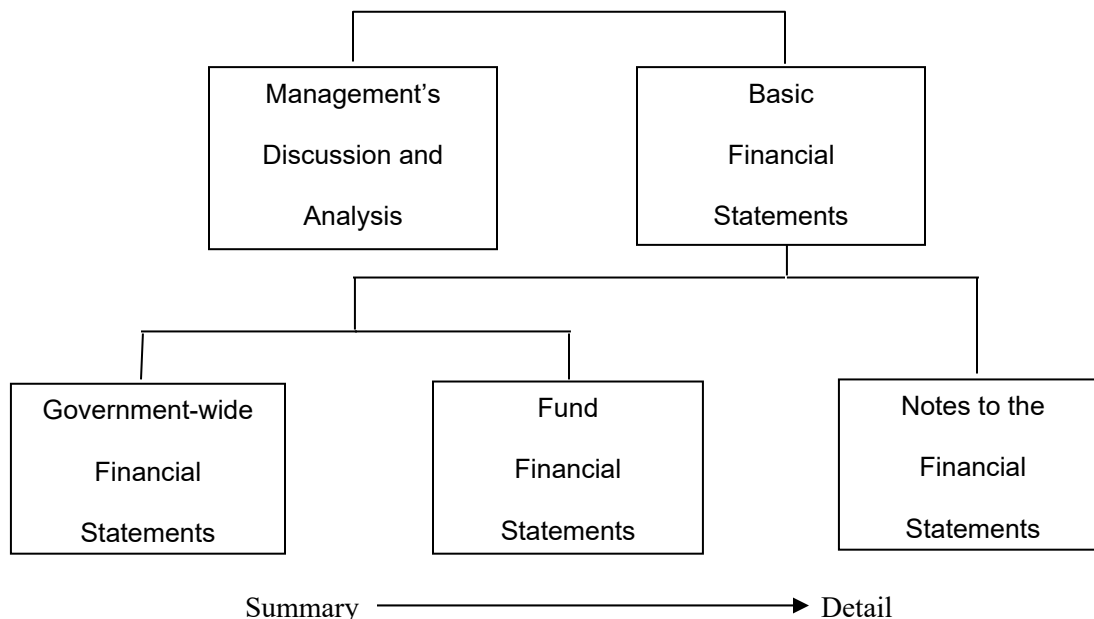
- The assets and deferred outflows of resources of the Town of Wilson's Mills exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,965,281 (*net position*).
- The government's total net position increased by \$988,332, primarily due to increases in the business-type activities.
- As of the close of the current fiscal year, the Town of Wilson's Mills's governmental funds reported combined ending fund balances of \$1,430,217 with a net increase of \$190,104 in fund balance. Approximately 16.50% of this total amount, or \$235,968, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,194,249, or 90.84% of total general fund expenditures and transfers out for the fiscal year.
- The Town of Wilson's Mills maintained its AAA bond rating.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Town of Wilson's Mills
Management's Discussion and Analysis
June 30, 2020

Basic Financial Statements

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

The next statements (Exhibits 3 through 9) 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 to the Basic Financial Statements**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Analysis

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

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

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

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

Fund Financial Statements

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

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

Town of Wilson's Mills
Management's Discussion and Analysis
June 30, 2020

The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Wilson's Mills adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – Town of Wilson's Mills has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Wilson's Mills uses enterprise funds to account for its water and sewer. 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 begin on page 24 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Wilson's Mills's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 48 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.

**Town of Wilson's Mills
Management's Discussion and Analysis
June 30, 2020**

Government-Wide Financial Analysis

Town of Wilson's Mills's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Current and other assets	\$ 1,440,486	\$ 1,250,385	\$ 40,995	\$ 396,138	\$ 1,481,481	\$ 1,646,523
Capital assets	1,032,765	981,538	6,798,637	6,053,800	7,831,402	7,035,338
Deferred outflows of resources	201,938	159,536	-	-	201,938	159,536
Total assets and deferred outflows of resources	\$ 2,675,189	\$ 2,391,459	\$ 6,839,632	\$ 6,449,938	\$ 9,514,821	\$ 8,841,397
Long-term liabilities	\$ 424,612	\$ 348,694	\$ 3,003,000	\$ 3,084,703	\$ 3,427,612	\$ 3,433,397
Other liabilities	31,602	37,324	520	54,299	32,122	91,623
Deferred inflows of resources	89,806	7,221	-	-	89,806	7,221
Total liabilities and deferred inflows of resources	\$ 546,020	\$ 393,239	\$ 3,003,520	\$ 3,139,002	\$ 3,549,540	\$ 3,532,241
Net position:						
Invested in capital assets, net of related debt	\$ 827,779	\$ 847,078	\$ 3,795,637	\$ 2,969,098	\$ 4,623,416	\$ 3,816,176
Restricted	235,968	429,790	-	-	235,968	429,790
Unrestricted	1,065,422	721,351	40,475	9,632	1,105,897	730,983
Total net position	\$ 2,129,169	\$ 1,998,219	\$ 3,836,112	\$ 2,978,730	\$ 5,965,281	\$ 4,976,949

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Wilson's Mills exceeded liabilities and deferred inflows by \$5,965,281 as of June 30, 2020. The Town's net position increased by \$988,332 for the fiscal year ended June 30, 2020. However, the largest portion 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. The Town of Wilson's Mills uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Wilson's Mills's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Wilson's Mills's net position, \$235,968, represents resources that are subject to external restrictions on how they may be used.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.65%.
- Close monitoring of expenses in all departments.
- Grants and contributions received related to the USDA project.

**Town of Wilson's Mills
Management's Discussion and Analysis
June 30, 2020**

**Town of Wilson's Mills's Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Programs revenues:						
Charges for services	\$ 108,529	\$ 29,528	\$ 130,707	\$ 27,000	\$ 239,236	\$ 56,528
Operating grants and contributions	112,265	85,979	-	-	112,265	85,979
Capital grants and contributions	-	-	989,640	1,184,776	989,640	1,184,776
General Revenues:						
Property taxes	815,672	702,798	-	-	815,672	702,798
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	366,587	382,964	-	-	366,587	382,964
Other	13,922	5,287	907	104	14,829	5,391
Total Revenues	<u>\$ 1,416,975</u>	<u>\$ 1,206,556</u>	<u>\$ 1,121,254</u>	<u>\$ 1,211,880</u>	<u>\$ 2,538,229</u>	<u>\$ 2,418,436</u>
Expenses:						
General government	\$ 171,440	\$ 65,890	\$ -	\$ -	\$ 171,440	\$ 65,890
Administration	275,878	257,241	-	-	275,878	257,241
Streets	116,492	68,040	-	-	116,492	68,040
Planning boards	163,420	116,607	-	-	163,420	116,607
Park and recreation	79,658	81,486	-	-	79,658	81,486
Public safety	479,104	451,501	-	-	479,104	451,501
Animal control	4,052	1,711	-	-	4,052	1,711
Interest on long-term debt	(4,019)	1,102	-	-	(4,019)	1,102
Water and sewer	-	-	263,872	10,149	263,872	10,149
Total Expenses	<u>\$ 1,286,025</u>	<u>\$ 1,043,578</u>	<u>\$ 263,872</u>	<u>\$ 10,149</u>	<u>\$ 1,549,897</u>	<u>\$ 1,053,727</u>
Increase (Decrease) in Net Position Before Transfers	\$ 130,950	\$ 162,978	\$ 857,382	\$ 1,201,731	\$ 988,332	\$ 1,364,709
Transfers	-	(128,529)	-	128,529	-	-
Increase (Decrease) in Net Position	\$ 130,950	\$ 34,449	\$ 857,382	\$ 1,330,260	\$ 988,332	\$ 1,364,709
Net position, July 1, as previously reported	1,998,219	1,963,770	2,978,730	1,324,164	4,976,949	3,287,934
Prior period adjustment	-	-	-	324,306	-	324,306
Net position, July 1, as restated	1,998,219	1,963,770	2,978,730	1,648,470	4,976,949	3,612,240
Net Position, June 30	<u>\$ 2,129,169</u>	<u>\$ 1,998,219</u>	<u>\$ 3,836,112</u>	<u>\$ 2,978,730</u>	<u>\$ 5,965,281</u>	<u>\$ 4,976,949</u>

Governmental activities. Governmental activities increased the Town's net position by \$130,950, accounting for 13.25% of the total growth in the net position of the Town of Wilson's Mills. The increase in net position was the result of increased revenue generation as well as continued effort to control costs and manage expenditures. Town management continued to reduce non-essential programs to a minimum and implemented cost saving strategies across Town departments. Certain nonrecurring expenses were either postponed or renegotiated to maintain a healthy net position. Increased efforts to restructure the planning department fee schedule and maximize collections for planning services, as well as enormous residential growth in town also contributed to the favorable net position. Though many of the Town's residents were hit hard by the recession, tax revenue remained steady. Town management acknowledges that 2020 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

**Town of Wilson's Mills
Management's Discussion and Analysis
June 30, 2020**

Business-type activities. Business-type activities increased the Town of Wilson's Mills's net position by \$857,382, accounting for 86.75% of the total growth in the government's net position. The increase in net position was a result of capital grant proceeds.

Financial Analysis of the School's Funds

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

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

The general fund is the chief operating fund of the Town of Wilson's Mills. At the end of the current fiscal year, Town of Wilson's Mills's fund balance available in the General Fund was \$1,194,249, while total fund balance reached \$1,430,217. The Town currently has an available fund balance of 90.84% of general fund expenditures, and total fund balance represents 108.8% of the same amount.

At June 30, 2020, governmental funds reported a fund balance of \$1,430,217 with a net increase in fund balance of \$190,104.

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 and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts primarily due to the Town failing to budget enough for Ad Valorem Taxes, Local Option Sales Taxes and Cemetery related sales. Expenditures were closely monitored to comply with its budgetary requirements.

There were several reasons the Town revised its budget throughout the year. Although expenditures were compliant with budgetary requirements, the Town did amend the budget in the General Fund in General Government to account for unexpected expenses related to additional personnel positions, reorganization of the location of the Police Department within Town Hall, and services to both the Street and Police Department fleet.

Proprietary Funds. The Town of Wilson's Mills's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position for the Water and Sewer Fund at the end of the fiscal year amounted to \$40,475. The total change in net position for the Water and Sewer was \$857,382. The change in net position in the Water and Sewer Fund is a result of capital project grant proceeds.

**Town of Wilson's Mills
Management's Discussion and Analysis
June 30, 2020**

Capital Asset and Debt Administration

Capital assets. The Town of Wilson's Mills's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$7,831,402 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, office furniture, and vehicles.

**Town of Wilson's Mills's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Land	\$ 451,027	\$ 451,027	\$ 357,356	\$ 357,356	\$ 808,383	\$ 808,383
Buildings and system	114,868	88,696	-	-	114,868	88,696
Machinery and equipment	344,472	390,936	6,441,281	288,072	6,785,753	679,008
Vehicles and motorized equipment	122,398	50,879	-	-	122,398	50,879
Construction in progress	-	-	-	5,408,372	-	5,408,372
Total	\$1,032,765	\$ 981,538	\$6,798,637	\$6,053,800	\$7,831,402	\$7,035,338

Long-term Debt. As of June 30, 2020, the Town of Wilson's Mills had no bonded debt outstanding. All of the Town's debt represents financing agreements secured solely by specified revenue sources (i.e. revenue bonds).

**Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Installment purchase	\$ 204,986	\$ 134,460	\$ -	\$ 81,703	\$ 204,986	\$ 216,163
Revenue bonds	-	-	3,003,000	3,003,000	3,003,000	3,003,000
Pension related debt (LGERS)	201,542	101,062	-	-	201,542	101,062
Pension related debt (LEO)	18,084	113,172	-	-	18,084	113,172
Compensated absences	21,930	27,652	-	-	21,930	27,652
Total	\$ 446,542	\$ 376,346	\$ 3,003,000	\$ 3,084,703	\$ 3,449,542	\$ 3,461,049

Town of Wilson's Mills's Outstanding Debt. The Town of Wilson's Mills's total debt decreased by \$11,507 (0.33%) during the current fiscal year. The key factors in this decrease were related to annual payments made on the revolving loans in the amount of \$99,019.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt

**Town of Wilson's Mills
Management's Discussion and Analysis
June 30, 2020**

margin for Town of Wilson's Mills is \$13,622,827. The Town has \$0 in bonds authorized but unissued at June 30, 2020.

Additional information regarding the Town of Wilson's Mills's long-term debt can be found in Note III.b.5 beginning on page 44 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Stable tax base. The budget calls for maintaining 42 cents per \$100 valuation tax rate.
- Stable tax collection percentage. The County of Johnston's tax collection rate is at or above 99.5%
- Enormous residential growth. With 2500+ rooftops in motion for construction, both Planning & Zoning fees have increased, as well as the overall tax base of the town.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes (benefiting from the economic growth) and revenues from permits and fees are expected to lead the increase in budgeted revenue by more than 25%. The Town will use these increases in revenues to finance programs currently in place and work towards employee retention with a focus on salary grade and job description studies. Management has seen some improvement in areas that were affected by the recession and anticipates more growth in coming years.

The total budgeted expenditures in the General Fund are expected to be consistent to the prior year.

The Town has chosen not to appropriate fund balance in the fiscal year 2021 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-type Activities: Water and Sewer Fund. The water and sewer fund budget is expected to be consistent to the prior year.

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 Administrator, Town of Wilson's Mills, P.O. Box 448, Wilson's Mills, North Carolina 27593. One can also call (919) 938-3885, or visit our website at www.wilsonsmillsnc.org

BASIC FINANCIAL STATEMENTS

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,194,259	\$ 38,385	\$ 1,232,644
Taxes receivable (net)	587	-	587
Accounts receivable	16,002	2,610	18,612
Due from other governments	55,216	-	55,216
Restricted cash and cash equivalents	174,422	-	174,422
Total current assets	<u>1,440,486</u>	<u>40,995</u>	<u>1,481,481</u>
Non-current assets:			
Capital assets (Note III.A.3):			
Land, non-depreciable improvements and construction in progress	451,027	357,356	808,383
Other capital assets, net of depreciation	581,738	6,441,281	7,023,019
Total capital assets	<u>1,032,765</u>	<u>6,798,637</u>	<u>7,831,402</u>
Total assets	<u>2,473,251</u>	<u>6,839,632</u>	<u>9,312,883</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	201,938	-	201,938
Total deferred outflows of resources	<u>201,938</u>	<u>-</u>	<u>201,938</u>
LIABILITIES			
Current liabilities:			
Accounts payable	9,672	520	10,192
Compensated absences	21,930	-	21,930
Current portion of long-term liabilities	26,270	41,000	67,270
Total current liabilities	<u>57,872</u>	<u>41,520</u>	<u>99,392</u>
Long-term liabilities:			
Net pension liability	201,542	-	201,542
Total pension liability	18,084	-	18,084
Due in more than one year	178,716	2,962,000	3,140,716
Total long-term liabilities	<u>398,342</u>	<u>2,962,000</u>	<u>3,360,342</u>
Total liabilities	<u>456,214</u>	<u>3,003,520</u>	<u>3,459,734</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	10	-	10
Pension deferrals	89,796	-	89,796
Total deferred inflows of resources	<u>89,806</u>	<u>-</u>	<u>89,806</u>
NET POSITION			
Net investment in capital assets	827,779	3,795,637	4,623,416
Restricted for:			
Public safety	1,285	-	1,285
Transportation - Powell Bill	173,137	-	173,137
Stabilization by state statute	61,546	-	61,546
Unrestricted	1,065,422	40,475	1,105,897
Total net position	<u>\$ 2,129,169</u>	<u>\$ 3,836,112</u>	<u>\$ 5,965,281</u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2020

					Net (Expense) Revenue and Changes in Net Assets		
		Program Revenues			Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Governing body	\$ 171,440	\$ -	\$ -	\$ -	\$ (171,440)	\$ -	\$ (171,440)
Administration	275,878	-	-	-	(275,878)	-	(275,878)
Streets	116,492	-	67,600	-	(48,892)	-	(48,892)
Planning boards	163,420	102,663	-	-	(60,757)	-	(60,757)
Parks and recreation	79,658	3,546	25,965	-	(50,147)	-	(50,147)
Public safety	479,104	2,320	18,700	-	(458,084)	-	(458,084)
Animal control	4,052	-	-	-	(4,052)	-	(4,052)
Interest on long-term debt	(4,019)	-	-	-	4,019	-	4,019
Total governmental activities	1,286,025	108,529	112,265	-	(1,065,231)	-	(1,065,231)
Business-type activities:							
Water and sewer fund	263,872	130,707	-	989,640	-	856,475	856,475
Total primary government	\$ 1,549,897	\$ 239,236	\$ 112,265	\$ 989,640	(1,065,231)	856,475	(208,756)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					815,672	-	815,672
Grants and contributions not restricted to specific programs					366,587	-	366,587
Investment earnings, unrestricted					1,917	907	2,824
Miscellaneous					9,294	-	9,294
Insurance proceeds					2,711	-	2,711
Total general revenues and transfers					1,196,181	907	1,197,088
Changes in net position					130,950	857,382	988,332
Net position, beginning					1,998,219	2,978,730	4,976,949
Net position, ending					\$ 2,129,169	\$ 3,836,112	\$ 5,965,281

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2020

Exhibit 3

	<u>Major Fund</u>	
	<u>General</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,194,259	\$ 1,194,259
Restricted cash and cash equivalents	174,422	174,422
Taxes receivable - net	587	587
Accounts receivable	16,002	16,002
Due from other governments	55,216	55,216
Total assets	<u>1,440,486</u>	<u>1,440,486</u>
LIABILITIES		
Accounts payable	9,672	9,672
Total liabilities	<u>9,672</u>	<u>9,672</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	587	587
Prepaid taxes	10	10
Total deferred inflows of resources	<u>597</u>	<u>597</u>
FUND BALANCES		
Restricted:		
Public safety	1,285	1,285
Streets - Powell Bill	173,137	173,137
Stabilization by state statute	61,546	61,546
Unassigned	1,194,249	1,194,249
Total fund balances	<u>1,430,217</u>	<u>1,430,217</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,440,486</u>	<u>\$ 1,440,486</u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2020

Exhibit 3

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

Total Fund Balance, Government Funds		\$ 1,430,217
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	1,480,050	
Accumulated depreciation	<u>(447,285)</u>	1,032,765
Liabilities for earned but unavailable revenues considered deferred inflows of resources in fund statements		587
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		62,812
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		(204,986)
Compensated absences		(21,930)
Pension plan deferrals		49,330
Net pension liability		(201,542)
Total pension liability		<u>(18,084)</u>
Net position of governmental activities		<u><u>\$ 2,129,169</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

Exhibit 4

	<u>Major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental Funds</u>
REVENUES		
Ad valorem taxes	\$ 815,672	\$ 815,672
Unrestricted intergovernmental	385,287	385,287
Restricted intergovernmental	92,970	92,970
Permits and fees	104,983	104,983
Sales and services	3,546	3,546
Investment earnings	1,917	1,917
Miscellaneous	12,860	12,860
Total revenues	<u>1,417,235</u>	<u>1,417,235</u>
EXPENDITURES		
Current:		
General government	64,207	64,207
Administration	294,349	294,349
Streets	108,705	108,705
Planning board	186,644	186,644
Parks and recreation	66,005	66,005
Public safety	577,456	577,456
Animal control	4,051	4,051
Debt service:		
Principal	9,635	9,635
Interest and other charges	3,662	3,662
Total expenditures	<u>1,314,714</u>	<u>1,314,714</u>
Excess (deficiency) of revenues over expenditures	<u>102,521</u>	<u>102,521</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from loan	84,872	84,872
Insurance proceeds	2,711	2,711
Total other financing sources (uses)	<u>87,583</u>	<u>87,583</u>
Net change in fund balance	<u>190,104</u>	<u>190,104</u>
Fund balances, beginning	<u>1,240,113</u>	<u>1,240,113</u>
Fund balances, ending	<u><u>\$ 1,430,217</u></u>	<u><u>\$ 1,430,217</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Exhibit 4

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

Net changes in fund balances - total government funds	\$ 190,104
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	139,653	
Depreciation expense for governmental assets	<u>(88,426)</u>	51,227

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	62,812
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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 unavailable revenue for tax revenues	-
--	---

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

	(67,565)
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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.

Compensated absences	5,722	
Pension expense	<u>(111,350)</u>	

Total changes in net position of governmental activities	<u>\$ 130,950</u>
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The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Exhibit 5

General Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020**

	General Fund			
	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 734,073	\$ 754,002	\$ 815,672	\$ 61,670
Unrestricted intergovernmental	359,738	359,738	385,287	25,549
Restricted intergovernmental	65,600	90,970	92,970	2,000
Permits and fees	18,700	18,700	104,983	86,283
Sales and service	3,500	3,500	3,546	46
Investment earnings	500	500	1,917	1,417
Miscellaneous	3,500	3,500	12,860	9,360
Total revenues	1,185,611	1,230,910	1,417,235	186,325
Expenditures:				
Current:				
General government	82,999	64,237	64,207	30
Administration	303,134	294,478	294,349	129
Streets	125,838	125,880	108,705	17,175
Planning board	179,499	186,782	186,644	138
Parks and recreation	56,520	66,075	66,005	70
Public safety	481,701	577,675	577,456	219
Animal control	3,340	4,102	4,051	51
Debt service:				
Principal	43,055	9,635	9,635	-
Interest and other charges	3,860	3,662	3,662	-
Total expenditures	1,279,946	1,332,526	1,314,714	17,812
Revenues over (under) expenditures	(94,335)	(101,616)	102,521	204,137
OTHER FINANCING SOURCES (USES)				
Transfer from (to) other funds	(15,000)	(7,719)	-	7,719
Insurance proceeds	-	-	2,711	2,711
Proceeds from loan	-	-	84,872	84,872
Appropriated fund balance	109,335	109,335	-	(109,335)
Total other financing sources (uses)	94,335	101,616	87,583	(14,033)
Net change in fund balance	\$ -	\$ -	190,104	\$ 190,104
Fund balances, beginning			1,240,113	
Fund balances, ending			\$ 1,430,217	

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Statement of Net Position
Proprietary Fund
June 30, 2020

Exhibit 6

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 38,385
Accounts receivable	2,610
Total current assets	<u>40,995</u>
Noncurrent assets:	
Capital assets:	
Land and other nondepreciable assets	357,356
Other capital assets, net of depreciation	6,441,281
Capital assets (net)	<u>6,798,637</u>
Total noncurrent assets	<u>6,798,637</u>
Total assets	<u><u>\$ 6,839,632</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 520
Long-term debt, current portion	41,000
Total current liabilities	<u>41,520</u>
Non-current liabilities:	
Long-term debt, non-current portion	2,962,000
Total non-current liabilities	<u>2,962,000</u>
Total liabilities	<u>3,003,520</u>
NET POSITION	
Net investment in capital assets, net of related debt	3,795,637
Unrestricted	40,475
Total net position	<u><u>\$ 3,836,112</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2020

Exhibit 7

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Water and sewer taps	\$ 130,707
Total operating revenues	<u>130,707</u>
OPERATING EXPENSES	
Administrative	18,668
Depreciation	152,060
Total operating expenses	<u>170,728</u>
Operating income (loss)	(40,021)
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	907
Interest and other charges	(93,144)
Total non-operating revenues (expenses)	<u>(92,237)</u>
Income (loss) before contributions and transfers	(132,258)
Capital contributions	989,640
Change in net position	857,382
Total net position, beginning	2,978,730
Total net position, ending	<u><u>\$ 3,836,112</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

Exhibit 8

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 128,097
Cash paid for goods and services	(18,668)
Total cash flows from operating activities	<u>109,429</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	1,376,778
Acquisition and construction of capital assets	(1,283,514)
Principal paid on bonds and installment notes	(81,703)
Interest paid on bonds and installment notes	(93,144)
Net cash provided (used) by capital and related financing activities	<u>(81,583)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	907
Net cash provided (used) by investing activities	<u>907</u>
Net increase (decrease) in cash and cash equivalents	28,753
Balances, beginning	<u>9,632</u>
Balances, ending	<u><u>38,385</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (40,021)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	152,060
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivable	(2,610)
Net cash provided by operating activities	<u><u>\$ 109,429</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Statement of Net Position
Fiduciary Fund
June 30, 2020

	<u>Private Purpose Trust Fund</u>
Assets	
Investments	\$ 27,238
Total assets	<u>27,238</u>
Net position	<u>\$ 27,238</u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
June 30, 2020

	<u>Private Purpose Trust Fund</u>
Additions:	
Investment earnings	\$ 53
Changes in net assets	53
Net position:	
Total net position, beginning	27,185
Total net position, ending	<u>\$ 27,238</u>

The accompanying notes to the financial statements are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Wilson's Mills ("the Town") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Wilson's Mills is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and all of its operations.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenue 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.

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

The Town reports the following major governmental funds:

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

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Private-Purpose Trust Fund. This fund is used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. The Town maintains one private-purpose trust fund which was created for the purpose of planting trees in the Town.

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's sewer operations.

USDA Wastewater Systems Improvements Project Fund. This fund is used to account for the Town's Wastewater Systems Improvements project revenues and expenditures.

C. Measurement Focus and Basis of Accounting

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

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

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

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

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 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 revenues because the amount is not susceptible to accrual. At June 30, taxes receivable 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 in the County, including the Town of Wilson's Mills.

Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Wilson's Mills because the tax is levied by Johnston 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program, 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 and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Appropriations are made at the department level and are amended as necessary by the governing board. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. 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.

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

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

Governmental activities:

General Fund

Public safety	\$ 1,285
Transportation - Powell Bill	<u>173,137</u>
Total governmental activities	<u>174,422</u>
 Total restricted cash	 <u><u>\$ 174,422</u></u>

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The Town does not maintain any inventories. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These payments are expensed as items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land \$1,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$2,000; equipment and furniture, \$500; vehicles and motorized equipment, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 have not been recorded as permitted by GASB Statement 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50 years
Buildings	30 years
Other improvements	25 years
Vehicles	5-6 years
Furniture and equipment	7-10 years
Computer equipment	3 years

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary fund, 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.

11. Net Position/Fund Balances

Net Position

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

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances (Continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted finds. 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 appropriations is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, TSS is consider 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 non-spendable Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Restricted for Police – portion of fund balance that is available for appropriation but legally segregated for police department expenditures. This amount represents the balance of the total unexpended drug seizure funds.

Assigned Fund Balance – portion of fund balance that Town of Wilson's Mills intends to use for specific purposes.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances (Continued)

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

12. Deferred Benefit Cost-Sharing Plans

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

13. Use of Estimates

The preparation of the accompanying general purpose financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, no expenditures in the Town's General Fund exceeded the authorized appropriations made by the governing board. Sewer Fund expenses exceeded authorized appropriations made by the governing board by \$2,038. Management and the Board will more closely review the budget reports to ensure compliance in future years and will make sure all debt payments are accounted for in the correct fund.

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in 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 agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$1,406,916 and a bank balance of \$1,460,467. Of the bank balance, \$1,173,230 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$150.

2. Receivables – Allowance for Doubtful Accounts

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

General Fund:

Allowance for uncollectible property taxes receivable	\$ 2,488
	<u>\$ 2,488</u>

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

3. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 451,027	\$ -	\$ -	\$ 451,027
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>451,027</u>	<u>-</u>	<u>-</u>	<u>451,027</u>
Capital assets being depreciated:				
Buildings	140,000	29,845	-	169,845
Equipment	561,687	7,048	-	568,735
Vehicles	229,562	102,760	(41,879)	290,443
Total capital assets being depreciated	<u>931,249</u>	<u>139,653</u>	<u>(41,879)</u>	<u>1,029,023</u>
Less accumulated depreciation for:				
Buildings	51,304	3,673	-	54,977
Equipment	170,751	53,512	-	224,263
Vehicles	178,683	31,241	(41,879)	168,045
Total accumulated depreciation	<u>400,738</u>	<u>88,426</u>	<u>(41,879)</u>	<u>447,285</u>
Total capital assets being depreciated, net	<u>530,511</u>			<u>581,738</u>
Governmental activities capital assets, net	<u>\$ 981,538</u>			<u>\$ 1,032,765</u>

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

General government	\$ 4,569
Public safety	29,375
Transportation	10,984
Cultural and recreational	43,498
	<u>\$ 88,426</u>

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

3. Capital Assets (Continued)

Water and Sewer Fund

Capital asset activity for the Water and Sewer Fund for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and other non-depreciable assets	\$ 357,356	\$ -	\$ -	\$ 357,356
Construction in progress	5,408,372	896,897	(6,305,269)	-
Total capital assets not being depreciated	<u>5,765,728</u>	<u>896,897</u>	<u>(6,305,269)</u>	<u>357,356</u>
Capital assets being depreciated				
Plant and distribution systems	378,213	6,305,269	-	6,683,482
Total capital assets being depreciated	<u>378,213</u>	<u>6,305,269</u>	<u>-</u>	<u>6,683,482</u>
Less accumulated depreciation for:				
Plant and distribution systems	90,141	152,060	-	242,201
Total accumulated depreciation	<u>90,141</u>	<u>152,060</u>	<u>-</u>	<u>242,201</u>
Total capital assets being depreciated, net	<u>288,072</u>			<u>6,441,281</u>
Business-type activities capital assets, net	<u>\$ 6,053,800</u>			<u>\$ 6,798,637</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town 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 or 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, or by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (continued)

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Wilson's Mills employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Wilson's Mills were \$62,812 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.

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

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 \$201,542 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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 0.00738%, which was an increase of 0.00312% from its proportion as of June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$100,487. 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	\$ 34,509	\$ -
Changes of assumptions	32,848	-
Net difference between projected and actual earnings on pension plan investments	4,916	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	37,441	1,591
Town contributions subsequent to the measurement date	62,812	-
Total	<u>\$ 172,526</u>	<u>\$ 1,591</u>

\$62,812 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 44,641
2022	21,353
2023	28,449
2024	13,680
2025	-
Thereafter	-

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

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

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

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

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

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

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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 460,964	\$ 201,542	\$ (14,090)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Wilson's Mills 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.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Active plan members	6
Total	<u>6</u>

A separate report was not issued for the plan.

2. 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 and refunds 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 following criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age 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 determined at the end of each month.

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

4. 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. The Town paid \$1,229 as benefits came due for the reporting period.

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

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 \$18,084. The total pension liability was measured as of December 31, 2018 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 \$6,727.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,027	\$ 86,470
Changes of assumptions and other inputs	2,385	1,735
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ 29,412</u>	<u>\$ 88,205</u>

\$0 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 ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ (1,948)
2022	(5,239)
2023	(16,976)
2024	(16,976)
2025	(16,976)
Thereafter	(678)

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 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Town's proportionate share of the net pension liability (asset)	\$ 21,255	\$ 18,084	\$ 15,329

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

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

Beginning balance	\$	113,172
Service Cost		4,578
Interest on the total pension liability		4,097
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the total pension liability		(103,627)
Changes of assumptions or other inputs		1,093
Benefit payments		(1,229)
Other changes		-
Total	\$	<u>18,084</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.

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

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

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

	LGERS	LEOSSA	Total
Pension Expense	\$ 100,487	\$ 6,727	\$ 107,214
Pension Liability	201,542	18,084	219,626
Proportionate share of the net pension liability	0.00738%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	34,509	27,027	61,536
Changes of assumptions	32,848	2,385	35,233
Net difference between projected and actual earnings on plan investments	4,916	-	4,916
Changes in proportion and differences between Town contributions and proportionate share of contributions	37,441	-	37,441
Town benefit payments and plan administrative expense made subsequent to the measurement date	62,812	-	62,812
Deferred Inflows of Resources			
Differences between expected and actual experience	-	86,470	86,470
Changes of assumptions	-	1,735	1,735
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,591	-	1,591

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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. Also, the law enforcement officers may make voluntary contributions to the Plan. The Town made contributions of \$14,858 for the year ended June 30, 2020.

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

d. 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 1.5 times annual earnings, rounded to the next highest \$1,000, with a maximum of \$200,000. The amount described above, multiplied by the appropriate age percentage. The insurance is provided by Provident Life Insurance issued to Municipal Insurance Trust of North Carolina. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$ 62,812
Benefit payments made and administrative expenses for LEOSSA	-
Differences between expected and actual experience	61,536
Changes of assumptions	35,233
Net difference between projected and actual earnings on pension plan investments	4,916
Changes in proportion and differences between employer contributions and proportionate share of contributions	37,441
Total	<u>\$ 201,938</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 10	\$ 10
Taxes Receivable, less penalties (General Fund)	-	587
Changes in assumptions	1,735	
Differences between expected and actual experience	86,470	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,591	-
Total	<u>\$ 89,806</u>	<u>\$ 597</u>

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance with two private sector insurance agencies. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit.

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

The Town does not currently carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. All employees that have access to funds are bonded under a blanket bond of \$75,000.

The finance officer is bonded individually for \$75,000, and the tax collector is bonded for \$75,000 as required by G.S. 159-29.

4. Claims, Judgments and Contingent Liabilities

The Town is contingently liable in respect to other claims in the normal course of its operations. Should the Town become liable in these matters, such liability would be satisfied by budgetary appropriation in excess of insurance coverage in a subsequent year.

5. Long-Term Obligations

Notes payable included in the accompanying financial statements include the purchase of various equipment and construction of water lines. The Town's notes payable at June 30, 2020 comprised of the following individual notes.

Governmental Activities:

On November 1, 2015, the Town entered into a direct installment purchase contract to finance a police car. The contract requires payments of \$8,032 per year including interest at 4.70% beginning November 1, 2015 and matures November 1, 2019. This loan was paid off during the year.

On August 31, 2016, the Town entered into a direct loan agreement to purchase land for a park. The contract requires monthly payments of \$1,104 beginning October 5, 2016 and matures September 5, 2030. The interest rate is 2.95%. The balance of this contract is \$117,144 at June 30, 2020.

On March 18, 2020, the Town entered into a direct installment purchase contract to finance a police car. The contract requires payments of \$19,309 per year including interest at 3.15% beginning April 15, 2021 and matures April 15, 2025. The balance of this contract is \$87,842 at June 30, 2020.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

a. Installment Purchase

The future maturities of installment debt for governmental activities are as follows:

Year ended June 30:	Principal	Interest	Total
2021	\$ 26,270	\$ 6,290	\$ 32,560
2022	27,293	5,268	32,561
2023	28,136	4,425	32,561
2024	28,994	3,566	32,560
2025	29,899	2,662	32,561
2026-2030	61,097	5,164	66,261
2031-2035	3,297	16	3,313
	<u>\$ 204,986</u>	<u>\$ 27,391</u>	<u>\$ 232,377</u>

Business-type Activities:

On May 17, 2017 the Town entered into a finance agreement with BB&T to finance Water and Sewer equipment for \$131,000. The contract requires quarterly payments in the amount of \$6,945, and a portion of each payment is paid and represents payment of interest at an annual interest rate of 2.26% beginning August 26, 2017 and matures April 26, 2021. This loan was paid off during the year.

On August 30, 2013 the Town entered into an installment purchase contract for \$176,623 to refinance a sewer line extension. The contract requires principal payments of \$28,341 per year plus interest at 2.95% and matures in August 2019. This loan was paid off during the year.

\$373,000 USDA Water and Sewer Revenue Bonds, Series 2019B, issued for Water and Sewer system improvements. Principal and interest installments are due annually on June 1 at an annual interest rate of 2.75%.

\$2,630,000 USDA Water and Sewer Revenue Bonds, Series 2019A, issued for Water and Sewer system improvements. Principal and interest installments are due annually on June 1 at an annual interest rate of 3.25%.

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

Annual debt service requirements to maturity for business-type activities are as follows:

Year ended June 30:	Principal	Interest	Total
2021	\$ 41,000	\$ 95,733	\$ 136,733
2022	42,000	94,430	136,430
2023	43,000	93,095	136,095
2024	44,000	91,728	135,728
2025	45,000	90,328	135,328
2026-2030	249,000	429,190	678,190
2031-2035	291,000	386,938	677,938
2036-2040	340,000	337,465	677,465
2041-2045	397,000	279,813	676,813
2046-2050	466,000	212,213	678,213
2051-2055	545,000	133,048	678,048
2056-2059	500,000	40,355	540,355
	<u>\$ 3,003,000</u>	<u>\$ 2,284,336</u>	<u>\$ 5,287,336</u>

b. Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<i>Governmental activities:</i>					
Net pension liability (LGERS)	\$ 101,062	\$ 100,480	\$ -	\$ 201,542	\$ -
Total pension liability (LEO)	113,172	-	95,088	18,084	-
Installment purchase	134,460	87,842	17,316	204,986	26,270
Compensated absences	27,652	-	5,722	21,930	21,930
Governmental activity long-term liabilities	<u>\$ 376,346</u>	<u>\$ 188,322</u>	<u>\$ 118,126</u>	<u>\$ 446,542</u>	<u>\$ 48,200</u>
<i>Business-type activities:</i>					
Installment purchase	\$ 81,703	\$ -	\$ 81,703	\$ -	\$ -
USDA Revenue bonds	3,003,000	-	-	3,003,000	41,000
Business activity long-term liabilities	<u>\$ 3,084,703</u>	<u>\$ -</u>	<u>\$ 81,703</u>	<u>\$ 3,003,000</u>	<u>\$ 41,000</u>

The Town has a legal debt margin of \$13,622,827

c. Interfund Balances and Activity

There were no transfers between funds during the year ended June 30, 2020.

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

III. Detail Notes on All Funds (Continued)

d. Fund Balance

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

Total fund balance - General Fund	\$	1,430,217
Less:		
Public safety		1,285
Streets - Powell Bill		173,137
Stabilization by state statute		61,546
Remaining fund balance	\$	<u>1,194,249</u>

IV. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 1,032,765	\$ 6,798,637
Less:		
Long-term debt	(204,986)	(3,003,000)
Net investment in capital assets	<u>\$ 827,779</u>	<u>\$ 3,795,637</u>

V. Summary Disclosure of Significant Commitments and Contingencies

Contracted Commitment

In June 2020, the Town entered into a contract to purchase a vehicle for \$37,480. The vehicle was not received and the contract amount was not paid before year end.

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.

VI. Significant Effects of Subsequent Events

Subsequent events have been evaluated through January 22, 2021, the date the financial statements were available to be issued and believed the following is subject to disclosure:

As of the date of issuance of the Town's review, there is a pandemic situation regarding the COVID-19 virus. The Town is monitoring the effect of this pandemic on its financial operations. At this time, management has evaluated the situation and has concluded no additional disclosures are warranted.

SUPPLEMENTARY INFORMATION

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Town of Wilson's Mills Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*

Schedule 1

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Wilson's Mills proportion of the net pension liability (asset) (%)	0.03848%	0.00426%	0.00540%	0.00540%	0.00791%	0.00636%	0.00500%
Wilson's Mills proportion of the net pension liability (asset) (\$)	\$ 201,542	\$ 101,062	\$ 82,497	\$ 114,606	\$ 35,500	\$ (37,509)	\$ 60,269
Wilson's Mills covered-employee payroll	\$ 425,458	\$ 329,520	\$ 300,343	\$ 313,167	\$ 320,179	\$ 267,165	\$ 224,144
Wilson's Mills proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	47.37%	23.75%	25.04%	38.16%	11.09%	-14.04%	26.89%
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 amount presented for each fiscal year were determined as of the prior fiscal year ending June 30.

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

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Town of Wilson's Mills Contributions
Required Supplementary Information
Last Seven Fiscal Years

Schedule 2

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 62,812	\$ 46,615	\$ 35,399	\$ 31,592	\$ 30,628	\$ 32,632	\$ 19,338
Contributions in relation to the contractually required contribution	<u>62,812</u>	<u>46,615</u>	<u>35,399</u>	<u>31,592</u>	<u>30,628</u>	<u>32,632</u>	<u>19,338</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Wilson's Mills covered-employee payroll	\$ 517,229	\$ 425,458	\$ 329,520	\$ 300,343	\$ 313,167	\$ 320,179	\$ 267,165
Contribution as a percentage of covered-employee payroll	12.14%	10.96%	10.74%	10.52%	9.78%	10.19%	7.24%

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2020

Schedule 3

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 113,172	\$ 89,651	\$ 39,425	\$ 38,887
Service Cost	4,578	3,911	3,249	2,717
Interest on the total pension liability	4,097	2,791	1,470	1,341
Differences between expected and actual experience in the measurement of the total pension liability	(103,627)	22,526	44,069	-
Changes of assumptions or other inputs	1,093	(3,044)	4,101	(857)
Benefit payments	(1,229)	(2,663)	(2,663)	(2,663)
Ending balance of the total pension liability	<u>\$ 18,084</u>	<u>\$ 113,172</u>	<u>\$ 89,651</u>	<u>\$ 39,425</u>

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

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officer's Special Allowance
June 30, 2020

Schedule 4

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 18,084	\$ 113,172	\$ 89,651	\$ 39,425
Covered payroll	249,080	197,980	186,988	191,344
Total pension liability as a percentage of covered payroll	7.26%	57.16%	47.94%	20.60%

Notes to the schedules:

The Town of Wilson's Mills has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Schedule 5

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Taxes		\$ 814,826	
Penalties and interest		846	
Total	<u>754,002</u>	<u>815,672</u>	<u>61,670</u>
Unrestricted intergovernmental:			
Utility franchise tax		63,482	
Beer and wine tax		11,712	
Local option sales tax		281,957	
ABC profit distribution		18,700	
Piped natural gas tax		512	
Video programming tax		8,227	
Telecommunications sales tax		697	
Total	<u>359,738</u>	<u>385,287</u>	<u>25,549</u>
Restricted intergovernmental:			
Part F Funding	-	25,370	
Powell Bill allocation	-	67,600	
Total	<u>90,970</u>	<u>92,970</u>	<u>2,000</u>
Permits and fees:			
Zoning permits and other fees		104,983	
Total	<u>18,700</u>	<u>104,983</u>	<u>86,283</u>
Sales and services:			
Festival income		3,546	
Total	<u>3,500</u>	<u>3,546</u>	<u>46</u>
Investment earnings	<u>500</u>	<u>1,917</u>	<u>1,417</u>
Miscellaneous	<u>3,500</u>	<u>12,860</u>	<u>9,360</u>
Total revenues	<u>1,230,910</u>	<u>1,417,235</u>	<u>186,325</u>

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Schedule 5

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
EXPENDITURES			
Governing Body:			
Salaries and employee benefits		7,765	
Professional services		16,425	
Tax collection fee		14,483	
Election		2,520	
Other operating expenditures		23,014	
Total Governing Body	<u>\$ 64,237</u>	<u>\$ 64,207</u>	<u>30</u>
Administration:			
Salaries and employee benefits		216,963	
Accounting software fees		17,522	
Insurance and bonding		1,569	
Building and ground maintenance		9,462	
Travel		5,861	
Office supplies		2,355	
Other operating expenditures		40,617	
Total Administration	<u>294,478</u>	<u>294,349</u>	<u>129</u>
Streets:			
Salaries and employee benefits		40,516	
Powell Bill		50,788	
Other operating expenditures		17,401	
Total Streets	<u>125,880</u>	<u>108,705</u>	<u>17,175</u>
Planning Board:			
Salaries and employee benefits		102,796	
Office supplies		2,128	
Other operating expenditures		66,802	
Capital outlay		14,918	
Total Planning Board	<u>186,782</u>	<u>186,644</u>	<u>138</u>
Parks and Recreation:			
Senior program		1,164	
Wilson's Mills Athletic Park		54,859	
Festivals and other events		7,054	
Other operating expenditures		2,928	
Total Parks and Recreation	<u>66,075</u>	<u>66,005</u>	<u>70</u>

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Schedule 5

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Public Safety:			
Salaries and employee benefits		411,732	
Insurance and bonding		14,446	
Automotive supplies and repairs		24,666	
Telecommunications		6,419	
Department supplies		704	
Other operating expenditures		22,923	
Capital outlay		96,567	
Total Public Safety	<u>577,675</u>	<u>577,456</u>	<u>219</u>
Animal Control:			
Other operating expenditures	-	4,051	4,051
Total Animal Control	<u>4,102</u>	<u>4,051</u>	<u>51</u>
Debt Service:			
Principal retirement		9,635	
Interest and other charges		3,662	
Total Debt Service	<u>13,297</u>	<u>13,297</u>	<u>-</u>
Total expenditures	<u>\$ 1,332,526</u>	<u>\$ 1,314,714</u>	<u>\$ 17,812</u>
Revenues over (under) expenditures	(101,616)	102,521	204,137
Other Financing Sources (Uses):			
Transfer from (to) other funds	(7,719)	-	7,719
Insurance proceeds	-	2,711	2,711
Proceeds from Loan	-	84,872	84,872
Appropriated fund balance	109,335	-	(109,335)
Total other financing sources	<u>101,616</u>	<u>87,583</u>	<u>(14,033)</u>
Net change in fund balance	<u>\$ -</u>	190,104	<u>\$ 190,104</u>
Fund balances, beginning		<u>1,240,113</u>	
Fund balances, ending		<u>\$ 1,430,217</u>	

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Sewer Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

Schedule 6

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales:			
Tapping fees	\$ 109,774	\$ 130,707	\$ 20,933
Total	109,774	130,707	20,933
Total operating revenues	109,774	130,707	20,933
Non-operating revenues:			
Interest earned on investments	-	907	907
Total non-operating revenues	-	907	907
Total revenues	109,774	131,614	21,840
Expenditures:			
Administration:			
Contracted services		17,525	
Other administration expenses		1,143	
Capital outlay		-	
Total	18,762	18,668	94
Debt service:			
Principal retirement		-	
Interest and other charges		93,144	
Total	91,012	93,144	(2,132)
Total expenditures	109,774	111,812	(2,038)
Revenues over (under) expenditures	-	19,802	19,802
Other financing sources (uses):			
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	\$ -	\$ 19,802	\$ 19,802

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Sewer Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

Schedule 6

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues and other sources over (under) expenditures	\$ 19,802
Reconciling items:	
Depreciation	(152,060)
Capital contributions	989,640
Principal retirement	-
Total reconciling items	<u>837,580</u>
Change in net position	<u><u>\$ 857,382</u></u>

TOWN OF WILSON'S MILLS, NORTH CAROLINA
USDA Wastewater Systems Improvements Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

			Actual			
	Original Project Authorization	Final Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:						
Restricted intergovernmental:						
USDA loans	\$ 3,003,000	\$ 3,003,000	\$ 3,003,000	\$ -	\$ 3,003,000	\$ -
USDA grants	1,679,000	2,243,000	1,179,469	989,640	2,169,109	(73,891)
Total revenues	4,682,000	5,246,000	4,182,469	989,640	5,172,109	(73,891)
Expenditures:						
Wastewater Systems Improvements Project:						
Construction	3,073,000	3,637,000	3,307,092	407,630	3,714,722	(77,722)
Engineering	425,256	425,256	437,269	73,575	510,844	(85,588)
Land/Right-of-way	25,000	25,000	105,923	-	105,923	(80,923)
Legal	25,000	25,000	65,592	12,092	77,684	(52,684)
County fees	463,454	463,454	-	-	-	463,454
Purchase existing county sewer line	228,700	228,700	197,528	403,600	601,128	(372,428)
Contingency, permit fees, etc.	330,800	330,800	20,339	-	20,339	310,461
Capitalized interest	150,000	150,000	93,243	829	94,072	55,928
Total expenditures	4,721,210	5,285,210	4,226,986	897,726	5,124,712	160,498
Other financing sources:						
Local funds	39,210	39,210	44,517	-	44,517	5,307
Net change in fund balance	\$ -	\$ -	\$ -	91,914	\$ 91,914	\$ 91,914
Fund balance, beginning				-		
Fund balance, ending				\$ 91,914		

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Schedule 8

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 820,719	\$ 817,878	\$ 2,841
2018-2019	118	-	-	118
2017-2018	37	-	-	37
2016-2017	43	-	25	18
2015-2016	25	-	-	25
2014-2015	23	-	-	23
2013-2014	303	-	290	13
Prior years	1,743	-	1,743	-
	<u>2,292</u>	<u>820,719</u>	<u>819,936</u>	<u>3,075</u>
Less: allowance for uncollectible ad valorem taxes receivable	<u>(1,705)</u>			<u>(2,488)</u>
Ad valorem taxes receivable - net	<u>587</u>			<u>587</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				<u>815,672</u>
Reconciling items:				
Interest and penalties collected				(846)
Releases and Other Adjustments				5,110
Amounts written off per Statute of limitations and abatements				-
Subtotal				<u>4,264</u>
Total collections and credits				<u>\$ 819,936</u>

TOWN OF WILSON'S MILLS, NORTH CAROLINA

Schedule 9

**Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2020**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 175,541,919	0.42	\$ 732,082	\$ 640,521	\$ 91,561
Discoveries	27,345,476	0.42	114,851	107,255	7,596
Releases	<u>(6,241,429)</u>	0.42	<u>(26,214)</u>	<u>(26,214)</u>	<u>-</u>
Total property valuation	<u><u>\$ 196,645,967</u></u>				
Net levy			\$ 820,719	\$ 721,562	\$ 99,157
Uncollected taxes at June 30, 2020			<u>2,841</u>	<u>2,841</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 817,878</u></u>	<u><u>\$ 718,721</u></u>	<u><u>\$ 99,157</u></u>
Current levy collection percentage			<u><u>99.65%</u></u>	<u><u>99.61%</u></u>	<u><u>100.00%</u></u>

COMPLIANCE SECTION

SHARPE
PATEL CPA

Independent Auditors' Report On Internal Controls 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 Council
Town of Wilson's Mills
Wilson's Mills, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wilson's Mills (the "Town") 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, and have issued our report thereon dated January 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal controls. 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

Town of Wilson's Mills's Response to Findings

The Town of Wilson's Mills's response to the findings identified in our audit is described in the accompanying corrective action plan. The Town's response was not subject 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 controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wilson's Mills's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina
January 22, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OMB UNIFORM GUIDANCE

To the Board of Directors
Town of Wilson's Mills
Wilson's Mills, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Town of Wilson's Mills's compliance with the types of compliance requirements described in the 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 Town of Wilson's Mills's major Federal programs for the year ended June 30, 2020. Town of Wilson's Mills's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Town of Wilson's Mills'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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 Wilson's Mills'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 Wilson's Mills's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Wilson's Mills 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 Wilson's Mills 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 Wilson's Mills's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Town of Wilson's Mills'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 a 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 material weaknesses or significant deficiencies. 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.

Town of Wilson's Mills's response to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Town of Wilson's Mills's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. Accordingly, this report is not suitable for any other purpose.



Raleigh, North Carolina
January 22, 2021

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S 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 weaknesses identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	No
Noncompliance material to financial statements noted	<u> X </u>	Yes	<u> </u>	None reported

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiencies identified?	<u> </u>	Yes	<u> X </u>	No
Type of auditor's report issued on compliance for major federal programs:	Unmodified			

Identification of N

10.760 Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk auditee: Yes

State Awards

No State major programs were identified	<u> </u>	Yes	<u> X </u>	No
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TOWN OF WILSON'S MILLS, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Finding : **2020-001** Prior Year Adjustments

Noncompliance Material to the Financial Statements

Criteria: The Town should recognize all prior year audit adjustments in its accounting function.

Condition: The Town required adjusting journal entries to the proprietary fund of \$5,301,327 to roll forward the prior year balance and entries of \$896,897 and \$83,006 to record current year additions to capital assets and debt, respectively.

Effect: The Town misstated capital assets and debt balances.

Cause The Town did not record adjustments from previous years and recorded expenses to the proprietary fund rather than reconciling capital assets and debt accounts.

Recommendation: The capital assets and debt accounts should be reconciled at year end for the proprietary fund.

Questioned Costs: None

**TOWN ADMINISTRATOR /
CLERK / HR DIRECTOR**
Leighanna T. Worley, MMC, NCCMC

**FINANCE OFFICER /
DEPUTY CLERK**
Sherry L. Hudson, CMC

**DEVELOPMENT / PLANNING
OFFICER**
Wendy G. Oldham

CHIEF OF POLICE
A.Z. Williams



MAYOR
Jim T. Uzzle, Jr.

MAYOR PRO-TEM
JC Triplett

COUNCILMEMBERS
Phillip R. Wright
Randy N. Jernigan
David J. McGowan
Carolyn W. Dobbins

TOWN ATTORNEY
Gabriel Du Sablon

January 28, 2021

**TOWN OF WILSON'S MILLS, NORTH CAROLINA
Corrective Action Plan
Year Ended June 30, 2020**

Finding: 2020-001 Prior Year Adjustments

Noncompliance Material to the Financial Statements

Name of Contact Person: Leighanna T. Worley, Town Administrator

Corrective Action:

Due to a scheduling error from the Town of Wilson's Mills' auditing firm for the Fiscal Year Ended June 30, 2019, the audit was not approved until December of 2020. This resulted in the prior year adjustments not being entered. The Town of Wilson's Mills no longer intends to secure the services of our prior auditing firm and will endeavor to ensure that all future audits are completed in a timely manner, with adjustments being entered correctly and timely.

Propose Completion Date: The Board will implement the above procedures immediately.

Respectfully submitted,

Leighanna T. Worley, MMC
Town Administrator

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2020

Finding : **2019-001** Budget Violation

Noncompliance Material to the Financial Statements

Status: Corrected

Finding : **2019-002** Prior Year Adjustments

Noncompliance Material to the Financial Statements

Status: Ongoing, see finding 2020-001.

TOWN OF WILSON'S MILLS, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass- Through Grantor's Number</u>	<u>Fed (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
FEDERAL GRANTS				
Cash Assistance				
<u>U.S. Department of Agriculture</u>				
Water and Waste Disposal for Rural Communities	10.760	N/A	\$ 989,640	\$ -
FEDERAL LOANS				
Cash Assistance				
<u>U.S. Department of Agriculture</u>				
Water and Waste Disposal for Rural Communities	10.760	N/A	3,003,000	-
Total assistance - federal programs			<u>3,992,640</u>	<u>-</u>
STATE GRANTS				
Cash Assistance				
<u>N.C. Department of Transportation:</u>				
Powell bill			-	50,788
Total assistance - State programs			<u>-</u>	<u>50,788</u>
Total federal and State assistance			<u>\$ 3,992,640</u>	<u>\$ 50,788</u>

Notes to the Schedule of Expenditures of Federal and State Financial 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 The Town of Wilson's Mills 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 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards and the State Single Audit Implementation Act (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town of Wilson's Mills has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Loans Outstanding

The Town of Wilson's Mills had the following loan balances outstanding at June 30, 2020 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. The loan outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2020 consist of:

<u>Program Title</u>	<u>CFDA #</u>	<u>Pass-through #</u>	<u>Amount</u>
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 3,003,000