

TOWN OF MOUNT GILEAD, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2022

JBW

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

Certified Public Accountants

**TOWN OF MOUNT GILEAD, NORTH CAROLINA
LOCAL GOVERNMENT OFFICIALS
June 30, 2022**

Town Council Members

Beverly Harris – Mayor

Tim McAuley – Mayor Pro Tem

Paula Covington

Mary Lucas

Vera Richardson

Administrative and Financial Staff

Ray Allen – Interim Town Manager

Amy Roberts – Town Clerk/Finance Officer

Lessie Jackson – Tax Collector

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Mount Gilead, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Mount Gilead, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Mount Gilead, North Carolina, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of Mount Gilead, North Carolina, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Mount Gilead, North Carolina's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Mount Gilead, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Mount Gilead, North Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Mount Gilead, North Carolina's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and State awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, the combining and individual fund statements, 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 report dated February 1, 2023, on our consideration of Town of Mount Gilead, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is solely 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 the effectiveness of Town of Mount Gilead, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Mount Gilead, North Carolina's internal control over financial reporting and compliance.



Wadesboro, North Carolina
February 1, 2023

Management's Discussion and Analysis

As management of Town of Mount Gilead, we offer readers of Town of Mount Gilead's financial statements this narrative overview and analysis of the financial activities of Town of Mount Gilead for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follows this narrative.

Financial Highlights

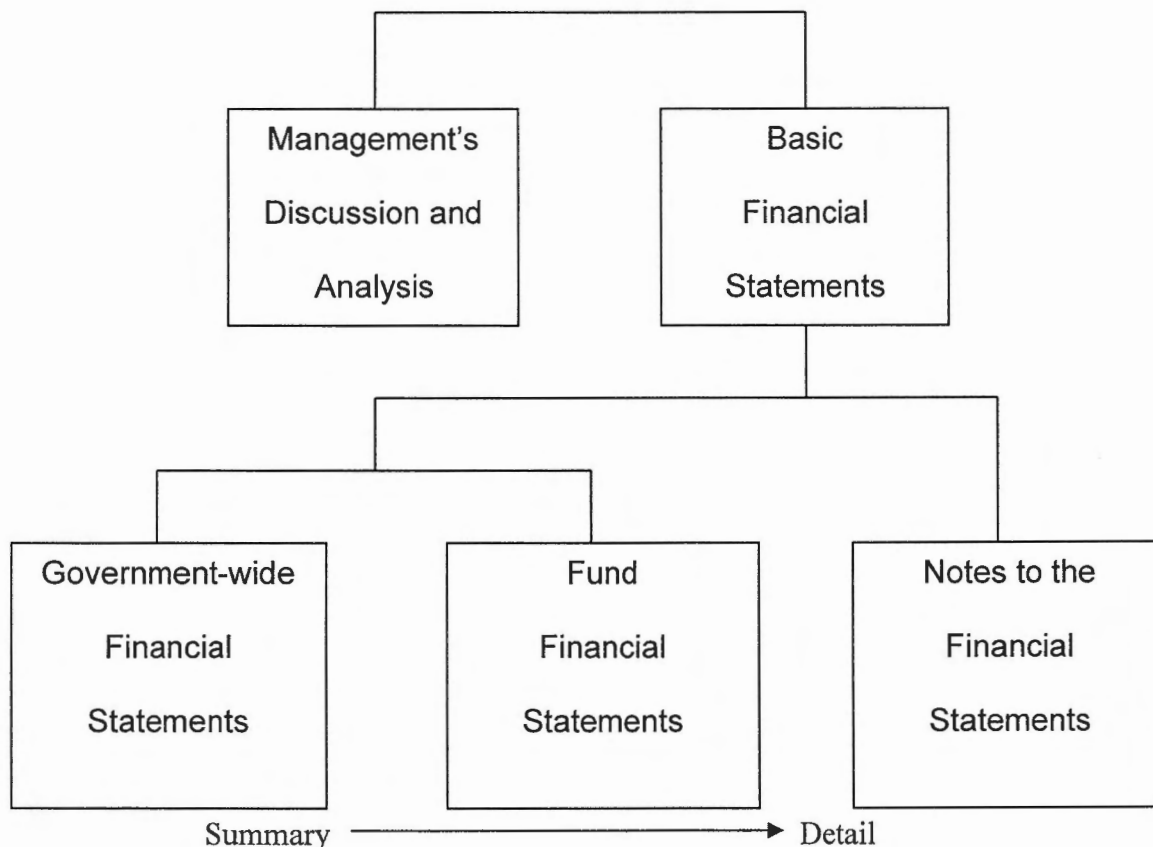
- The assets and deferred outflows of resources of Town of Mount Gilead exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,926,994 (*net position*).
- The government's total net position decreased by \$214,119 which is due largely to an operating loss in the Water and Sewer Fund and Main Street stormwater improvements in the General Fund.
- As of the close of the current fiscal year, Town of Mount Gilead's governmental funds reported combined ending fund balance of \$1,322,716, a decrease of \$363,771 in comparison with the prior year. Approximately thirty-seven percent (37%) of this total amount, or \$493,392, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$497,875 or 28% of total General Fund expenditures for the fiscal year.
- Town of Mount Gilead's debt decreased by \$121,497 during the current fiscal year due to Clean Water State Revolving Funds loan proceeds for the Wastewater Rehabilitation Project and scheduled payments.
- Town of Mount Gilead completed a major wastewater rehabilitation project in 2021-2022 costing \$3,411,871. The project was funded with Clean Water State Revolving Funds provided by the U.S. Environmental Protection Agency.
- Town of Mount Gilead has been awarded \$363,952 of American Rescue Plan funds which it plans to use as revenue replacement to supplant salaries. The Town has received \$181,976 of these funds as of June 30, 2022.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Management's Discussion and Analysis
Town of Mount Gilead

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

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

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

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

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

Management's Discussion and Analysis
Town of Mount Gilead

Government-Wide Financial Analysis

Town of Mount Gilead's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 1,633,367	\$ 1,798,413	\$ 1,925,340	\$ 1,805,746	\$ 3,558,707	\$ 3,604,159
Capital assets, net	1,986,131	1,668,288	11,649,766	12,037,806	13,635,897	13,706,094
Deferred outflows of resources	190,598	141,764	96,931	69,821	287,529	211,585
Total assets and deferred outflows of resources	<u>3,810,096</u>	<u>3,608,465</u>	<u>13,672,037</u>	<u>13,913,373</u>	<u>17,482,133</u>	<u>17,521,838</u>
Current and other liabilities	261,106	32,504	84,405	97,337	345,511	129,841
Long-term liabilities:						
Due within one year	-	-	174,043	178,750	174,043	178,750
Due after one year	222,031	293,347	3,539,909	3,715,307	3,761,940	4,008,654
Deferred inflows of resources	173,182	51,624	100,463	11,856	273,645	63,480
Total liabilities and deferred inflows of resources	<u>656,319</u>	<u>377,475</u>	<u>3,898,820</u>	<u>4,003,250</u>	<u>4,555,139</u>	<u>4,380,725</u>
Net Position						
Net investment in capital assets	1,986,131	1,668,288	8,023,994	8,290,537	10,010,125	9,958,825
Restricted	252,664	280,716	-	-	252,664	280,716
Unrestricted	914,982	1,281,986	1,749,223	1,619,586	2,664,205	2,901,572
Total net position	<u>\$ 3,153,777</u>	<u>\$ 3,230,990</u>	<u>\$ 9,773,217</u>	<u>\$ 9,910,123</u>	<u>\$ 12,926,994</u>	<u>\$ 13,141,113</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Mount Gilead exceeded liabilities and deferred inflows by \$12,926,994, as of June 30, 2022. The Town's net position decreased by \$214,119 for the fiscal year ended June 30, 2022. The largest portion, \$10,010,125 (77%), reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. Town of Mount Gilead uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Town of Mount Gilead's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Town of Mount Gilead's net position, \$252,664 or (2%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,664,205 or (21%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.08%

Management's Discussion and Analysis
Town of Mount Gilead

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

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for services	\$ 121,755	\$ 108,317	\$ 1,301,399	\$ 1,331,086	\$ 1,423,154	\$ 1,439,403
Operating grants and contributions	86,376	79,142	-	-	86,376	79,142
Capital grants and contributions	74,352	68,437	-	33,080	74,352	101,517
General Revenues:						
Property taxes	579,912	578,934	-	-	579,912	578,934
Other taxes and licenses	500,143	440,840	-	-	500,143	440,840
Grants and contributions not restricted	8,107	5,329	-	-	8,107	5,329
Investment earnings, unrestricted	414	93	927	400	1,341	493
Miscellaneous, unrestricted	804	14,862	-	-	804	14,862
Total Revenues	<u>1,371,863</u>	<u>1,295,954</u>	<u>1,302,326</u>	<u>1,364,566</u>	<u>2,674,189</u>	<u>2,660,520</u>
Expenses						
Program Expenses:						
General government	226,388	206,603	-	-	226,388	206,603
Public safety	713,641	562,268	-	-	713,641	562,268
Transportation	244,955	143,641	-	-	244,955	143,641
Economic and physical development	41,056	39,698	-	-	41,056	39,698
Environmental protection	122,603	96,273	-	-	122,603	96,273
Culture and recreation	101,165	104,864	-	-	101,165	104,864
Water and sewer	-	-	1,438,500	1,514,702	1,438,500	1,514,702
Total Expenses	<u>1,449,808</u>	<u>1,153,347</u>	<u>1,438,500</u>	<u>1,514,702</u>	<u>2,888,308</u>	<u>2,668,049</u>
Change in net position before transfers	(77,945)	142,607	(136,174)	(150,136)	(214,119)	(7,529)
Transfers	<u>732</u>	<u>2,646</u>	<u>(732)</u>	<u>(2,646)</u>	<u>-</u>	<u>-</u>
Change in net position	(77,213)	145,253	(136,906)	(152,782)	(214,119)	(7,529)
Net Position	<u>3,230,990</u>	<u>3,085,737</u>	<u>9,910,123</u>	<u>10,062,905</u>	<u>13,141,113</u>	<u>13,148,642</u>
Net Position, June 30	<u>\$ 3,153,777</u>	<u>\$ 3,230,990</u>	<u>\$ 9,773,217</u>	<u>\$ 9,910,123</u>	<u>\$ 12,926,994</u>	<u>\$ 13,141,113</u>

Governmental activities: Governmental activities decreased the Town's net position by \$77,213. Key elements of this decrease are as follows:

- Increases in expenditures in all departments
- Significant Main Street stormwater improvements

Business-type activities: Business-type activities decreased Town of Mount Gilead's net position by \$136,906. Key elements of this decrease are as follows:

- Significant repairs at the wastewater treatment plant and wastewater collection
- Depreciation of assets in the amount of \$499,363

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of Town of Mount Gilead. At the end of the current fiscal year, the fund balance available in the General Fund was \$1,128,284, while the total fund balance was \$1,307,277. The Town currently has an available fund balance of 64% of General Fund expenditures, while the total fund balance represents 74% of the same amount.

At June 30, 2022, the governmental funds of Town of Mount Gilead reported a combined fund balance of \$1,322,716, a 22% decrease from the prior year. Included in this change in fund balance is an increase in the fund balance of the Debt Service Reserve Fund.

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

Budgeted expenditures increased in the areas of public safety, transportation, and economic and physical development. Overall, there was an increase in budgeted expenditures in the General Fund of 25% primarily due to the purchase of two police cruisers, transfer to the Sidewalk Extension Project, stormwater repairs, and Main Street stormwater improvements.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,749,223. The total decrease in net position

Management's Discussion and Analysis
Town of Mount Gilead

for the Water and Sewer Fund was \$136,906. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Assets and Debt Administration

Capital assets: Town of Mount Gilead's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$13,635,897 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and distribution and collection systems.

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

- Main Street stormwater improvements
- New roof on a downtown arts building
- Mobile radios for the fire and police departments
- Two new police vehicles
- New truck for public works
- Submersible pump for the sewer plant
- Remote disconnect for the water plant
- Completion of construction of the wastewater rehabilitation project

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

Description	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 223,785	\$ 223,785	\$ 4,000	\$ 4,000	\$ 227,785	\$ 227,785
Construction in progress	20,386	42,662	-	-	20,386	42,662
Buildings	403,214	393,530	-	-	403,214	393,530
Other improvements	61,168	66,487	-	-	61,168	66,487
Infrastructure	676,296	423,555	-	-	676,296	423,555
Equipment	413,300	325,557	-	-	413,300	325,557
Recreation facilities	180,315	184,879	-	-	180,315	184,879
Artwork	7,667	7,833	-	-	7,667	7,833
Water distribution system	-	-	1,843,198	1,896,538	1,843,198	1,896,538
Sewer system	-	-	9,802,568	10,137,268	9,802,568	10,137,268
	<u>\$1,986,131</u>	<u>\$1,668,288</u>	<u>\$11,649,766</u>	<u>\$12,037,806</u>	<u>\$13,635,897</u>	<u>\$13,706,094</u>

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

Long-term Debt: As of June 30, 2022, Town of Mount Gilead had total bonded debt outstanding of \$1,069,000. Of this, \$475,000 is debt backed by the full faith and credit of the Town.

Town of Mount Gilead's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Direct placement general obligation bonds	\$ -	\$ -	\$ 475,000	\$ 494,000	\$ 475,000	\$ 494,000
Direct placement revenue bonds	-	-	594,000	606,000	594,000	606,000
Direct borrowing installment purchases	-	-	2,556,772	2,647,269	2,556,772	2,647,269
Compensated absences	34,558	27,023	23,529	22,201	58,087	49,224
Net pension liability (LGERS)	93,923	191,304	64,651	124,587	158,574	315,891
Total pension liability (LEO)	<u>93,550</u>	<u>75,020</u>	<u>-</u>	<u>-</u>	<u>93,550</u>	<u>75,020</u>
	<u>\$ 222,031</u>	<u>\$ 293,347</u>	<u>\$3,713,952</u>	<u>\$3,894,057</u>	<u>\$3,935,983</u>	<u>\$4,187,404</u>

Town of Mount Gilead's Outstanding Debt

Town of Mount Gilead's total debt (including compensated absences and pensions) decreased by \$251,421 during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Mount Gilead is \$5,609,420. The Town had \$-0- in bonds authorized, but un-issued, at June 30, 2022.

Additional information regarding Town of Mount Gilead's long-term debt can be found in Note 3 beginning on page 35 of this report.

Economic Factors and Next Year's Budgets and Rates

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

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities: Property tax rates will remain steady at \$.57 per \$100 of assessed value and stabilized, allowing for a 94% collection rate. Sales taxes are forecasted to increase slightly per N.C. Department of Revenue projections. Considering economic factors, the Town budgeted conservatively for those revenues. The Town hopes to maintain programs currently in place.

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

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

Business-type Activities: The water and sewer rates for the Town will not change in the 2022-2023 fiscal year, except for increases in out-of-town water and sewer rates. Future rate increases will be necessary to accommodate unfunded state monitoring mandates and improvements to capital infrastructure. Rates for customers outside of the Town's corporate limits will remain higher and under constant cost analysis and review.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager; PO Box 325; Mount Gilead, NC 27306; (910) 439-6687; manager@mtgileadnc.com.

BASIC FINANCIAL STATEMENTS

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2022

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,157,081	\$ 1,488,329	\$ 2,645,410
Receivables:			
Taxes receivable (net)	40,520	-	40,520
Accounts receivable (net)	27,952	191,232	219,184
Accrued interest receivable	9,025	1,117	10,142
Due from other governments	145,414	56,898	202,312
Inventories	2,668	26,411	29,079
Restricted assets:			
Cash and cash equivalents	250,707	160,000	410,707
Due from other governments	-	1,353	1,353
Capital assets:			
Land and other nondepreciable assets	244,171	4,000	248,171
Other capital assets (net)	<u>1,741,960</u>	<u>11,645,766</u>	<u>13,387,726</u>
TOTAL ASSETS	<u>3,619,498</u>	<u>13,575,106</u>	<u>17,194,604</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>190,598</u>	<u>96,931</u>	<u>287,529</u>
LIABILITIES			
Accounts payable and accrued liabilities	72,290	60,298	132,588
Due to other governments	6,840	21,276	28,116
Accrued interest payable	-	2,831	2,831
Liabilities payable from restricted assets	181,976	-	181,976
Long-term liabilities:			
Due within one year	-	174,043	174,043
Due in more than one year	<u>222,031</u>	<u>3,539,909</u>	<u>3,761,940</u>
TOTAL LIABILITIES	<u>483,137</u>	<u>3,798,357</u>	<u>4,281,494</u>
DEFERRED INFLOWS OF RESOURCES	<u>173,182</u>	<u>100,463</u>	<u>273,645</u>
NET POSITION			
Net investment in capital assets	1,986,131	8,023,994	10,010,125
Restricted for:			
Stabilization by State statute	176,325	-	176,325
Streets - Powell Bill	68,731	-	68,731
Public safety	3,066	-	3,066
Culture and recreation	4,049	-	4,049
Other purposes	493	-	493
Unrestricted	<u>914,982</u>	<u>1,749,223</u>	<u>2,664,205</u>
TOTAL NET POSITION	<u>\$ 3,153,777</u>	<u>\$ 9,773,217</u>	<u>\$ 12,926,994</u>

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Exhibit 2

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental activities:							
General government	\$ 226,388	\$ 4,295	\$ 8,250	\$ -	\$ (213,843)	\$ -	\$ (213,843)
Public safety	713,641	2,879	11,233	58,449	(641,080)	-	(641,080)
Transportation	244,955	-	42,810	15,903	(186,242)	-	(186,242)
Economic and physical development	41,056	2,230	5,650	-	(33,176)	-	(33,176)
Environmental protection	122,603	85,538	-	-	(37,065)	-	(37,065)
Culture and recreation	101,165	26,813	18,433	-	(55,919)	-	(55,919)
Total governmental activities	<u>1,449,808</u>	<u>121,755</u>	<u>86,376</u>	<u>74,352</u>	<u>(1,167,325)</u>	<u>-</u>	<u>(1,167,325)</u>
Business-type activities:							
Water and sewer	<u>1,438,500</u>	<u>1,301,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137,101)</u>	<u>(137,101)</u>
	<u>\$ 2,888,308</u>	<u>\$ 1,423,154</u>	<u>\$ 86,376</u>	<u>\$ 74,352</u>	<u>(1,167,325)</u>	<u>(137,101)</u>	<u>(1,304,426)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					579,912	-	579,912
Other taxes and licenses					500,143	-	500,143
Grants and contributions not restricted to specific programs					8,107	-	8,107
Investment earnings, unrestricted					414	927	1,341
Miscellaneous, unrestricted					804	-	804
					<u>1,089,380</u>	<u>927</u>	<u>1,090,307</u>
Total general revenues not including transfers							
Transfers					<u>732</u>	<u>(732)</u>	<u>-</u>
					<u>1,090,112</u>	<u>195</u>	<u>1,090,307</u>
Total general revenues and transfers							
					<u>(77,213)</u>	<u>(136,906)</u>	<u>(214,119)</u>
Change in net position							
Net position, beginning					<u>3,230,990</u>	<u>9,910,123</u>	<u>13,141,113</u>
					<u>\$ 3,153,777</u>	<u>\$ 9,773,217</u>	<u>\$ 12,926,994</u>
Net position, ending							

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

Exhibit 3-1

	<u>Major Funds</u>			Total Governmental Funds	Total Governmental Funds
	General Fund	ARP Funds Special Revenue Fund	Non-major Governmental Funds		
ASSETS					
Cash and cash equivalents	\$ 1,137,159	\$ -	\$ 19,922	\$ 1,157,081	
Restricted cash and cash equivalents	68,731	181,976	-	250,707	
Taxes receivable (net)	40,520	-	-	40,520	
Accounts receivable (net)	27,952	-	-	27,952	
Due from other governments	129,511	-	15,903	145,414	
Due from other funds	18,862	-	-	18,862	
Inventories	2,668	-	-	2,668	
	<u>1,425,403</u>	<u>181,976</u>	<u>35,825</u>	<u>1,643,204</u>	
TOTAL ASSETS					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 70,766	\$ -	\$ 1,524	\$ 72,290	
Due to other governments	6,840	-	-	6,840	
Due to other funds	-	-	18,862	18,862	
Unearned revenues	-	181,976	-	181,976	
	<u>77,606</u>	<u>181,976</u>	<u>20,386</u>	<u>279,968</u>	
TOTAL LIABILITIES					
DEFERRED INFLOWS OF RESOURCES	<u>40,520</u>	<u>-</u>	<u>-</u>	<u>40,520</u>	
FUND BALANCES					
Nonspendable:					
Inventories	2,668	-	-	2,668	
Restricted:					
Stabilization by State statute	176,325	-	-	176,325	
Streets - Powell Bill	68,731	-	-	68,731	
Public safety	3,066	-	-	3,066	
Culture and recreation	-	-	4,049	4,049	
Other purposes	493	-	-	493	
Committed:					
Debt service	-	-	15,873	15,873	
Assigned:					
Fire department	177,076	-	-	177,076	
Subsequent year's expenditures	381,043	-	-	381,043	
Unassigned	497,875	-	(4,483)	493,392	
	<u>1,307,277</u>	<u>-</u>	<u>15,439</u>	<u>1,322,716</u>	
TOTAL FUND BALANCES					
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
	<u>\$ 1,425,403</u>	<u>\$ 181,976</u>	<u>\$ 35,825</u>	<u>\$ 1,643,204</u>	

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
June 30, 2022

Exhibit 3-2

Fund balances - Total governmental funds (Exhibit 3-1) \$ 1,322,716

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,986,131

Deferred outflows of resources related to pensions are not reported in the funds. 190,598

Other long-term assets are not available to pay for current-period expenditures and, therefore, are inflows of resources in the funds.
 Accrued interest receivable on taxes receivable 9,025

Earned revenues considered deferred inflows of resources in fund statements. 40,520

Deferred inflows of resources related to pensions are not reported in the funds. (173,182)

Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.
 Compensated absences (34,558)
 Net pension liability (LGERS) (93,923)
 Total pension liability (LEO) (93,550)

Net position of governmental activities (Exhibit 1) \$ 3,153,777

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit 4-1

	Major Funds		Total Non-major Governmental Funds	Total Governmental Funds
	General Fund	ARP Funds Special Revenue Fund		
REVENUES				
Ad valorem taxes	\$ 588,523	\$ -	\$ -	\$ 588,523
Other taxes and licenses	90	-	-	90
Unrestricted intergovernmental	507,367	-	-	507,367
Restricted intergovernmental	153,857	-	15,903	169,760
Permits and fees	1,000	-	-	1,000
Sales and services	118,245	-	-	118,245
Investment earnings	414	-	-	414
Miscellaneous	16,341	-	-	16,341
TOTAL REVENUES	<u>1,385,837</u>	<u>-</u>	<u>15,903</u>	<u>1,401,740</u>
EXPENDITURES				
Current:				
General government	222,355	-	-	222,355
Public safety	781,051	-	-	781,051
Transportation	474,249	-	-	474,249
Economic and physical developmen	73,941	-	-	73,941
Environmental protection	122,603	-	-	122,603
Culture and recreation	85,320	-	-	85,320
Capital outlay	-	-	6,724	6,724
TOTAL EXPENDITURES	<u>1,759,519</u>	<u>-</u>	<u>6,724</u>	<u>1,766,243</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(373,682)</u>	<u>-</u>	<u>9,179</u>	<u>(364,503)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	29,795	29,795
Transfers to other funds	(1,913)	-	(27,150)	(29,063)
Sale of capital assets	-	-	-	-
	<u>(1,913)</u>	<u>-</u>	<u>2,645</u>	<u>732</u>
NET CHANGE IN FUND BALANCES	<u>(375,595)</u>	<u>-</u>	<u>11,824</u>	<u>(363,771)</u>
FUND BALANCES, beginning	<u>1,682,872</u>	<u>-</u>	<u>3,615</u>	<u>1,686,487</u>
FUND BALANCES, ending	<u>\$ 1,307,277</u>	<u>\$ -</u>	<u>\$ 15,439</u>	<u>\$ 1,322,716</u>

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Exhibit 4-2

Net change in fund balances - total governmental funds (Exhibit 4-1) \$ (363,771)

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

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

Capital outlay expenditures	430,608
Depreciation expense for governmental assets	(112,765)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities	51,359
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Benefit payments paid and administration costs for the LEOSSA are not included on the statement of activities.	337
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in accrued interest receivable on taxes	138
Change in unavailable revenues	(30,015)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in compensated absences	(7,535)
Pension expense	<u>(45,569)</u>

Total change in net position of governmental activities (Exhibit 2) \$ (77,213)

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ANNUAL BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

Exhibit 5

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 534,000	\$ 534,000	\$ 588,523	\$ 54,523
Other taxes and licenses	100	100	90	(10)
Unrestricted intergovernmental	352,000	352,000	507,367	155,367
Restricted intergovernmental	98,600	98,600	153,857	55,257
Permits and fees	600	600	1,000	400
Sales and services	89,900	89,900	118,245	28,345
Investment earnings	1,000	1,000	414	(586)
Miscellaneous	6,300	7,050	16,341	9,291
TOTAL REVENUES	<u>1,082,500</u>	<u>1,083,250</u>	<u>1,385,837</u>	<u>302,587</u>
EXPENDITURES				
Current:				
General government	247,013	242,013	222,355	19,658
Public safety	782,532	865,504	781,051	84,453
Transportation	202,059	527,993	474,249	53,744
Economic and physical development	56,900	61,900	73,941	(12,041)
Environmental protection	145,900	121,900	122,603	(703)
Culture and recreation	97,100	97,850	85,320	12,530
TOTAL EXPENDITURES	<u>1,531,504</u>	<u>1,917,160</u>	<u>1,759,519</u>	<u>157,641</u>
REVENUES UNDER EXPENDITURES	<u>(449,004)</u>	<u>(833,910)</u>	<u>(373,682)</u>	<u>460,228</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	20,755	-	(20,755)
Transfers to other funds	-	(27,337)	(1,913)	25,424
	<u>-</u>	<u>(6,582)</u>	<u>(1,913)</u>	<u>4,669</u>
REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES	<u>(449,004)</u>	<u>(840,492)</u>	<u>(375,595)</u>	<u>464,897</u>
APPROPRIATED FUND BALANCE	<u>449,004</u>	<u>840,492</u>	<u>-</u>	<u>(840,492)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(375,595)</u>	<u>\$ (375,595)</u>
FUND BALANCE, beginning			<u>1,682,872</u>	
FUND BALANCE, ending			<u>\$ 1,307,277</u>	

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
June 30, 2022

Exhibit 6

	<u>Water and Sewer Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,488,329
Accounts receivable (net)	191,232
Accrued interest receivable	1,117
Due from other governments	56,898
Inventories	26,411
Restricted assets:	
Cash and cash equivalents	160,000
Due from other governments	1,353
TOTAL CURRENT ASSETS	<u>1,925,340</u>
NONCURRENT ASSETS	
Capital assets:	
Land and other nondepreciable assets	4,000
Other capital assets (net)	11,645,766
TOTAL NONCURRENT ASSETS	<u>11,649,766</u>
TOTAL ASSETS	<u>13,575,106</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>96,931</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	60,298
Due to other governments	21,276
Accrued interest payable	2,831
Current portion of long-term debt	174,043
TOTAL CURRENT LIABILITIES	<u>258,448</u>
NONCURRENT LIABILITIES	
Compensated absences	23,529
Net pension liability	64,651
Long-term debt	3,451,729
TOTAL NONCURRENT LIABILITIES	<u>3,539,909</u>
TOTAL LIABILITIES	<u>3,798,357</u>
DEFERRED INFLOWS OF RESOURCES	<u>100,463</u>
NET POSITION	
Net investment in capital assets	8,023,994
Unrestricted	1,749,223
TOTAL NET POSITION	<u>\$ 9,773,217</u>

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2022

Exhibit 7

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Water sales	\$ 226,869
Sewer charges	993,071
Water and sewer taps and fees	59,454
Other operating revenues	<u>22,005</u>
TOTAL OPERATING REVENUES	<u>1,301,399</u>
OPERATING EXPENSES	
Water/Wastewater administration	233,984
Water operations	213,252
Wastewater collection system	259,519
Wastewater plant	195,709
Depreciation	<u>499,363</u>
TOTAL OPERATING EXPENSES	<u>1,401,827</u>
OPERATING LOSS	<u>(100,428)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	927
Interest and fees	<u>(36,673)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(35,746)</u>
LOSS BEFORE TRANSFERS	(136,174)
TRANSFERS	<u>(732)</u>
CHANGE IN NET POSITION	(136,906)
NET POSITION, beginning	<u>9,910,123</u>
NET POSITION, ending	<u><u>\$ 9,773,217</u></u>

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2022

Exhibit 8
Page 1 of 2

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,235,259
Cash paid for goods and services	(659,103)
Cash paid to or on behalf of employees for services	(263,254)
Other operating receipts	<u>22,005</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>334,907</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to debt service reserve fund	<u>(732)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(111,323)
Loan proceeds	45,839
Principal paid on debt	(167,336)
Interest paid on debt	<u>(36,763)</u>
NET CASH USED BY CAPITAL AND AND RELATED FINANCING ACTIVITIES	<u>(269,583)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>304</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,896
CASH AND CASH EQUIVALENTS, beginning	<u>1,583,433</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 1,648,329</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET:	
Cash and cash equivalents in current assets	\$ 1,488,329
Cash and cash equivalents in restricted assets	<u>160,000</u>
	<u>\$ 1,648,329</u>

**TOWN OF MOUNT GILEAD, NORTH CAROLINA
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 For the Year Ended June 30, 2022**

**Exhibit 8
 Page 2 of 2**

	<u>Water and Sewer Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (100,428)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	499,363
(Increase) decrease in:	
Accounts receivable (net)	(40,493)
Due from other governments	(7,409)
Inventories	(6,173)
Deferred outflows of resources - pensions	(27,110)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(25,123)
Due to other governments	12,281
Compensated absences payable	1,328
Net pension liability	(59,936)
Deferred inflows of resources - pensions	<u>88,607</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 334,907</u>

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. BASIS OF PRESENTATION

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a specific 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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds, when applicable.

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

The Town reports the following major governmental 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, and street maintenance and construction.

American Rescue Plan Funds Special Revenue Fund. This fund is used to account for transactions related to the American Rescue Plan Coronavirus State and Local Fiscal Recovery Funds.

The Town reports the following non-major governmental funds:

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

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

Stanback Park Sidewalk Extension Project Fund. This fund is used to account for N.C. Department of Transportation grant funds that are restricted for pedestrian sidewalk improvements.

The Town reports the following major enterprise fund:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

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

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program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. BUDGETARY DATA

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

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

DEPOSITS AND INVESTMENTS

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

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

CASH AND CASH EQUIVALENTS

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

RESTRICTED ASSETS

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

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Restricted cash and cash equivalents for the Town as of June 30, 2022, consisted of the following:

<i>Governmental Activities:</i>	
Streets	\$ 68,731
Unassigned grant proceeds	<u>181,976</u>
	<u>\$ 250,707</u>
 <i>Business-type Activities:</i>	
Sewer system	<u>\$ 160,000</u>

AD VALOREM TAXES RECEIVABLE

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021.

ALLOWANCES FOR DOUBTFUL ACCOUNTS

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

INVENTORIES

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

CAPITAL ASSETS

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

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

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

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DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

REIMBURSEMENTS FOR PANDEMIC-RELATED EXPENDITURES

In fiscal year 2020/2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and to replace lost revenue for eligible state, local territorial, and tribal governments. The Town was awarded \$363,952 in American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds to be paid in two equal installments. The first tranche of \$181,976 was received by the Town in August 2021. The second tranche of the same amount was received in August 2022. The Town plans to use the funds for revenue replacement by supplanting salaries, meet the grantor requirements of encumbering costs by December 31, 2024, and have all funds fully expended by December 31, 2026. Unassigned grant proceeds of \$181,976 are included in unearned revenues in the governmental funds and in liabilities payable from restricted assets in the government-wide financial statements as of June 30, 2022.

LONG-TERM OBLIGATIONS

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

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

COMPENSATED ABSENCES

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

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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NET POSITION/FUND BALANCES

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEFINED BENEFIT COST-SHARING PLANS

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. SIGNIFICANT VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Noncompliance with North Carolina General Statutes

Daily deposits: During the year ended June 30, 2022, the Town did not make daily deposits as required by State law [G.S. 159-32] in one documented instance. Procedures and controls have been implemented to monitor this in the future.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2022, the expenditures exceeded the authorized appropriations made by the governing board in the Town's General Fund for governing body, economic and physical development – Redevelopment Corporation, sanitation, and library. Management plans to implement review procedures to ensure compliance with Board approved appropriations in the future.

C. DEFICIT FUND BALANCE OR NET POSITION OF INDIVIDUAL FUNDS

The Stanback Park Sidewalk Extension Project Fund had a deficit fund balance at June 30, 2022. This project is being funded by a Transportation Alternatives Program grant through the N.C. Department of Transportation (NCDOT). Engineering costs incurred to date will be reimbursed from the federal grant, Powell Bill funds, or local funds of the Town. A requisition was submitted to NCDOT as of year-end. The costs to date will most likely be funded by the General Fund of the Town, but the Town had not yet determined this funding or budgeted any transfer as of June 30, 2022.

NOTE 3 – DETAIL NOTES ON ALL FUNDS

A. ASSETS

DEPOSITS

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

At June 30, 2022, the Town's deposits had a carrying amount of \$2,655,995 and a bank balance of \$2,706,035. At June 30, 2022, the Town's bank balances exceeded federally insured limits by \$1,996,551. All deposits of the Town are insured or collateralized under the Pooling Method. At June 30, 2022, the Town's petty cash fund totaled \$550.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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INVESTMENTS

At June 30, 2022, the Town's investments consisted of \$399,572 in the North Carolina Capital Management's Trust – Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no formal policy on credit risk, but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30.

RECEIVABLES – ALLOWANCES FOR DOUBTFUL ACCOUNTS

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

Funds

General – Taxes receivable	\$ 30,000
Enterprise	<u>195,200</u>
TOTAL	<u>\$ 225,200</u>

(Left blank intentionally.)

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 223,785	\$ -	\$ -	\$ 223,785
Construction in progress	42,662	6,724	29,000	20,386
	<u>266,447</u>	<u>6,724</u>	<u>29,000</u>	<u>244,171</u>
Capital assets being depreciated:				
Buildings	727,334	32,885	-	760,219
Other improvements	155,242	-	-	155,242
Infrastructure	573,286	276,472	-	849,758
Equipment	901,249	137,742	-	1,038,991
Recreation facilities	696,724	5,785	-	702,509
Artwork	10,000	-	-	10,000
	<u>3,063,835</u>	<u>452,884</u>	<u>-</u>	<u>3,516,719</u>
Less accumulated depreciation for:				
Buildings	333,804	23,201	-	357,005
Other improvements	88,755	5,319	-	94,074
Infrastructure	149,731	23,731	-	173,462
Equipment	575,692	49,999	-	625,691
Recreation facilities	511,845	10,349	-	522,194
Artwork	2,167	166	-	2,333
	<u>1,661,994</u>	<u>112,765</u>	<u>-</u>	<u>1,774,759</u>
	<u>1,401,841</u>			<u>1,741,960</u>
Governmental activities capital assets, net	<u>\$ 1,668,288</u>			<u>\$ 1,986,131</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 6,650
Public safety	53,797
Transportation	30,688
Culture and recreation	21,630
	<u>\$ 112,765</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Capital assets being depreciated:				
Water distribution system	3,372,456	26,239	-	3,398,695
Sewer system	16,606,614	85,084	4,498	16,687,200
	<u>19,979,070</u>	<u>111,323</u>	<u>4,498</u>	<u>20,085,895</u>
Less accumulated depreciation for:				
Water distribution system	1,475,918	79,579	-	1,555,497
Sewer system	6,469,346	419,784	4,498	6,884,632
	<u>7,945,264</u>	<u>499,363</u>	<u>4,498</u>	<u>8,440,129</u>
	<u>12,033,806</u>			<u>11,645,766</u>
Business-type activities capital assets, net	<u>\$ 12,037,806</u>			<u>\$ 11,649,766</u>

Depreciation expense for the year ended June 30, 2022, was \$499,363.

Construction commitments

The Town had the following active project at June 30, 2022. The project is to be funded largely by a federal grant. The Town's commitments with contractors and engineers at June 30, 2022, was as follows:

Stanback Park sidewalk extension project	<u>\$ 19,118</u>
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TOWN OF MOUNT GILEAD, NORTH CAROLINA
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B. LIABILITIES

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

Local Governmental Employees' Retirement System

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

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

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

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Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Mount Gilead employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Mount Gilead's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.42% for general employees, actuarially determined as an amount that when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Town of Mount Gilead were \$79,957 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Town reported a liability of \$158,574 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Town's proportion was 0.01034% (measured as of June 30, 2021), which was an increase of 0.0015% from its proportion as of June 30, 2021 (measured as of June 30, 2020).

For the year ended June 30, 2022, the Town recognized pension expense of \$66,245. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 50,448	\$ -
Changes of assumptions	99,625	-
Net difference between projected and actual earnings on pension plan investments	-	226,554
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,534	19,859
Town's contributions subsequent to the measurement date	<u>79,957</u>	<u>-</u>
Total	<u>\$ 247,564</u>	<u>\$ 246,413</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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\$79,957 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2023	\$ 10,435
2024	(8,575)
2025	(11,341)
2026	(69,325)
2027	-
Thereafter	-

Actuarial Assumptions: The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study as of December 31, 2019.

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, 2021, are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 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 2.50%. All rates of return and inflation are annualized.

Discount Rate: The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 615,570	\$ 158,574	\$ (217,508)

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

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Law Enforcement Officers' Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of 6 active plan members.

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

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

Actuarial Assumptions: The entry age normal actuarial cost method was used in the December 31, 2020, valuation. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021.

Mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

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

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

At June 30, 2022, the Town reported a total pension liability of \$93,550. The total pension liability was measured as of December 31, 2021, based on a December 31, 2020, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$9,146.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,580	\$ 22,944
Changes of assumptions and other inputs	20,048	4,288
Town benefit payments and plan administrative expenses incurred subsequent to the measurement date	<u>337</u>	<u>-</u>
Total	<u>\$ 39,965</u>	<u>\$ 27,232</u>

\$337 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2023	\$ (2,132)
2024	(1,554)
2025	2,048
2026	6,939
2027	5,210
Thereafter	<u>1,885</u>
	<u>\$ 12,396</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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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 2.25 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.25 percent) or one percentage point higher (3.25 percent) than the current rate:

	1% Decrease <u>(1.25%)</u>	Discount Rate <u>(2.25%)</u>	1% Increase <u>(3.25%)</u>
Total pension liability	\$ 106,941	\$ 93,550	\$ 81,682

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

Balance at December 31, 2020	\$ 75,020
Service cost	9,830
Interest on the total pension liability	1,448
Change of benefit terms	-
Differences between expected and actuarial experience	11,365
Changes of assumptions or other inputs	(4,113)
Benefit payments	-
Other changes	-
Balance at December 31, 2021	<u>\$ 93,550</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, 2020, valuation were based on the results of an actuarial experience study for the five year period ended December 31, 2019.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 66,245	\$ 9,146	\$ 75,391
Pension liability	158,574	93,550	252,124
Proportionate share of the net pension liability (asset)	0.01034%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	50,448	19,580	70,028
Changes of assumptions	99,625	20,048	119,673
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,534	-	17,534
Benefit payments and administrative costs paid subsequent to the measurement date	<u>79,957</u>	<u>337</u>	<u>80,294</u>
	<u>247,564</u>	<u>39,965</u>	<u>287,529</u>
Deferred inflows of resources:			
Differences between expected and actual experience	-	22,944	22,944
Changes of assumptions	-	4,288	4,288
Net difference between projected and actual earnings on plan investments	226,554	-	226,554
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>19,859</u>	<u>-</u>	<u>19,859</u>
	<u>246,413</u>	<u>27,232</u>	<u>273,645</u>

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Supplemental Retirement Income Plan For Law Enforcement Officers and General Employees

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

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

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

The Town made contributions of \$26,697 for the reporting year. No amounts were forfeited.

OTHER EMPLOYMENT BENEFITS

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

For the fiscal year ended June 30, 2022, the Town made contributions to the State for death benefits of \$710. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.07% and 0.14% of covered payroll, respectively.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

Contributions to pension plan in current fiscal year (LGERS)	\$	79,957
Benefit payments and administrative costs paid subsequent to the measurement date (LEOSSA)		337
Differences between expected and actual experience		70,028
Changes of assumptions		119,673
Net difference between projected and actual earnings on plan investments		-
Changes in proportion and differences between employer contributions and proportionate share of contributions		<u>17,534</u>
	<u>\$</u>	<u>287,529</u>

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

	General Fund Balance Sheet	Statement of Net Position
	<u> </u>	<u> </u>
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable, less penalties (General Fund)	40,520	-
Differences between expected and actual experience	-	22,944
Changes of assumptions	-	4,288
Net difference between projected and actual earnings on plan investments	-	226,554
Changes in proportion and differences between employer contributinos and proportionate share of contributions	<u>-</u>	<u>19,859</u>
	<u>\$ 40,520</u>	<u>\$ 273,645</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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COMMITMENTS

The Town entered into a maintenance contract for the water tank July 5, 2005. The Town has the right to continue the contract for an indefinite period of time provided the annual fee is paid. The first five annual fees were \$22,463 per year. The sixth annual fee was \$10,978. Each third year thereafter the annual fee is adjusted to reflect the current cost of service. The adjustments, either up or down, are limited to a maximum of 5% annually. The fee paid in 2021-2022 was \$15,014. The annual contract amount is appropriated in each annual budget.

RISK MANAGEMENT

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

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

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

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

CLAIMS AND JUDGMENTS

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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LONG-TERM OBLIGATIONS

1. Installment Purchase

Installment purchase payable consisted of the following direct borrowing at June 30, 2022:

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

\$ 2,556,772

The future minimum payments of the installment purchase as of June 30, 2022, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 142,043	\$ -
2024	142,043	-
2025	142,043	-
2026	142,043	-
2027	142,043	-
2028-2032	710,214	-
2033-2037	710,214	-
2038-2040	426,129	-
	<u>\$ 2,556,772</u>	<u>\$ -</u>

2. General Obligation Bonds

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

General obligation bonds payable at June 30, 2022, are comprised of the following direct placement issue:

General obligation bonds due in annual installments of varying amounts through June 1, 2039, with interest at 4.375% per annum. \$ 475,000

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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Annual debt service requirements to maturity for general obligation bonds, including interest, are as follows:

Year Ending <u>June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 20,000	\$ 20,781
2024	21,000	19,906
2025	22,000	18,987
2026	22,500	18,025
2027	23,500	17,041
2028-2032	134,500	68,775
2033-2037	163,500	36,728
2038-2039	68,000	4,463
	<u>\$ 475,000</u>	<u>\$ 204,706</u>

At June 30, 2022, Town of Mount Gilead had a legal debt margin of \$5,609,420.

3. Revenue Bonds

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

Revenue bonds payable at June 30, 2022, are comprised of the following direct placement issues:

\$618,000 Water and Sewer revenue bond, Series 2015A, issued for water system improvements. Principal and interest installments are due annually on June 1 at an annual interest rate of 2.5%.	\$ 549,000
\$52,000 Water and Sewer revenue bond, Series 2015B, issued for water system improvements. Principal and interest installments are due annually on June 1 at an annual interest rate of 2.5%.	<u>45,000</u>
	<u>\$ 594,000</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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The future payments of the revenue bonds are as follows:

Year Ending <u>June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 12,000	\$ 14,850
2024	12,000	14,550
2025	12,000	14,250
2026	13,000	13,950
2027	13,000	13,625
2028-2032	70,000	63,100
2033-2037	78,000	53,925
2038-2042	88,000	43,675
2043-2047	101,000	32,150
2048-2052	116,500	18,700
2053-2055	<u>78,500</u>	<u>3,975</u>
	<u>\$ 594,000</u>	<u>\$ 286,750</u>

The Town is in compliance with all revenue bond covenants as of June 30, 2022. Section 3.04 of the Bond Order requires the debt service coverage ratio with respect to the revenue bonds to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2022, is as follows:

Operating revenues	\$ 1,301,399
Operating expenses (excluding depreciation)	<u>902,464</u>
Operating income	398,935
Nonoperating revenues (expenses)*	<u>(20,620)</u>
Income available for debt service	<u>\$ 378,315</u>
Debt service, principal and interest paid (revenue bonds only)	<u>\$ 27,150</u>
Debt service coverage ratio	<u>1393%</u>

* Does not include revenue bond interest of \$15,126.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
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4. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2022:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 27,023	\$ 7,535	\$ -	\$ 34,558	\$ -
Net pension liability (LGERS)	191,304	-	97,381	93,923	-
Total pension liability (LEO)	<u>75,020</u>	<u>18,530</u>	<u>-</u>	<u>93,550</u>	<u>-</u>
Total governmental activities	<u>\$ 293,347</u>	<u>\$ 26,065</u>	<u>\$ 97,381</u>	<u>\$ 222,031</u>	<u>\$ -</u>
Business-type activities:					
Direct placement general obligation bonds	\$ 494,000	\$ -	\$ 19,000	\$ 475,000	\$ 20,000
Direct placement revenue bonds	606,000	-	12,000	594,000	12,000
Direct borrowing installment purchase	2,647,269	45,839	136,336	2,556,772	142,043
Compensated absences	22,201	1,328	-	23,529	-
Net pension liability (LGERS)	<u>124,587</u>	<u>-</u>	<u>59,936</u>	<u>64,651</u>	<u>-</u>
Total business-type activities	<u>\$ 3,894,057</u>	<u>\$ 47,167</u>	<u>\$ 227,272</u>	<u>\$ 3,713,952</u>	<u>\$ 174,043</u>

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

C. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2022, consist of the following:

Due to General Fund:	
From Stanback Park Sidewalk Extension Project Fund	<u>\$ 18,862</u>
Due to Water and Sewer Fund:	
From Wastewater Rehabilitation Project Fund	<u>\$ 1,353</u>

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

Transfers from/to other funds at June 30, 2022, consist of the following:

	<u>From</u>	<u>To</u>
General Fund:		
To Wastewater Rehabilitation Project Fund	\$ -	\$ 1,913
Debt Service Fund:		
From Water and Sewer Fund	27,150	-
To Water and Sewer Fund	-	27,150
Debt Service Reserve Fund:		
From Water and Sewer Fund	2,645	-
Water and Sewer Fund:		
From Debt Service Fund	27,150	-
To Debt Service Fund	-	27,150
To Debt Service Reserve Fund	-	2,645
Wastewater Rehabilitation Project Fund:		
From General Fund	<u>1,913</u>	<u>-</u>
	<u>\$ 58,858</u>	<u>\$ 58,858</u>

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

NOTE 4 – JOINT VENTURES

Montgomery Municipal ABC Board

The Town participates in a joint venture with Montgomery County and four other towns in the County in the operation of the Montgomery Municipal ABC Board. The ABC Board is composed of one board member appointed by each of the five towns in the County. The County does not appoint a board member. The towns and the County receive profit distributions from the ABC Board as required by State statute. The basic criteria of oversight responsibility was used to determine that the towns do not exercise sufficient control to warrant inclusion of the ABC Board as part of any of the towns' reporting entities. The amount of distributions received by the Town for the year ended June 30, 2022, was \$13,607. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the Town's financial statements at June 30, 2022. Complete financial statements for the ABC Board may be obtained from the ABC Board at PO Box 279, Biscoe, North Carolina 27209.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

North Carolina Rural Water Association

The Town also participates in a joint venture, North Carolina Rural Water Association (NCRWA), with other municipal and county water systems and related businesses in North Carolina to help attain the highest standards in drinking water and wastewater service. NCRWA is governed by a volunteer board of directors from the association's membership. None of the participating governments or businesses have any equity interest in NCRWA, so no equity interest has been reflected in the financial statements at June 30, 2022. In accordance with the agreement between the Town and NCRWA, the Town paid \$365 to NCRWA during the year ended June 30, 2022, for membership dues based upon the Town's water connections. Complete financial statements for NCRWA can be obtained from NCRWA's office at PO Box 540, Welcome, NC 27374.

NOTE 5 – UNDIVIDED INTEREST IN JOINT OPERATION

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

NOTE 6 – RELATED ORGANIZATION

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

NOTE 7 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

FEDERAL AND STATE ASSISTED PROGRAMS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.01034%	0.00884%	0.01004%	0.01011%	0.00940%	0.00771%	0.00907%	0.01127%	0.01150%
Town's proportionate share of the net pension liability (asset) (\$)	\$ 158,574	\$ 315,891	\$ 274,185	\$ 239,844	\$ 143,606	\$ 163,632	\$ 40,706	\$ (66,464)	\$ 138,619
Town's covered payroll	\$ 623,128	\$ 544,472	\$ 549,939	\$ 519,906	\$ 487,834	\$ 431,358	\$ 473,167	\$ 546,813	\$ 544,619
Town's proportion of the net pension liability (asset) as a percentage of its covered payroll	25.45%	58.02%	49.86%	46.13%	29.44%	37.93%	8.60%	(12.15%)	25.45%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 79,957	\$ 65,414	\$ 50,765	\$ 44,777	\$ 40,974	\$ 37,394	\$ 29,995	\$ 34,109	\$ 39,216
Contributions in relation to the contractually required contribution	<u>79,957</u>	<u>65,414</u>	<u>50,765</u>	<u>44,777</u>	<u>40,974</u>	<u>37,394</u>	<u>29,995</u>	<u>34,109</u>	<u>39,216</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$682,119	\$623,128	\$544,472	\$549,939	\$519,906	\$487,834	\$431,358	\$473,167	\$546,813
Contributions as a percentage of covered payroll	11.72%	10.50%	9.32%	8.14%	7.88%	7.67%	6.95%	7.21%	7.17%

TOWN OF MOUNT GILEAD, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 75,020	\$ 41,275	\$ 16,276	\$ 50,220	\$ 60,940	\$ 53,001
Service cost	9,830	7,274	6,640	5,552	5,577	8,433
Interest on the total pension liability	1,448	1,346	592	1,587	2,352	1,892
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	11,365	731	15,782	(40,099)	(23,142)	-
Changes of assumptions and other inputs	(4,113)	24,394	1,985	(984)	4,493	(2,386)
Benefit payments	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 93,550</u>	<u>\$ 75,020</u>	<u>\$ 41,275</u>	<u>\$ 16,276</u>	<u>\$ 50,220</u>	<u>\$ 60,940</u>

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

**TOWN OF MOUNT GILEAD, NORTH CAROLINA
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF
 COVERED PAYROLL
 June 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 93,550	\$ 75,020	\$ 41,275	\$ 16,276	\$ 50,220	\$ 60,940	\$ 53,001
Covered payroll	\$ 267,069	\$ 234,685	\$ 268,287	\$ 225,036	\$ 254,101	\$ 365,080	\$ 365,080
Total pension liability as a percentage of covered payroll	35.03%	31.97%	15.38%	7.23%	19.76%	16.69%	14.52%

Notes to the schedules:

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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

Exhibit A-1
Page 1 of 4

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes			
Taxes	\$ 531,000	\$ 581,702	\$ 50,702
Interest	3,000	6,821	3,821
Total	<u>534,000</u>	<u>588,523</u>	<u>54,523</u>
Other taxes and licenses			
Privilege licenses	<u>100</u>	<u>90</u>	<u>(10)</u>
Unrestricted intergovernmental			
Local option sales taxes	203,000	318,598	115,598
Telecommunications sales tax	12,000	9,204	(2,796)
Utilities sales tax	50,000	57,551	7,551
Piped natural gas sales tax	1,500	2,858	1,358
Video franchise fee	6,000	6,113	113
Sales and use tax hold harmless	70,000	100,293	30,293
Beer and wine tax	4,500	4,643	143
Payments in lieu of taxes	1,000	-	(1,000)
ABC profit distribution	4,000	8,107	4,107
Total	<u>352,000</u>	<u>507,367</u>	<u>155,367</u>
Restricted intergovernmental			
Powell Bill allocation	38,000	42,810	4,810
Controlled substance tax	-	62	62
Police department grants	22,300	44,715	22,415
Fire department grant	35,000	35,000	-
ABC revenue for law enforcement	2,500	5,500	3,000
Solid waste disposal tax	800	882	82
Parks and recreation grant	-	17,388	17,388
CARES Act Funding	<u>-</u>	<u>7,500</u>	<u>7,500</u>
Total	<u>98,600</u>	<u>153,857</u>	<u>55,257</u>
Permits and fees			
Zoning permits and fees	<u>600</u>	<u>1,000</u>	<u>400</u>
Sales and services			
Refuse collection	74,100	83,538	9,438
Rents received	13,700	24,740	11,040
Pool revenues	1,100	6,173	5,073
Other	<u>1,000</u>	<u>3,794</u>	<u>2,794</u>
Total	<u>89,900</u>	<u>118,245</u>	<u>28,345</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

Exhibit A-1
Page 2 of 4

	Final Budget	Actual	Variance Positive (Negative)
Investment earnings	1,000	414	(586)
Miscellaneous	7,050	16,341	9,291
TOTAL REVENUES	1,083,250	1,385,837	302,587
EXPENDITURES			
General government			
Governing body:			
Salaries and employee benefits	-	10,696	-
Professional services	-	12,857	-
Other operating expenditures	-	23,261	-
Total	36,677	46,814	(10,137)
General administration:			
Salaries and employee benefits	-	99,371	-
Professional services	-	8,601	-
Other operating expenditures	-	67,569	-
Total	205,336	175,541	29,795
Total general government	242,013	222,355	19,658
Public safety			
Police:			
Salaries and employee benefits	-	475,905	-
Other operating expenditures	-	105,088	-
Capital outlay	-	84,635	-
Total	708,115	665,628	42,487
Fire:			
Other operating expenditures	-	74,037	-
Capital outlay	-	41,386	-
Total	157,389	115,423	41,966
Total public safety	865,504	781,051	84,453

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

Exhibit A-1
Page 3 of 4

	Final Budget	Actual	Variance Positive (Negative)
Transportation			
Salaries and employee benefits	-	44,241	-
Other operating expenditures	-	170,815	-
Capital outlay	-	259,193	-
Total transportation	<u>527,993</u>	<u>474,249</u>	<u>53,744</u>
Economic and physical development			
Planning:			
Operating expenditures	24,500	22,899	1,601
Community development:			
Operating expenditures	12,400	9,178	3,222
Artisan Center:			
Operating expenditures	-	8,979	-
Capital outlay	-	32,885	-
Total	<u>25,000</u>	<u>41,864</u>	<u>(16,864)</u>
Total economic and physical development	<u>61,900</u>	<u>73,941</u>	<u>(12,041)</u>
Environmental protection			
Sanitation:			
Contracted services	92,400	93,390	(990)
Cemetery:			
Operating expenditures	29,500	29,213	287
Total environmental protection	<u>121,900</u>	<u>122,603</u>	<u>(703)</u>
Culture and recreation			
Parks and recreation:			
Salaries and employee benefits	-	11,779	-
Other operating expenditures	-	56,251	-
Capital outlay	-	5,785	-
Total	<u>86,450</u>	<u>73,815</u>	<u>12,635</u>
Library:			
Donation to library	-	4,400	-
Other operating expenditures	-	7,105	-
Total	<u>11,400</u>	<u>11,505</u>	<u>(105)</u>
Total culture and recreation	<u>97,850</u>	<u>85,320</u>	<u>12,530</u>
TOTAL EXPENDITURES	<u>1,917,160</u>	<u>1,759,519</u>	<u>157,641</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

Exhibit A-1
Page 4 of 4

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES UNDER EXPENDITURES	<u>(833,910)</u>	<u>(373,682)</u>	<u>460,228</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	20,755	-	(20,755)
Transfers to other funds	<u>(27,337)</u>	<u>(1,913)</u>	<u>25,424</u>
	<u>(6,582)</u>	<u>(1,913)</u>	<u>4,669</u>
REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES	(840,492)	(375,595)	464,897
APPROPRIATED FUND BALANCE	<u>840,492</u>	<u>-</u>	<u>(840,492)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(375,595)</u>	<u>\$ (375,595)</u>
FUND BALANCE, beginning		<u>1,682,872</u>	
FUND BALANCE, ending		<u>\$ 1,307,277</u>	

TOWN OF MOUNT GILEAD, NORTH CAROLINA
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2022

Exhibit B-1

	<u>Grants Fund</u>	<u>Debt Service Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Stanback Park Sidewalk Extension Project Fund</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 4,049	\$ -	\$ 15,873	\$ -	\$ 19,922
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,903</u>	<u>15,903</u>
TOTAL ASSETS	<u>\$ 4,049</u>	<u>\$ -</u>	<u>\$ 15,873</u>	<u>\$ 15,903</u>	<u>\$ 35,825</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 1,524	\$ 1,524
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,862</u>	<u>18,862</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,386</u>	<u>20,386</u>
 FUND BALANCE (DEFICIT)					
Restricted:					
Culture and recreation	4,049	-	-	-	4,049
Committed:					
Debt service	-	-	15,873	-	15,873
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,483)</u>	<u>(4,483)</u>
TOTAL FUND BALANCE	<u>4,049</u>	<u>-</u>	<u>15,873</u>	<u>(4,483)</u>	<u>15,439</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,049</u>	<u>\$ -</u>	<u>\$ 15,873</u>	<u>\$ 15,903</u>	<u>\$ 35,825</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit B-2

	Grants Fund	Debt Service Fund	Debt Service Reserve Fund	Stanback Park Sidewalk Extension Project Fund	Totals
REVENUES					
Restricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ 15,903	\$ 15,903
EXPENDITURES					
Current:					
Economic and physical development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	6,724	6,724
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,724</u>	<u>6,724</u>
REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,179</u>	<u>9,179</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	27,150	2,645	-	29,795
Transfers to other funds	-	(27,150)	-	-	(27,150)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>2,645</u>	<u>-</u>	<u>2,645</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>2,645</u>	<u>9,179</u>	<u>11,824</u>
FUND BALANCE (DEFICIT)					
Beginning of year, July 1	<u>4,049</u>	<u>-</u>	<u>13,228</u>	<u>(13,662)</u>	<u>3,615</u>
End of year, June 30	<u>\$ 4,049</u>	<u>\$ -</u>	<u>\$ 15,873</u>	<u>\$ (4,483)</u>	<u>\$ 15,439</u>

**TOWN OF MOUNT GILEAD, NORTH CAROLINA
GRANTS FUND**

Exhibit B-3

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2022**

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA

Exhibit B-4

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	\$ 27,250	\$ 27,150	\$ (100)
Transfers to other funds	<u>(27,250)</u>	<u>(27,150)</u>	<u>100</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		<u>\$ -</u>	

TOWN OF MOUNT GILEAD, NORTH CAROLINA
DEBT SERVICE RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2022

Exhibit B-5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	\$ 2,725	\$ 2,645	\$ (80)
Transfers to other funds	<u>(2,725)</u>	<u>-</u>	<u>2,725</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ -</u>	 2,645	 <u>\$ 2,645</u>
 FUND BALANCE			
Beginning of year, July 1		<u>13,228</u>	
End of year, June 30		<u>\$ 15,873</u>	

TOWN OF MOUNT GILEAD, NORTH CAROLINA
STANBACK PARK SIDEWALK EXTENSION PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2022

Exhibit B-6

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental revenues:					
Transportation Alternatives Program	\$ 108,000	\$ -	\$ 15,903	\$ 15,903	\$ (92,097)
EXPENDITURES					
Capital outlay:					
Construction costs	121,500	-	-	-	121,500
Engineering costs	40,837	13,662	6,724	20,386	20,451
TOTAL EXPENDITURES	<u>162,337</u>	<u>13,662</u>	<u>6,724</u>	<u>20,386</u>	<u>141,951</u>
REVENUES OVER (UNDER)					
EXPENDITURES	(54,337)	(13,662)	9,179	(4,483)	49,854
OTHER FINANCING SOURCES					
Transfers from other funds	54,337	-	-	-	(54,337)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (13,662)</u>	9,179	<u>\$ (4,483)</u>	<u>\$ (4,483)</u>
FUND DEFICIT					
Beginning of year, July 1			(13,662)		
End of year, June 30			<u>\$ (4,483)</u>		

TOWN OF MOUNT GILEAD, NORTH CAROLINA
AMERICAN RESCUE PLAN FUNDS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2022

Exhibit B-7

	Project Authorization	Actual			Variance Positive (Negative)
	Prior Years	Current Year	Total to Date		
REVENUES					
Restricted intergovernmental revenues:					
CSLRF funds	\$ 363,952	\$ -	\$ -	\$ -	\$ (363,952)
OTHER FINANCING USES					
Transfers to other funds	<u>(363,952)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>363,952</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Water sales	\$ 207,000	\$ 226,869	\$ 19,869
Sewer charges	878,000	993,071	115,071
Water and sewer taps and fees	16,000	59,454	43,454
Other operating revenues	13,500	22,005	8,505
Total operating revenues	<u>1,114,500</u>	<u>1,301,399</u>	<u>186,899</u>
Nonoperating revenues:			
Investment earnings	1,000	927	(73)
TOTAL REVENUES	<u>1,115,500</u>	<u>1,302,326</u>	<u>186,826</u>
EXPENDITURES			
Water/Wastewater Administration:			
Salaries and employee benefits	-	144,138	-
Repairs and maintenance	-	893	-
Other operating expenditures	-	88,352	-
Total	<u>270,919</u>	<u>233,383</u>	<u>37,536</u>
Water Operations:			
Salaries and employee benefits	-	75,423	-
Water purchases	-	87,284	-
Repairs and maintenance	-	3,877	-
Other operating expenditures	-	41,499	-
Total	<u>268,413</u>	<u>208,083</u>	<u>60,330</u>
Wastewater Collection System:			
Salaries and employee benefits	-	73,740	-
Repairs and maintenance	-	82,759	-
Other operating expenditures	-	104,532	-
Total	<u>281,313</u>	<u>261,031</u>	<u>20,282</u>
Wastewater Plant:			
Salaries and employee benefits	-	70,488	-
Repairs and maintenance	-	31,040	-
Other operating expenditures	-	95,550	-
Total	<u>216,076</u>	<u>197,078</u>	<u>18,998</u>
Debt service:			
Interest and fees	-	36,763	-
Principal retirement	-	167,336	-
Total	<u>217,250</u>	<u>204,099</u>	<u>13,151</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL (NON-GAAP) - WATER AND SEWER FUND
For the Year Ended June 30, 2022

Exhibit C-1
Page 2 of 2

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES - CONTINUED			
Capital outlay	86,400	68,085	18,315
TOTAL EXPENDITURES	<u>1,340,371</u>	<u>1,171,759</u>	<u>168,612</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(224,871)</u>	<u>130,567</u>	<u>355,438</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	27,250	27,150	(100)
Transfers to other funds	<u>(29,975)</u>	<u>(29,795)</u>	<u>180</u>
	<u>(2,725)</u>	<u>(2,645)</u>	<u>80</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(227,596)</u>	<u>127,922</u>	<u>355,518</u>
APPROPRIATED FUND BALANCE	<u>227,596</u>	<u>-</u>	<u>(227,596)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 127,922</u>	<u>\$ 127,922</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
NET CHANGE IN FUND BALANCE		\$ 127,922	
RECONCILING ITEMS:			
Principal retirement		167,336	
Change in accrued interest payable		90	
Capital outlay		68,085	
Depreciation		(499,363)	
Increase in accrued vacation pay		(1,328)	
Increase in deferred outflows of resources - pensions		27,110	
Decrease in net pension liability		59,936	
Increase in deferred inflows of resources - pensions		(88,607)	
Transactions from Wastewater Rehabilitation Project Fund:			
Transfers		<u>1,913</u>	
CHANGE IN NET POSITION (EXHIBIT 7)		<u>\$ (136,906)</u>	

TOWN OF MOUNT GILEAD, NORTH CAROLINA
WASTEWATER REHABILITATION PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2022

Exhibit C-2

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
EXPENDITURES					
Construction	\$ 3,030,000	\$ 3,024,954	\$ 43,238	\$ 3,068,192	\$ (38,192)
Engineering	340,000	190,860	-	190,860	149,140
Administration costs	154,100	152,819	-	152,819	1,281
TOTAL EXPENDITURES	3,524,100	3,368,633	43,238	3,411,871	112,229
REVENUES UNDER EXPENDITURES	(3,524,100)	(3,368,633)	(43,238)	(3,411,871)	112,229
OTHER FINANCING SOURCES					
Loan proceeds	3,455,000	3,295,019	45,839	3,340,858	(114,142)
Transfers from other funds	69,100	69,100	1,913	71,013	1,913
TOTAL OTHER SOURCES	3,524,100	3,364,119	47,752	3,411,871	(112,229)
NET CHANGE IN FUND BALANCE	\$ -	\$ (4,514)	\$ 4,514	\$ -	\$ -

OTHER SCHEDULES

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2022

Exhibit D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 583,067	\$ 560,217	\$ 22,850
2020-2021	21,142	-	10,005	11,137
2019-2020	13,188	190	4,552	8,826
2018-2019	6,453	-	1,709	4,744
2017-2018	5,942	-	1,184	4,758
2016-2017	5,361	-	1,528	3,833
2015-2016	4,527	-	1,228	3,299
2014-2015	3,374	-	810	2,564
2013-2014	5,078	-	732	4,346
2012-2013	4,163	-	-	4,163
2011-2012	3,041	-	3,041	-
	<u>\$ 72,269</u>	<u>\$ 583,257</u>	<u>\$ 585,006</u>	70,520
				<u>(30,000)</u>
				<u>\$ 40,520</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 588,523
Reconciling items:				
Taxes written off and/or adjusted, net				3,524
Collection of taxes previously written-off				(220)
Interest collected				<u>(6,821)</u>
			Total collections and credits	<u>\$ 585,006</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
For the Year Ended June 30, 2022

Exhibit D-2

	Town-wide		Total Levy		
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Amount of Levy		
Original levy:					
Property taxed at current rate	\$ 102,116,248	\$ 0.57	\$ 582,063	\$ 519,795	\$ 62,268
Penalties and adjustments	-		1,257	1,257	-
Total	<u>102,116,248</u>		<u>583,320</u>	<u>521,052</u>	<u>62,268</u>
Discoveries:					
Current and prior years	16,936	0.57	97	97	-
Penalties and adjustments	-		-	-	-
	<u>16,936</u>		<u>97</u>	<u>97</u>	<u>-</u>
Releases	<u>(55,787)</u>		<u>(350)</u>	<u>(350)</u>	<u>-</u>
Total property valuation	<u>\$ 102,077,397</u>				
Net levy			583,067	520,799	62,268
Unpaid (by taxpayer) taxes at June 30, 2022			<u>(22,850)</u>	<u>(22,850)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 560,217</u>	<u>\$ 497,949</u>	<u>\$ 62,268</u>
Current levy collection percentage			<u>96.08%</u>	<u>95.61%</u>	<u>100.00%</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - WATER AND SEWER FUND BY FUNCTION
For the Year Ended June 30, 2022

Exhibit D-3

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Water sales	\$ 226,869	\$ -	\$ 226,869
Sewer charges	-	993,071	993,071
Water and sewer taps and fees	4,234	55,220	59,454
Other operating revenues	<u>7,230</u>	<u>14,775</u>	<u>22,005</u>
TOTAL OPERATING REVENUES	<u>238,334</u>	<u>1,063,065</u>	<u>1,301,399</u>
OPERATING EXPENSES			
Water/Wastewater Administration	76,877	157,107	233,984
Water Operations	213,252	-	213,252
Wastewater Collection System	-	259,519	259,519
Wastewater Plant	-	195,709	195,709
Depreciation	<u>79,579</u>	<u>419,784</u>	<u>499,363</u>
TOTAL OPERATING EXPENSES	<u>369,708</u>	<u>1,032,119</u>	<u>1,401,827</u>
OPERATING INCOME (LOSS)	<u>(131,375)</u>	<u>30,947</u>	<u>(100,428)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	305	622	927
Interest and fees	<u>(15,126)</u>	<u>(21,547)</u>	<u>(36,673)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(14,821)</u>	<u>(20,925)</u>	<u>(35,746)</u>
INCOME (LOSS) BEFORE TRANSFERS	(146,196)	10,022	(136,174)
TRANSFERS	<u>(2,645)</u>	<u>1,913</u>	<u>(732)</u>
CHANGE IN NET POSITION	<u>\$ (148,841)</u>	<u>\$ 11,935</u>	<u>\$ (136,906)</u>

COMPLIANCE SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

120 SOUTH RUTHERFORD STREET

P. O. BOX 341

WADESBORO, N.C. 28170

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Mount Gilead, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Mount Gilead, North Carolina's basic financial statements, and have issued our report thereon dated February 1, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Segregation of Duties:

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Mount Gilead, North Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

Daily deposits:

G.S. 159-32 requires all monies received by the Town be deposited daily. We noted one documented instance where the Town did not make a daily deposit as required by State law G.S. 159-32. The Town agrees with this finding and will establish review procedures to monitor this in the future.

Town of Mount Gilead, North Carolina's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Town of Mount Gilead, North Carolina's responses to the findings identified in our audit and described above. Town of Mount Gilead, North Carolina's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

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



Wadesboro, North Carolina

February 1, 2023

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2022

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Grant Funds Expended</u>		
			<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants:					
<u>US Dept. of Justice:</u>					
<i>Bureau of Justice Assistance</i>					
Passed-through NC Dept. of Public Safety:					
Governor's Crime Commission:					
Byrne Justice Assistance Grant	16.738	15PBJA-21-GG-00278-JAGX 2020-DJ-BX-0052	\$ 22,199 1,250	\$ - -	\$ - -
			<u>23,449</u>	<u>-</u>	<u>-</u>
<u>US Dept. of Transportation:</u>					
Passed-through NC Dept. of Transportation:					
Highway Planning and Construction	20.205	EB-5899	15,903	-	-
<u>US Dept. of Treasury:</u>					
Passed-through the Office of State Budget and Management:					
NC Pandemic Recovery Office:					
Passed-through Montgomery County:					
Coronavirus Relief Fund	21.019		7,500	-	-
<u>US Environmental Protection Agency:</u>					
Passed-through NC Dept. of Environmental Quality:					
Division of Water Infrastructure:					
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS370754-01	2,600	-	40,638
			<u>49,452</u>	<u>-</u>	<u>40,638</u>
Total federal assistance					
State Grants:					
<u>NC Dept. of Transportation:</u>					
Powell Bill			-	59,928	-
			<u>-</u>	<u>59,928</u>	<u>-</u>
Total State assistance					
Total assistance			<u>\$ 49,452</u>	<u>\$ 59,928</u>	<u>\$ 40,638</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Mount Gilead under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. Because the SEFSA presents only a select portion of the operations of Town of Mount Gilead, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of Town of Mount Gilead.

Note 2: Summary of Significant Accounting Policies

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