

TOWN OF MOUNT GILEAD, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2023

JBW

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

Certified Public Accountants

**TOWN OF MOUNT GILEAD, NORTH CAROLINA
LOCAL GOVERNMENT OFFICIALS
June 30, 2023**

Town Council Members

Sheldon Morley – Mayor

Tim McAuley – Mayor Pro Tem

Paula Covington

Mary Lucas

Vera Richardson

Administrative and Financial Staff

Dylan Haman – Town Manager

Lee Ann Haithcock – Finance Officer

Lessie Jackson – Tax Collector/Town Clerk

TOWN OF MOUNT GILEAD, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2023

	<u>Exhibit</u>	<u>Page</u>
<u>FINANCIAL SECTION</u>		
INDEPENDENT AUDITORS' REPORT		
MANAGEMENT'S DISCUSSION AND ANALYSIS		i
BASIC FINANCIAL STATEMENTS:		
Government-Wide Financial Statements:		
Statement of Net Position	1	1
Statement of Activities	2	2
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3-1	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	3-2	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4-1	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4-2	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Annual Budget and Actual - General Fund	5	7
Statement of Fund Net Position - Proprietary Funds	6	8
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	7	9
Statement of Cash Flows - Proprietary Funds	8	10
Notes to Financial Statements		12

TOWN OF MOUNT GILEAD, NORTH CAROLINA
TABLE OF CONTENTS (Continued)
June 30, 2023

	<u>Exhibit</u>	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION:		
Local Governmental Employees' Retirement System:		
Schedule of the Proportionate Share of the Net Pension Liability (Asset)		42
Schedule of Contributions		43
Law Enforcement Officers' Special Separation Allowance:		
Schedule of Changes in Total Pension Liability		44
Schedule of Total Pension Liability as a Percentage of Covered Payroll		45
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	A-1	46
Combining Balance Sheet - Non-major Governmental Funds	B-1	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Funds	B-2	51
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:		
Grants Fund	B-3	52
Debt Service Fund	B-4	53
Debt Service Reserve Fund	B-5	54
Stanback Park Sidewalk Extension Project Fund	B-6	55
American Rescue Plan Funds Special Revenue Fund	B-7	56
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP):		
Water and Sewer Fund	C-1	57
Wastewater Rehabilitation Project Fund	C-2	59
Sewer System Improvements Project Fund	C-3	60
Water Asset Inventory Assessment (AIA) Grant Fund	C-4	61
Wastewater Asset Inventory Assessment (AIA) Grant Fund	C-5	62
NC Hwy 109 Force Main Relocation Capital Project Fund	C-6	63

TOWN OF MOUNT GILEAD, NORTH CAROLINA
TABLE OF CONTENTS (Continued)
June 30, 2023

	<u>Exhibit</u>	<u>Page</u>
<u>OTHER SCHEDULES</u>		
Schedule of Ad Valorem Taxes Receivable	D-1	64
Analysis of Current Tax Levy - Town-wide Levy	D-2	65
Schedule of Revenues, Expenses, and Changes in Fund Net Position – Water and Sewer Fund by Function	D-3	66
<u>COMPLIANCE SECTION</u>		
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 <i>Government Auditing Standards</i>		67
Schedule of Expenditures of Federal and State Awards		70

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, 2023, 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, 2023, 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 January 16, 2024, 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 that 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
January 16, 2024

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, 2023. 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

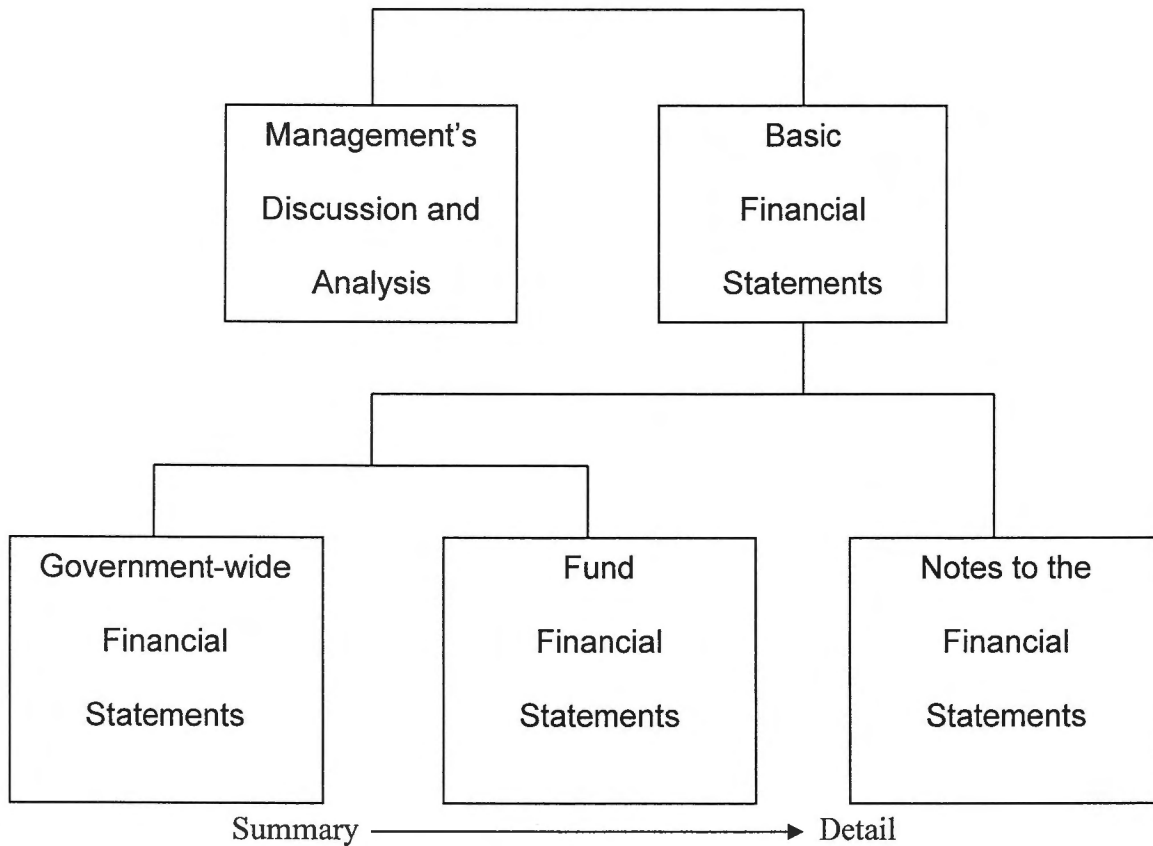
- The assets and deferred outflows of resources of Town of Mount Gilead exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,802,939 (*net position*).
- The government's total net position decreased by \$124,055 which is due largely to an operating loss in both the General Fund and Water/Sewer Fund.
- As of the close of the current fiscal year, Town of Mount Gilead's governmental funds reported combined ending fund balance of \$1,258,025, a decrease of \$64,691 in comparison with the prior year. Approximately seventeen percent (17%) of this total amount, or \$213,015, 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 \$249,198 or 15% of total General Fund expenditures for the fiscal year.
- Town of Mount Gilead's debt decreased by \$174,043 during the current fiscal year due to scheduled payments.
- Town of Mount Gilead was awarded \$1,807,000 on March 23, 2023, through the Local Assistance for Stormwater Infrastructure Investments Fund for drainage improvements at Stanback Park.
- Town of Mount Gilead was awarded \$350,000 on March 23, 2023, through the American Rescue Plan Act for the purposes of assessing Town stormwater assets.
- Town of Mount Gilead was awarded \$363,952 of American Rescue Plan funds which it used as revenue replacement to supplant salaries.
- Since January 2021, Town of Mount Gilead has improperly disbursed 941 employer and employee withholding payroll tax payments. These payments were mistakenly disbursed to the North Carolina Department of Revenue, rather than the Federal Internal Revenue Service. Improper 941 disbursements totaled \$374,659. This mistake was discovered on May 26, 2023, and is being corrected.

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 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 12–41 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 42 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	
	2023	2022 <i>(as restated)</i>	2023	2022 <i>(as restated)</i>	2023	2022 <i>(as restated)</i>
Current and other assets	\$ 1,596,096	\$ 1,764,816	\$ 2,293,479	\$ 2,012,972	\$ 3,889,575	\$ 3,777,788
Capital assets, net	2,069,876	1,986,131	11,229,168	11,649,766	13,299,044	13,635,897
Deferred outflows of resources	282,243	190,598	139,748	96,931	421,991	287,529
Total assets and deferred outflows of resources	<u>3,948,215</u>	<u>3,941,545</u>	<u>13,662,395</u>	<u>13,759,669</u>	<u>17,610,610</u>	<u>17,701,214</u>
Current and other liabilities	310,776	392,555	271,821	172,037	582,597	564,592
Long-term liabilities:						
Due within one year	-	-	175,043	174,043	175,043	174,043
Due after one year	484,559	222,031	3,497,884	3,539,909	3,982,443	3,761,940
Deferred inflows of resources	58,858	173,182	8,730	100,463	67,588	273,645
Total liabilities and deferred inflows of resources	<u>854,193</u>	<u>787,768</u>	<u>3,953,478</u>	<u>3,986,452</u>	<u>4,807,671</u>	<u>4,774,220</u>
Net Position						
Net investment in capital assets	2,069,876	1,986,131	7,777,439	8,023,994	9,847,315	10,010,125
Restricted	494,196	252,664	-	-	494,196	252,664
Unrestricted	<u>529,950</u>	<u>914,982</u>	<u>1,931,478</u>	<u>1,749,223</u>	<u>2,461,428</u>	<u>2,664,205</u>
Total net position	<u>\$ 3,094,022</u>	<u>\$ 3,153,777</u>	<u>\$ 9,708,917</u>	<u>\$ 9,773,217</u>	<u>\$ 12,802,939</u>	<u>\$ 12,926,994</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 \$12,802,939, as of June 30, 2023. The Town's net position decreased by \$124,055 for the fiscal year ended June 30, 2023. The largest portion, \$9,847,315 (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, \$494,196 or (4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,461,428 or (19%) is unrestricted.

Management's Discussion and Analysis
Town of Mount Gilead

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.17%
- Increase in receivables and liabilities due to 941 payroll tax disbursement error
- Operating loss in the Town Water/Sewer Fund

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues:						
Charges for services	\$ 126,303	\$ 121,755	\$ 1,535,254	\$ 1,301,399	\$ 1,661,557	\$ 1,423,154
Operating grants and contributions	456,318	86,376	-	-	456,318	86,376
Capital grants and contributions	52,000	74,352	41,000	-	93,000	74,352
General Revenues:						
Property taxes	572,899	579,912	-	-	572,899	579,912
Other taxes and licenses	540,745	500,143	-	-	540,745	500,143
Grants and contributions not restricted	17,784	8,107	-	-	17,784	8,107
Investment earnings, unrestricted	8,147	414	12,833	927	20,980	1,341
Miscellaneous, unrestricted	42,619	804	-	-	42,619	804
Total Revenues	1,816,815	1,371,863	1,589,087	1,302,326	3,405,902	2,674,189
Expenses						
Program Expenses:						
General government	264,242	226,388	-	-	264,242	226,388
Public safety	781,408	713,641	-	-	781,408	713,641
Transportation	276,355	244,955	-	-	276,355	244,955
Economic and physical development	46,213	41,056	-	-	46,213	41,056
Environmental protection	110,962	122,603	-	-	110,962	122,603
Culture and recreation	135,924	101,165	-	-	135,924	101,165
Water and sewer	-	-	1,914,853	1,438,500	1,914,853	1,438,500
Total Expenses	1,615,104	1,449,808	1,914,853	1,438,500	3,529,957	2,888,308
Change in net position before transfers	201,711	(77,945)	(325,766)	(136,174)	(124,055)	(214,119)
Transfers	(261,466)	732	261,466	(732)	-	-
Change in net position	(59,755)	(77,213)	(64,300)	(136,906)	(124,055)	(214,119)
Net Position, beginning	3,153,777	3,230,990	9,773,217	9,910,123	12,926,994	13,141,113
Net Position, June 30	\$ 3,094,022	\$ 3,153,777	\$ 9,708,917	\$ 9,773,217	\$ 12,802,939	\$ 12,926,994

Management's Discussion and Analysis
Town of Mount Gilead

Governmental activities: Governmental activities decreased the Town's net position by \$59,755. Key elements of this decrease are as follows:

- Inflationary increases in expenditures in all departments
- Inflationary pressures on payroll
- Improvements completed at the Town Fire Department
- Improvements completed at the Town Library

Business-type activities: Business-type activities decreased Town of Mount Gilead's net position by \$64,300. Key elements of this decrease are as follows:

- Depreciation of assets in the amount of \$499,195
- Debt service totaling \$209,674

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 \$844,055, while the total fund balance was \$1,275,689. The Town currently has an available fund balance of 52% of General Fund expenditures, while the total fund balance represents 79% of the same amount.

At June 30, 2023, the governmental funds of Town of Mount Gilead reported a combined fund balance of \$1,258,025, a 5% 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 areas such as Public Safety, General Government, and Transportation. Overall, there was an increase in budgeted expenditures.

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 \$1,931,478. The total decrease in net position for the Water and Sewer Fund was \$64,300. 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, 2023, totals \$13,299,044 (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:

- Stanback Park recreational courts improvements
- Fire department kitchen renovations
- Library renovations
- Sewer system improvements

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

Figure 4

Description	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 223,785	\$ 223,785	\$ 4,000	\$ 4,000	\$ 227,785	\$ 227,785
Construction in progress	-	20,386	41,000	-	41,000	20,386
Buildings	475,259	403,214	-	-	475,259	403,214
Other improvements	55,849	61,168	-	-	55,849	61,168
Infrastructure	647,957	676,296	-	-	647,957	676,296
Equipment	411,580	413,300	-	-	411,580	413,300
Recreation facilities	247,946	180,315	-	-	247,946	180,315
Artwork	7,500	7,667	-	-	7,500	7,667
Water distribution system	-	-	1,772,889	1,843,198	1,772,889	1,843,198
Sewer system	-	-	9,411,279	9,802,568	9,411,279	9,802,568
	<u>\$2,069,876</u>	<u>\$1,986,131</u>	<u>\$11,229,168</u>	<u>\$11,649,766</u>	<u>\$13,299,044</u>	<u>\$13,635,897</u>

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

Management's Discussion and Analysis
Town of Mount Gilead

Long-term Debt: As of June 30, 2023, Town of Mount Gilead had total bonded debt outstanding of \$1,037,000. Of this, \$455,000 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	
	2023	2022	2023	2022	2023	2022
Direct placement general obligation bonds	\$ -	\$ -	\$ 455,000	\$ 475,000	\$ 455,000	\$ 475,000
Direct placement revenue bonds	-	-	582,000	594,000	582,000	594,000
Direct borrowing installment purchases	-	-	2,414,729	2,556,772	2,414,729	2,556,772
Compensated absences	31,318	34,558	20,066	23,529	51,384	58,087
Net pension liability (LGERS)	361,318	93,923	201,132	64,651	562,450	158,574
Total pension liability (LEO)	91,923	93,550	-	-	91,923	93,550
	<u>\$ 484,559</u>	<u>\$ 222,031</u>	<u>\$3,672,927</u>	<u>\$3,713,952</u>	<u>\$4,157,486</u>	<u>\$3,935,983</u>

Town of Mount Gilead's Outstanding Debt

Town of Mount Gilead's total debt (including compensated absences and pensions) increased by \$221,503 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 \$5,766,119. The Town had \$-0- in bonds authorized, but un-issued, at June 30, 2023.

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 high levels of growth and residential development along Lake Tillery, including the potential annexation of approximately 644.45 acres along Lilly's Bridge Road if approved through a Local Bill
- Expected moderate growth and residential development in the corporate limits
- Industrial development is unexpected due to limited population/workforce. Other types of commercial development are expected at moderate rates due to the population growth of the region.

Potential recession would negatively impact the Town's financial position, especially due to reliance on intergovernmental revenues and sales tax.

Budget Highlights for the Fiscal Year Ending June 30, 2024

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.

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

Business-type Activities: Water and Sewer rates for the Town increased by 10% in the 2023-2024 fiscal year. The Town also adopted a recreational use rate structure to address the high cost of maintenance associated with recreational service. The Town is actively working on a rate study with the North Carolina Rural Water Association to assist with future rate changes. The Town is also developing a capital improvement plan for both the water and wastewater systems, and future rate increases may be necessary to fund capital infrastructure.

The Water and Sewer system has actively increased demand, driven primarily by development at Lake Tillery. Providing wastewater to the proposed development on Lake Tillery will likely require 375,000 MGD of treatment capacity daily. Additionally, the Town is actively negotiating with a significant industrial user, which would require approximately 60,000 MGD of capacity daily. The trend in capacity demand requires a strong cash position and continued rate increases to plan for future expansion of the Wastewater Treatment Plant.

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, 2023

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,089,450	\$ 1,563,589	\$ 2,653,039
Receivables:			
Taxes receivable (net)	26,802	-	26,802
Accounts receivable (net)	122,845	192,058	314,903
Accrued interest receivable	7,395	-	7,395
Due from other governments	286,541	218,836	505,377
Inventories	1,968	25,136	27,104
Restricted assets:			
Cash and cash equivalents	61,095	160,000	221,095
Due from other governments	-	133,860	133,860
Capital assets:			
Land and other nondepreciable assets	223,785	45,000	268,785
Other capital assets (net)	1,846,091	11,184,168	13,030,259
TOTAL ASSETS	<u>3,665,972</u>	<u>13,522,647</u>	<u>17,188,619</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>282,243</u>	<u>139,748</u>	<u>421,991</u>
LIABILITIES			
Accounts payable and accrued liabilities	66,044	91,463	157,507
Due to other governments	244,732	177,620	422,352
Accrued interest payable	-	2,738	2,738
Long-term liabilities:			
Due within one year	-	175,043	175,043
Due in more than one year	484,559	3,497,884	3,982,443
TOTAL LIABILITIES	<u>795,335</u>	<u>3,944,748</u>	<u>4,740,083</u>
DEFERRED INFLOWS OF RESOURCES	<u>58,858</u>	<u>8,730</u>	<u>67,588</u>
NET POSITION			
Net investment in capital assets	2,069,876	7,777,439	9,847,315
Restricted for:			
Stabilization by State statute	429,666	-	429,666
Streets - Powell Bill	61,095	-	61,095
Public safety	2,942	-	2,942
Other purposes	493	-	493
Unrestricted	529,950	1,931,478	2,461,428
TOTAL NET POSITION	<u>\$ 3,094,022</u>	<u>\$ 9,708,917</u>	<u>\$ 12,802,939</u>

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

Exhibit 3-1

	Major Funds			Total Governmental Funds	Total Governmental Funds
	General Fund	ARP Funds Special Revenue Fund			
ASSETS					
Cash and cash equivalents	\$ 1,070,931	\$ -	\$ 18,519	\$ 1,089,450	
Restricted cash and cash equivalents	61,095	-	-	61,095	
Taxes receivable (net)	26,802	-	-	26,802	
Accounts receivable (net)	122,845	-	-	122,845	
Due from other governments	286,541	-	-	286,541	
Due from other funds	20,280	-	-	20,280	
Inventories	1,968	-	-	1,968	
TOTAL ASSETS	\$ 1,590,462	\$ -	\$ 18,519	\$ 1,608,981	
LIABILITIES					
Accounts payable and accrued liabilities	\$ 50,141	\$ -	\$ 15,903	\$ 66,044	
Due to other governments	237,830	-	-	237,830	
Due to other funds	-	-	20,280	20,280	
TOTAL LIABILITIES	287,971	-	36,183	324,154	
DEFERRED INFLOWS OF RESOURCES	26,802	-	-	26,802	
FUND BALANCES					
Nonspendable:					
Inventories	1,968	-	-	1,968	
Restricted:					
Stabilization by State statute	429,666	-	-	429,666	
Streets - Powell Bill	61,095	-	-	61,095	
Public safety	2,942	-	-	2,942	
Other purposes	493	-	-	493	
Committed:					
Debt service	-	-	18,519	18,519	
Assigned:					
Fire department	212,278	-	-	212,278	
Subsequent year's expenditures	318,049	-	-	318,049	
Unassigned	249,198	-	(36,183)	213,015	
TOTAL FUND BALANCES	1,275,689	-	(17,664)	1,258,025	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,590,462	\$ -	\$ 18,519	\$ 1,608,981	

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, 2023

Exhibit 3-2

Fund balances - Total governmental funds (Exhibit 3-1)	\$ 1,258,025
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.	2,069,876
Deferred outflows of resources related to pensions are not reported in the funds.	282,243
Other long-term assets are not available to pay for current-period expenditures and, therefore, are inflows of resources in the funds.	
Accrued interest receivable on taxes receivable	7,395
Amount due other governments not reported in the funds.	(6,902)
Earned revenues considered deferred inflows of resources in fund statements.	26,802
Deferred inflows of resources related to pensions are not reported in the funds.	(58,858)
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	
Compensated absences	(31,318)
Net pension liability (LGERS)	(361,318)
Total pension liability (LEO)	<u>(91,923)</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 3,094,022</u>

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, 2023

Exhibit 4-1

	Major Funds			
	General Fund	ARP Funds		Total Governmental Funds
		Special Revenue Fund	Total Non-major Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 588,247	\$ -	\$ -	\$ 588,247
Other taxes and licenses	75	-	-	75
Unrestricted intergovernmental	557,419	-	-	557,419
Restricted intergovernmental	84,781	363,952	(15,903)	432,830
Permits and fees	1,285	-	-	1,285
Sales and services	122,192	-	-	122,192
Investment earnings	8,147	-	-	8,147
Miscellaneous	119,623	-	-	119,623
TOTAL REVENUES	<u>1,481,769</u>	<u>363,952</u>	<u>(15,903)</u>	<u>1,829,818</u>
EXPENDITURES				
Current:				
General government	256,159	-	-	256,159
Public safety	774,079	-	-	774,079
Transportation	223,378	-	15,797	239,175
Economic and physical development	46,213	-	-	46,213
Environmental protection	110,962	-	-	110,962
Culture and recreation	208,800	-	-	208,800
TOTAL EXPENDITURES	<u>1,619,591</u>	<u>-</u>	<u>15,797</u>	<u>1,635,388</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(137,822)</u>	<u>363,952</u>	<u>(31,700)</u>	<u>194,430</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	103,889	-	29,496	133,385
Transfers to other funds	-	(363,952)	(30,899)	(394,851)
Sale of capital assets	2,345	-	-	2,345
TOTAL OTHER FINANCING SOURCES (USES)	<u>106,234</u>	<u>(363,952)</u>	<u>(1,403)</u>	<u>(259,121)</u>
NET CHANGE IN FUND BALANCES	(31,588)	-	(33,103)	(64,691)
FUND BALANCES, beginning	<u>1,307,277</u>	<u>-</u>	<u>15,439</u>	<u>1,322,716</u>
FUND BALANCES, ending	<u>\$ 1,275,689</u>	<u>\$ -</u>	<u>\$ (17,664)</u>	<u>\$ 1,258,025</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, 2023

Exhibit 4-2

Net change in fund balances - total governmental funds (Exhibit 4-1) \$ (64,691)

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	243,859
Depreciation expense for governmental assets	(139,728)
Net book value of disposed capital assets not recorded in the fund statements	(20,386)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities	59,992
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Benefit payments paid and administration costs for the LEOSSA are not included on the statement of activities.	341
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in accrued interest receivable on taxes	(1,630)
Change in unavailable revenues	(13,718)

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.

Difference in interest expense between fund statements (modified accrual) and government-wide statements (accrual)	(6,902)
Change in compensated absences	3,240
Pension expense (LGERS)	(109,213)
Pension expense (LEO)	<u>(10,919)</u>

Total change in net position of governmental activities (Exhibit 2) \$ (59,755)

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, 2023

Exhibit 5

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 551,460	\$ 551,460	\$ 588,247	\$ 36,787
Other taxes and licenses	100	100	75	(25)
Unrestricted intergovernmental	396,250	396,250	557,419	161,169
Restricted intergovernmental	129,400	129,400	84,781	(44,619)
Permits and fees	1,000	1,000	1,285	285
Sales and services	98,900	98,900	122,192	23,292
Investment earnings	500	500	8,147	7,647
Miscellaneous	31,300	92,717	119,623	26,906
TOTAL REVENUES	<u>1,208,910</u>	<u>1,270,327</u>	<u>1,481,769</u>	<u>211,442</u>
EXPENDITURES				
Current:				
General government	236,977	258,377	256,159	2,218
Public safety	826,489	878,569	774,079	104,490
Transportation	240,045	240,045	223,378	16,667
Economic and physical development	53,950	50,400	46,213	4,187
Environmental protection	103,900	119,800	110,962	8,838
Culture and recreation	128,592	224,916	208,800	16,116
TOTAL EXPENDITURES	<u>1,589,953</u>	<u>1,772,107</u>	<u>1,619,591</u>	<u>152,516</u>
REVENUES UNDER EXPENDITURES	<u>(381,043)</u>	<u>(501,780)</u>	<u>(137,822)</u>	<u>363,958</u>
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	2,345	2,345
Transfers from other funds	-	69,680	103,889	34,209
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>69,680</u>	<u>106,234</u>	<u>36,554</u>
REVENUES AND OTHER SOURCES UNDER EXPENDITURES	<u>(381,043)</u>	<u>(432,100)</u>	<u>(31,588)</u>	<u>400,512</u>
APPROPRIATED FUND BALANCE	<u>381,043</u>	<u>432,100</u>	<u>-</u>	<u>(432,100)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(31,588)</u>	<u>\$ (31,588)</u>
FUND BALANCE, beginning			<u>1,307,277</u>	
FUND BALANCE, ending			<u>\$ 1,275,689</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, 2023

Exhibit 6

	<u>Water and Sewer Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,563,589
Accounts receivable (net)	192,058
Due from other governments	218,836
Inventories	25,136
Restricted assets:	
Cash and cash equivalents	160,000
Due from other governments	133,860
TOTAL CURRENT ASSETS	<u>2,293,479</u>
NONCURRENT ASSETS	
Capital assets:	
Land and other nondepreciable assets	45,000
Other capital assets (net)	11,184,168
TOTAL NONCURRENT ASSETS	<u>11,229,168</u>
TOTAL ASSETS	<u>13,522,647</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>139,748</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	91,463
Due to other governments	177,620
Accrued interest payable	2,738
Current portion of long-term debt	175,043
TOTAL CURRENT LIABILITIES	<u>446,864</u>
NONCURRENT LIABILITIES	
Compensated absences	20,066
Net pension liability	201,132
Long-term debt	3,276,686
TOTAL NONCURRENT LIABILITIES	<u>3,497,884</u>
TOTAL LIABILITIES	<u>3,944,748</u>
DEFERRED INFLOWS OF RESOURCES	<u>8,730</u>
NET POSITION	
Net investment in capital assets	7,777,439
Unrestricted	1,931,478
TOTAL NET POSITION	<u>\$ 9,708,917</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, 2023

Exhibit 7

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Water sales	\$ 226,148
Sewer charges	1,000,833
Water and sewer taps and fees	63,599
Other operating revenues	<u>244,674</u>
TOTAL OPERATING REVENUES	<u>1,535,254</u>
OPERATING EXPENSES	
Water/Wastewater administration	286,333
Water operations	401,914
Wastewater collection system	457,378
Wastewater plant	234,495
Depreciation	<u>499,195</u>
TOTAL OPERATING EXPENSES	<u>1,879,315</u>
OPERATING LOSS	<u>(344,061)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	12,833
Interest and fees	<u>(35,538)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(22,705)</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(366,766)
CAPITAL CONTRIBUTIONS	41,000
TRANSFERS	<u>261,466</u>
CHANGE IN NET POSITION	(64,300)
NET POSITION, beginning	<u>9,773,217</u>
NET POSITION, ending	<u>\$ 9,708,917</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, 2023**

**Exhibit 8
Page 1 of 2**

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,285,488
Cash paid for goods and services	(1,000,501)
Cash paid to or on behalf of employees for services	(358,936)
Other operating receipts	<u>151,814</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>77,865</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	290,962
Transfers to other funds	<u>(29,496)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>261,466</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(68,347)
Principal paid on debt	(174,043)
Interest paid on debt	<u>(35,631)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(278,021)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>13,950</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	75,260
CASH AND CASH EQUIVALENTS, beginning	<u>1,648,329</u>
CASH AND CASH EQUIVALENTS, ending	<u><u>\$ 1,723,589</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET:	
Cash and cash equivalents in current assets	\$ 1,563,589
Cash and cash equivalents in restricted assets	<u>160,000</u>
	<u><u>\$ 1,723,589</u></u>

**TOWN OF MOUNT GILEAD, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2023**

**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	\$ (344,061)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	499,195
(Increase) decrease in:	
Accounts receivable (net)	(826)
Due from other governments	(165,813)
Inventories	1,275
Deferred outflows of resources - pensions	(42,817)
Increase (decrease) in:	
Accounts payable and accrued liabilities	20,915
Due to other governments	68,712
Compensated absences payable	(3,463)
Net pension liability	136,481
Deferred inflows of resources - pensions	<u>(91,733)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 77,865</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, 2023

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.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, Sewer System Improvements Project Fund, Water Asset Inventory Assessment (AIA) Grant Fund, Wastewater Asset Inventory Assessment (AIA) Grant Fund, and NC Hwy 109 Force Main Relocation Capital Project Fund are consolidated with the Water and Sewer Fund for financial reporting purposes.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from 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/amortization 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 and IT subscriptions are reported as other financing sources, when applicable.

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

D. BUDGETARY DATA

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

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

DEPOSITS AND INVESTMENTS

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

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

CASH AND CASH EQUIVALENTS

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

RESTRICTED ASSETS

Restricted cash and cash equivalents in the Water and Sewer Fund represent 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.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Restricted cash and cash equivalents for the Town as of June 30, 2023, consisted of the following:

<i>Governmental Activities:</i>	
Streets	\$ <u>61,095</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, 2022.

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 2021/2022, 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 has used the funds for revenue replacement by supplanting salaries and has met the grantor requirements of encumbering costs by December 31, 2024, and fully expending the funds by December 31, 2026.

LONG-TERM OBLIGATIONS

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

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

COMPENSATED ABSENCES

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

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

NET POSITION/FUND BALANCES

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 and that has not been reported as nonspendable fund balance.

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, 2023, 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.

Budgetary accounting for appropriations: During the year ended June 30, 2023, the Town adopted two project ordinances for NC Department of Environmental Quality AIA grants. The project ordinances did not include all revenues estimated and all appropriations necessary to complete the project as required by State law [G.S. 159-13.2(c)]. Both project ordinances omitted the required local match and the administrative costs for the grant fees. Both ordinances have been amended subsequent to year-end, and the amended ordinance amounts are reflected in the accompanying schedules.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

The fiscal year 2022-2023 budget ordinance did not include the revenues and expenditures of the Debt Service Fund and the Debt Service Reserve Fund as required by State law [G.S. 159-13]. This oversight was corrected by a budget amendment during the year. The amendment, however, was incorrect and did not balance. The amendment was corrected subsequent to year-end. The corrected budget amounts are reflected in the accompanying schedules.

Semiannual reports on status of deposits and investments: The finance officer failed to timely report to the secretary of the Local Government Commission the amounts of deposits held by the Town as of December 31, 2022, as required by State law [G.S. 159-33]. The report was submitted approximately two months late. The report as of June 30, 2023, was submitted by the due date.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2023, the expenditures exceeded the authorized appropriations made by the governing board in the Town's General Fund for general administration and economic and physical development – planning, in the Town's Water and Sewer Fund for water operations and wastewater collection system, and in the Wastewater Rehabilitation Project Fund for construction. 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 as of June 30, 2023. This project is being funded by a Transportation Alternatives Program grant through the NC Department of Transportation (NCDOT). Engineering costs incurred to date were to be reimbursed from the federal grant, Powell Bill funds, and local funds of the Town. Subsequent to year-end, the Town Council decided to forfeit the grant and cease the project. The costs to date will be funded by the General Fund of the Town. The Town plans to amend the fiscal year 2023-2024 budget to account for a transfer to the project fund to cover the deficit.

The Water AIA and Wastewater AIA Grant Funds reported a deficit fund balance as of June 30, 2023. Both grants require a 5% local match. The local match was not included in the fiscal year 2022-2023 budget resulting in a deficit fund balance for both grant funds. The Town plans to amend the fiscal year 2023-2024 budget to include the transfers necessary to meet the local match requirement and alleviate the deficit fund balances.

The NC Hwy 109 Force Main Relocation Capital Project Fund reported a deficit fund balance as of June 30, 2023. All costs of the project are to be reimbursed by the NC Department of Transportation (NCDOT). The deficit was caused by the accrual of an engineering invoice at year-end and a delay in requesting reimbursement from NCDOT. The reimbursement request has subsequently been processed.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, the Town’s deposits had a carrying amount of \$2,249,706 and a bank balance of \$2,285,999. At June 30, 2023, the Town’s bank balances exceeded federally insured limits by \$1,757,333. All deposits of the Town are insured or collateralized under the Pooling Method. At June 30, 2023, the Town’s cash on hand totaled \$1,060.

INVESTMENTS

At June 30, 2023, the Town’s investments consisted of \$623,368 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	\$ 41,000
Enterprise	<u>174,500</u>
TOTAL	<u>\$ 215,500</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 223,785	\$ -	\$ -	\$ 223,785
Construction in progress	20,386	-	20,386	-
	<u>244,171</u>	<u>-</u>	<u>20,386</u>	<u>223,785</u>
Capital assets being depreciated:				
Buildings	760,219	98,532	-	858,751
Other improvements	155,242	-	-	155,242
Infrastructure	849,758	-	-	849,758
Equipment	1,038,991	58,989	79,791	1,018,189
Recreation facilities	702,509	86,338	-	788,847
Artwork	10,000	-	-	10,000
	<u>3,516,719</u>	<u>243,859</u>	<u>79,791</u>	<u>3,680,787</u>
Less accumulated depreciation for:				
Buildings	357,005	26,487	-	383,492
Other improvements	94,074	5,319	-	99,393
Infrastructure	173,462	28,339	-	201,801
Equipment	625,691	60,709	79,791	606,609
Recreation facilities	522,194	18,707	-	540,901
Artwork	2,333	167	-	2,500
	<u>1,774,759</u>	<u>139,728</u>	<u>79,791</u>	<u>1,834,696</u>
	<u>1,741,960</u>			<u>1,846,091</u>
Governmental activities				
capital assets, net	<u>\$ 1,986,131</u>			<u>\$ 2,069,876</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 6,846
Public safety	64,008
Transportation	36,928
Culture and recreation	31,946
	<u>\$ 139,728</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in progress	-	41,000	-	41,000
	<u>4,000</u>	<u>41,000</u>	<u>-</u>	<u>45,000</u>
Capital assets being depreciated:				
Water distribution system	3,398,695	9,873	-	3,408,568
Sewer system	16,687,200	27,724	-	16,714,924
	<u>20,085,895</u>	<u>37,597</u>	<u>-</u>	<u>20,123,492</u>
Less accumulated depreciation for:				
Water distribution system	1,555,497	80,182	-	1,635,679
Sewer system	6,884,632	419,013	-	7,303,645
	<u>8,440,129</u>	<u>499,195</u>	<u>-</u>	<u>8,939,324</u>
	<u>11,645,766</u>			<u>11,184,168</u>
Business-type activities capital assets, net	<u>\$ 11,649,766</u>			<u>\$ 11,229,168</u>

Depreciation expense for the year ended June 30, 2023, was \$499,195.

Construction commitments

The Town had the following active projects at June 30, 2023. The projects are to be funded largely by federal and State grants. The Town's commitments with contractors and engineers at June 30, 2023, were as follows:

Stanback Park Sidewalk Extension Project Fund	\$ 3,547
Water AIA Grant Fund	54,600
Wastewater AIA Grant Fund	42,750
Sewer System Improvements Project Fund	<u>371,000</u>
	<u>\$ 471,897</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, was 13.04% of compensation for law enforcement officers and 12.15% 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 \$100,350 for the year ended June 30, 2023.

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, 2023, the Town reported a liability of \$562,450 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2023, the Town's proportion was 0.00997% (measured as of June 30, 2022), which was a decrease of 0.00037% from its proportion as of June 30, 2022 (measured as of June 30, 2021).

For the year ended June 30, 2023, the Town recognized pension expense of \$151,501. At June 30, 2023, 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	\$ 24,235	\$ 2,376
Changes of assumptions	56,120	-
Net difference between projected and actual earnings on pension plan investments	185,896	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	11,688	22,038
Town's contributions subsequent to the measurement date	<u>100,350</u>	<u>-</u>
Total	<u>\$ 378,289</u>	<u>\$ 24,414</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

\$100,350 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,	
2024	\$ 75,241
2025	72,920
2026	16,800
2027	88,564
2028	-
Thereafter	-

Actuarial Assumptions: The total pension liability in the December 31, 2021, 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 tables that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021, 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, 2022, are summarized in the following table:

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 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)	\$1,015,150	\$ 562,450	\$ 189,399

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.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2021, the Separation Allowance's membership consisted of 7 active plan members.

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

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

Actuarial Assumptions: The entry age normal actuarial cost method was used in the December 31, 2021, valuation. The total pension liability in the December 31, 2021, 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	4.31 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, 2022.

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, the Town reported a total pension liability of \$91,923. The total pension liability was measured as of December 31, 2022, based on a December 31, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$10,578.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,614	\$ 13,707
Changes of assumptions and other inputs	15,747	29,467
Town benefit payments and plan administrative expenses incurred subsequent to the measurement date	<u>341</u>	<u>-</u>
Total	<u>\$ 43,702</u>	<u>\$ 43,174</u>

\$341 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. 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>	
2024	\$ (3,754)
2025	(152)
2026	4,739
2027	3,010
2028	(413)
Thereafter	<u>(3,243)</u>
	<u>\$ 187</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 4.31 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 (3.31 percent) or one percentage point higher (5.31 percent) than the current rate:

	1% Decrease <u>(3.31%)</u>	Discount Rate <u>(4.31%)</u>	1% Increase <u>(5.31%)</u>
Total pension liability	\$ 105,621	\$ 91,923	\$ 79,938

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

Balance at December 31, 2021	\$ 93,550
Service cost	12,809
Interest on the total pension liability	2,105
Change of benefit terms	-
Differences between expected and actuarial experience	13,726
Changes of assumptions or other inputs	(30,267)
Benefit payments	-
Other changes	-
Balance at December 31, 2022	<u>\$ 91,923</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, 2021, 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
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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	\$ 151,501	\$ 10,578	\$ 162,079
Pension liability	562,450	91,923	654,373
Proportionate share of the net pension liability (asset)	0.00997%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	24,235	27,614	51,849
Changes of assumptions	56,120	15,747	71,867
Net difference between projected and actual earnings on plan investments	185,896	-	185,896
Changes in proportion and differences between Town contributions and proportionate share of contributions	11,688	-	11,688
Benefit payments and administrative costs paid subsequent to the measurement date	<u>100,350</u>	<u>341</u>	<u>100,691</u>
	<u>378,289</u>	<u>43,702</u>	<u>421,991</u>
Deferred inflows of resources:			
Differences between expected and actual experience	2,376	13,707	16,083
Changes of assumptions	-	29,467	29,467
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>22,038</u>	<u>-</u>	<u>22,038</u>
	<u>24,414</u>	<u>43,174</u>	<u>67,588</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 \$28,559 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, 2023, the Town made contributions to the State for death benefits of \$724. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.05% and 0.14% of covered payroll, respectively.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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)	\$ 100,350
Benefit payments and administrative costs paid subsequent to the measurement date (LEOSSA)	341
Differences between expected and actual experience	51,849
Changes of assumptions	71,867
Net difference between projected and actual earnings on plan investments	185,896
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>11,688</u>
	<u>\$ 421,991</u>

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

	<u>General Fund Balance Sheet</u>	<u>Statement of Net Position</u>
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable, less penalties (General Fund)	26,802	-
Differences between expected and actual experience	-	16,083
Changes of assumptions	-	29,467
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>-</u>	<u>22,038</u>
	<u>\$ 26,802</u>	<u>\$ 67,588</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 2022-2023 was \$14,986. The annual contract amount is appropriated in each annual budget.

On July 3, 2018, the Town entered into a four-year meter servicing agreement. The agreement required three annual payments, which the Town satisfied early. Effective July 1, 2022, the Town approved an addendum to the original agreement extending the agreement for two years with a fee billed annually in advance estimated at \$17,175 based on 625 meters.

The Town has applied for and been awarded by the North Carolina Department of Environmental Quality, Division of Water Infrastructure, two Local Assistance for Stormwater Infrastructure Investments (LASII) grants from the American Rescue Plan Act up to a maximum of \$350,000 for a stormwater planning grant and up to a maximum of \$1,807,000 for drainage improvements at Stanback Park. Costs are to be incurred by December 31, 2024, and funds are to be disbursed by December 31, 2026.

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 and \$60,000 respectively.

CLAIMS AND JUDGMENTS

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

LONG-TERM OBLIGATIONS

1. Installment Purchase

Installment purchase payable consisted of the following direct borrowing at June 30, 2023:

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.

\$ 2,414,729

The future minimum payments of the installment purchase as of June 30, 2023, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 142,043	\$ -
2025	142,043	-
2026	142,043	-
2027	142,043	-
2028	142,043	-
2029-2033	710,214	-
2034-2038	710,214	-
2039-2040	<u>284,086</u>	<u>-</u>
	<u>\$ 2,414,729</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, 2023, 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. \$ 455,000

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2024	\$ 21,000	\$ 19,906
2025	22,000	18,987
2026	22,500	18,025
2027	23,500	17,041
2028	24,500	16,013
2029-2033	140,500	62,891
2034-2038	167,000	29,575
2039	34,000	1,487
	<u>\$ 455,000</u>	<u>\$ 183,925</u>

At June 30, 2023, Town of Mount Gilead had a legal debt margin of \$5,766,119.

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, 2023, 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%.	\$ 538,000
\$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>44,000</u>
	<u>\$ 582,000</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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>
2024	\$ 12,000	\$ 14,550
2025	12,000	14,250
2026	13,000	13,950
2027	13,000	13,625
2028	13,000	13,300
2029-2033	72,000	61,350
2034-2038	80,000	51,975
2039-2043	90,000	41,475
2044-2048	104,000	29,625
2049-2053	120,000	15,788
2054-2055	<u>53,000</u>	<u>2,012</u>
	<u>\$ 582,000</u>	<u>\$ 271,900</u>

The Town is in compliance with all revenue bond covenants as of June 30, 2023. 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, 2023, is as follows:

Operating revenues	\$ 1,535,254
Operating expenses (excluding depreciation)	<u>1,380,120</u>
Operating income	155,134
Nonoperating revenues (expenses)*	<u>(7,879)</u>
Income available for debt service	<u>\$ 147,255</u>
Debt service, principal and interest paid (revenue bonds only)	<u>\$ 26,850</u>
Debt service coverage ratio	<u>548%</u>

* Does not include revenue bond interest of \$14,826.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 34,558	\$ -	\$ 3,240	\$ 31,318	\$ -
Net pension liability (LGERS)	93,923	267,395	-	361,318	-
Total pension liability (LEO)	93,550	-	1,627	91,923	-
Total governmental activities	<u>\$ 222,031</u>	<u>\$ 267,395</u>	<u>\$ 4,867</u>	<u>\$ 484,559</u>	<u>\$ -</u>
Business-type activities:					
Direct placement general obligation bonds	\$ 475,000	\$ -	\$ 20,000	\$ 455,000	\$ 21,000
Direct placement revenue bonds	594,000	-	12,000	582,000	12,000
Direct borrowing installment purchase	2,556,772	-	142,043	2,414,729	142,043
Compensated absences	23,529	-	3,463	20,066	-
Net pension liability (LGERS)	64,651	136,481	-	201,132	-
Total business-type activities	<u>\$ 3,713,952</u>	<u>\$ 136,481</u>	<u>\$ 177,506</u>	<u>\$ 3,672,927</u>	<u>\$ 175,043</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, 2023

C. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2023, consist of the following:

Due to General Fund:	
From Stanback Park Sidewalk Extension Project Fund	<u>\$ 20,280</u>
Due to Water and Sewer Fund:	
From Sewer System Improvements Project Fund	\$ 30,750
From Water Asset Inventory Assessment Grant Fund	49,000
From Wastewater Asset Inventory Assessment Grant Fund	41,600
From NC Hwy 109 Force Main Relocation Capital Project Fund	<u>3,610</u>
	<u>\$ 124,960</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, 2023, consist of the following:

	<u>From</u>	<u>To</u>
General Fund:		
From Wastewater Rehabilitation Project Fund	\$ 4,049	\$ -
From American Rescue Plan Funds Special Revenue Fund	99,840	-
American Rescue Plan Funds Special Revenue Fund:		
To General Fund	-	99,840
To Water and Sewer Fund	-	264,112
Debt Service Fund:		
From Water and Sewer Fund	26,850	-
To Water and Sewer Fund	-	26,850
Debt Service Reserve Fund:		
From Water and Sewer Fund	2,646	-
Water and Sewer Fund:		
From American Rescue Plan Funds Special Revenue Fund	264,112	-
From Debt Service Fund	26,850	-
To Debt Service Fund	-	26,850
To Debt Service Reserve Fund	-	2,646
Wastewater Rehabilitation Project Fund:		
To General Fund	<u>-</u>	<u>4,049</u>
	<u>\$ 424,347</u>	<u>\$ 424,347</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.

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, was \$29,564. 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, 2023. Complete financial statements for the ABC Board may be obtained from the ABC Board at PO Box 279, Biscoe, North Carolina 27209.

North Carolina Rural Water Association

The Town also participates in a joint venture, North Carolina Rural Water Association (NCRWA), with other municipal and county water systems and related businesses in North Carolina to help attain the highest standards in drinking water and wastewater service. NCRWA is governed by a volunteer board of directors from the association's membership. None of the participating governments or businesses have any equity interest in NCRWA, so no equity interest has been reflected in the financial statements at June 30, 2023. In accordance with the agreement between the Town and NCRWA, the Town paid \$380 to NCRWA during the year ended June 30, 2023, for membership dues based upon the Town's water connections. Complete financial statements for NCRWA can be obtained from NCRWA's office at PO Box 540, Welcome, NC 27374.

NOTE 5 – UNDIVIDED INTEREST IN JOINT OPERATION

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

NOTE 6 – RELATED ORGANIZATION

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

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

FEDERAL AND STATE ASSISTED PROGRAMS

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

NOTE 8 – PRIOR PERIOD ADJUSTMENT

Beginning assets and liabilities have been adjusted for federal payroll tax deposits erroneously deposited with the North Carolina Department of Revenue (NCDOR) rather than the Internal Revenue Service (IRS) for multiple pay periods since the quarter ended March 31, 2021. Beginning balances have been adjusted to reflect the resulting amounts due from other governments and due to other governments for prior fiscal years. As of June 30, 2022, the Town was due \$219,081 in refunds of payroll tax deposits from NCDOR and owed the IRS \$219,081 in missed payroll tax deposits plus interest assessed. As of June 30, 2023, the total amount of tax due the IRS was \$385,169. Assessed interest of \$11,503 has been accrued by the Town as of June 30, 2023. A prior period adjustment was not made for the interest due to the immaterial amount. The Town has asked the IRS to waive penalties and interest, but does not know if it will do so. The Town and its legal counsel have not yet determined the effect on the Town's financial position of any additional tax and/or penalty pending a final assessment from the IRS.

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 Ten Fiscal Years***

	<u>2023</u>	<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) (%)	0.00997%	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) (\$)	\$ 562,450	\$ 158,574	\$ 315,891	\$ 274,185	\$ 239,844	\$ 143,606	\$ 163,632	\$ 40,706	\$ (66,464)	\$ 138,619
Town's covered payroll	\$ 682,119	\$ 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	82.46%	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**	84.14%	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 Ten Fiscal Years**

	<u>2023</u>	<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	\$ 100,350	\$ 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>100,350</u>	<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>	<u>\$ -</u>
Town's covered payroll	\$ 799,518	\$ 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	12.55%	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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 93,550	\$ 75,020	\$ 41,275	\$ 16,276	\$ 50,220	\$ 60,940	\$ 53,001
Service cost	12,809	9,830	7,274	6,640	5,552	5,577	8,433
Interest on the total pension liability	2,105	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	13,726	11,365	731	15,782	(40,099)	(23,142)	-
Changes of assumptions and other inputs	(30,267)	(4,113)	24,394	1,985	(984)	4,493	(2,386)
Benefit payments	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 91,923</u>	<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, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 91,923	\$ 93,550	\$ 75,020	\$ 41,275	\$ 16,276	\$ 50,220	\$ 60,940	\$ 53,001
Covered payroll	\$ 319,677	\$ 267,069	\$ 234,685	\$ 268,287	\$ 225,036	\$ 254,101	\$ 365,080	\$ 365,080
Total pension liability as a percentage of covered payroll	28.75%	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, 2023

Exhibit A-1
Page 1 of 4

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes			
Taxes	\$ 547,460	\$ 582,035	\$ 34,575
Interest	4,000	6,212	2,212
Total	<u>551,460</u>	<u>588,247</u>	<u>36,787</u>
Other taxes and licenses			
Privilege licenses	<u>100</u>	<u>75</u>	<u>(25)</u>
Unrestricted intergovernmental			
Local option sales taxes	245,000	343,358	98,358
Telecommunications sales tax	9,000	9,409	409
Utilities sales tax	45,000	59,437	14,437
Piped natural gas sales tax	1,500	3,209	1,709
Video franchise fee	5,000	5,585	585
Sales and use tax hold harmless	80,000	108,612	28,612
Beer and wine tax	4,750	5,289	539
Payments in lieu of taxes	1,000	4,906	3,906
ABC profit distribution	<u>5,000</u>	<u>17,614</u>	<u>12,614</u>
Total	<u>396,250</u>	<u>557,419</u>	<u>161,169</u>
Restricted intergovernmental			
Powell Bill allocation	40,000	42,297	2,297
Controlled substance tax	100	-	(100)
Police department grants	25,000	-	(25,000)
School resource officer contribution	-	14,593	14,593
Fire department grants	45,000	-	(45,000)
Parks and recreational grant	15,000	15,000	-
ABC revenue for law enforcement	3,500	11,950	8,450
Solid waste disposal tax	<u>800</u>	<u>941</u>	<u>141</u>
Total	<u>129,400</u>	<u>84,781</u>	<u>(44,619)</u>
Permits and fees			
Zoning permits and fees	<u>1,000</u>	<u>1,285</u>	<u>285</u>
Sales and services			
Refuse collection	75,100	84,346	9,246
Rents received	19,200	23,992	4,792
Pool revenues	2,600	7,940	5,340
Other	<u>2,000</u>	<u>5,914</u>	<u>3,914</u>
Total	<u>98,900</u>	<u>122,192</u>	<u>23,292</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, 2023

Exhibit A-1
Page 2 of 4

	Final Budget	Actual	Variance Positive (Negative)
Investment earnings	500	8,147	7,647
Miscellaneous	92,717	119,623	26,906
TOTAL REVENUES	<u>1,270,327</u>	<u>1,481,769</u>	<u>211,442</u>
EXPENDITURES			
General government			
Governing body:			
Salaries and employee benefits	-	10,076	-
Professional services	-	18,878	-
Other operating expenditures	-	12,256	-
Total	<u>44,077</u>	<u>41,210</u>	<u>2,867</u>
General administration:			
Salaries and employee benefits	-	117,208	-
Professional services	-	12,569	-
Capital outlay	-	5,878	-
Other operating expenditures	-	79,294	-
Total	<u>214,300</u>	<u>214,949</u>	<u>(649)</u>
Total general government	<u>258,377</u>	<u>256,159</u>	<u>2,218</u>
Public safety			
Police:			
Salaries and employee benefits	-	534,637	-
Other operating expenditures	-	61,572	-
Capital outlay	-	-	-
Total	<u>642,450</u>	<u>596,209</u>	<u>46,241</u>
Fire:			
Other operating expenditures	-	66,970	-
Capital outlay	-	110,900	-
Total	<u>236,119</u>	<u>177,870</u>	<u>58,249</u>
Total public safety	<u>878,569</u>	<u>774,079</u>	<u>104,490</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, 2023

Exhibit A-1
Page 3 of 4

	Final Budget	Actual	Variance Positive (Negative)
Transportation			
Salaries and employee benefits	-	61,783	-
Other operating expenditures	-	139,666	-
Capital outlay	-	21,929	-
Total transportation	<u>240,045</u>	<u>223,378</u>	<u>16,667</u>
Economic and physical development			
Planning:			
Operating expenditures	27,350	27,859	(509)
Community development:			
Operating expenditures	10,550	8,411	2,139
Artisan Center:			
Operating expenditures	12,500	9,943	2,557
Total economic and physical development	<u>50,400</u>	<u>46,213</u>	<u>4,187</u>
Environmental protection			
Sanitation:			
Contracted services	113,400	107,315	6,085
Cemetery:			
Operating expenditures	6,400	3,647	2,753
Total environmental protection	<u>119,800</u>	<u>110,962</u>	<u>8,838</u>
Culture and recreation			
Parks and recreation:			
Salaries and employee benefits	-	36,358	-
Other operating expenditures	-	58,477	-
Capital outlay	-	86,338	-
Total	<u>194,016</u>	<u>181,173</u>	<u>12,843</u>
Library:			
Donation to library	-	4,400	-
Capital outlay	-	18,814	-
Other operating expenditures	-	4,413	-
Total	<u>30,900</u>	<u>27,627</u>	<u>3,273</u>
Total culture and recreation	<u>224,916</u>	<u>208,800</u>	<u>16,116</u>
TOTAL EXPENDITURES	<u>1,772,107</u>	<u>1,619,591</u>	<u>152,516</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, 2023

Exhibit A-1
Page 4 of 4

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES UNDER EXPENDITURES	(501,780)	(137,822)	363,958
OTHER FINANCING SOURCES			
Sale of capital assets	-	2,345	2,345
Transfers from other funds	<u>69,680</u>	<u>103,889</u>	<u>34,209</u>
TOTAL OTHER FINANCING SOURCES	<u>69,680</u>	<u>106,234</u>	<u>36,554</u>
REVENUES AND OTHER SOURCES UNDER EXPENDITURES	(432,100)	(31,588)	400,512
APPROPRIATED FUND BALANCE	<u>432,100</u>	<u>-</u>	<u>(432,100)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(31,588)</u>	<u>\$ (31,588)</u>
FUND BALANCE, beginning		<u>1,307,277</u>	
FUND BALANCE, ending		<u>\$ 1,275,689</u>	

TOWN OF MOUNT GILEAD, NORTH CAROLINA
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2023

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	\$ -	\$ -	\$ 18,519	\$ -	\$ 18,519
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,519</u>	<u>\$ -</u>	<u>\$ 18,519</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 15,903	\$ 15,903
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,280</u>	<u>20,280</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,183</u>	<u>36,183</u>
FUND BALANCE (DEFICIT)					
Restricted:					
Culture and recreation	-	-	-	-	-
Committed:					
Debt service	-	-	18,519	-	18,519
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,183)</u>	<u>(36,183)</u>
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>18,519</u>	<u>(36,183)</u>	<u>(17,664)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,519</u>	<u>\$ -</u>	<u>\$ 18,519</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, 2023

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					
Transportation	-	-	-	15,797	15,797
REVENUES UNDER EXPENDITURES	-	-	-	(31,700)	(31,700)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	26,850	2,646	-	29,496
Transfers to other funds	(4,049)	(26,850)	-	-	(30,899)
TOTAL OTHER FINANCING SOURCES (USES)	(4,049)	-	2,646	-	(1,403)
NET CHANGE IN FUND BALANCE	(4,049)	-	2,646	(31,700)	(33,103)
FUND BALANCE (DEFICIT)					
Beginning of year, July 1	4,049	-	15,873	(4,483)	15,439
End of year, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,519</u>	<u>\$ (36,183)</u>	<u>\$ (17,664)</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2023

Exhibit B-3

	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	403,685	358,599	-	358,599	(45,086)
EXPENDITURES					
Economic and physical development:					
Training	1,449	783	-	783	666
Travel/Meals	874	874	-	874	-
Planning	6,860	1,491	-	1,491	5,369
Supplies/Celebration	2,687	2,687	-	2,687	-
Printing/Advertising	1,499	1,499	-	1,499	-
Miscellaneous	1,117	1,117	-	1,117	-
Implementation grant	235,200	201,114	-	201,114	34,086
Artisan pre-development grant	25,000	20,629	-	20,629	4,371
Haywood Restaurant and Pub	103,000	103,000	-	103,000	-
Culture and recreation:					
Physical activity grant	24,999	24,999	-	24,999	-
Walking trail grant	4,000	713	-	713	3,287
TOTAL EXPENDITURES	406,685	358,906	-	358,906	47,779
REVENUES UNDER EXPENDITURES	(3,000)	(307)	-	(307)	2,693
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds	3,000	4,356	(4,049)	307	(2,693)
NET CHANGE IN FUND BALANCE	\$ -	\$ 4,049	(4,049)	\$ -	\$ -
FUND BALANCE					
Beginning of year, July 1			4,049		
End of year, June 30			\$ -		

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	\$ 27,250	\$ 26,850	\$ (400)
Transfers to other funds	<u>(27,250)</u>	<u>(26,850)</u>	<u>400</u>
 NET CHANGE IN FUND BALANCE	 <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, 2023

Exhibit B-5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	\$ 2,725	\$ 2,646	\$ (79)
Transfers to other funds	<u>(2,725)</u>	<u>-</u>	<u>2,725</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>2,646</u>	<u>\$ 2,646</u>
FUND BALANCE			
Beginning of year, July 1		<u>15,873</u>	
End of year, June 30		<u>\$ 18,519</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, 2023

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)	\$ -	\$ (108,000)	
EXPENDITURES						
Transportation:						
Construction costs	121,500	-	-	-	121,500	
Engineering costs	40,837	20,386	15,797	36,183	4,654	
TOTAL EXPENDITURES	162,337	20,386	15,797	36,183	126,154	
	REVENUES UNDER EXPENDITURES	(54,337)	(4,483)	(31,700)	(36,183)	18,154
OTHER FINANCING SOURCES						
Transfers from other funds	54,337	-	-	-	(54,337)	
NET CHANGE IN FUND BALANCE	\$ -	\$ (4,483)	(31,700)	\$ (36,183)	\$ (36,183)	
FUND DEFICIT						
Beginning of year, July 1			(4,483)			
End of year, June 30			\$ (36,183)			

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, 2023

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	\$ 363,952	\$ -
OTHER FINANCING USES					
Transfers to other funds	(363,952)	-	(363,952)	(363,952)	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE					
Beginning of year, July 1			-		
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, 2023

Exhibit C-1
Page 1 of 2

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Water sales	\$ 211,650	\$ 226,148	\$ 14,498
Sewer charges	880,000	1,000,833	120,833
Water and sewer taps and fees	41,000	63,599	22,599
Other operating revenues	64,791	72,414	7,623
Total operating revenues	<u>1,197,441</u>	<u>1,362,994</u>	<u>165,553</u>
Nonoperating revenues:			
Investment earnings	<u>1,500</u>	<u>12,833</u>	<u>11,333</u>
TOTAL REVENUES	<u>1,198,941</u>	<u>1,375,827</u>	<u>176,886</u>
EXPENDITURES			
Water/Wastewater Administration:			
Salaries and employee benefits	-	171,762	-
Repairs and maintenance	-	3,455	-
Other operating expenditures	-	109,283	-
Total	<u>289,765</u>	<u>284,500</u>	<u>5,265</u>
Water Operations:			
Salaries and employee benefits	-	121,313	-
Water purchases	-	128,029	-
Repairs and maintenance	-	4,567	-
Other operating expenditures	-	58,975	-
Total	<u>310,190</u>	<u>312,884</u>	<u>(2,694)</u>
Wastewater Collection System:			
Salaries and employee benefits	-	123,234	-
Repairs and maintenance	-	79,446	-
Other operating expenditures	-	155,720	-
Total	<u>357,861</u>	<u>358,400</u>	<u>(539)</u>
Wastewater Plant:			
Salaries and employee benefits	-	81,669	-
Repairs and maintenance	-	16,769	-
Other operating expenditures	-	135,847	-
Total	<u>234,598</u>	<u>234,285</u>	<u>313</u>
Debt service:			
Interest and fees	-	35,631	-
Principal retirement	-	174,043	-
Total	<u>211,000</u>	<u>209,674</u>	<u>1,326</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, 2023

Exhibit C-1
Page 2 of 2

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES - CONTINUED			
Capital outlay	83,456	37,597	45,859
TOTAL EXPENDITURES	<u>1,486,870</u>	<u>1,437,340</u>	<u>49,530</u>
REVENUES UNDER EXPENDITURES	<u>(287,929)</u>	<u>(61,513)</u>	<u>226,416</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	27,250	290,962	263,712
Transfers to other funds	<u>(29,975)</u>	<u>(29,496)</u>	<u>479</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,725)</u>	<u>261,466</u>	<u>264,191</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(290,654)	199,953	490,607
APPROPRIATED FUND BALANCE	<u>290,654</u>	<u>-</u>	<u>(290,654)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 199,953</u>	<u>\$ 199,953</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
NET CHANGE IN FUND BALANCE		\$ 199,953	
RECONCILING ITEMS:			
Principal retirement		174,043	
Change in accrued interest payable		93	
Capital outlay		37,597	
Depreciation		(499,195)	
Increase in due to other governments		(4,601)	
Decrease in accrued vacation pay		3,463	
Increase in deferred outflows of resources - pensions		42,817	
Increase in net pension liability		(136,481)	
Decrease in deferred inflows of resources - pensions		91,733	
Capital contributions		41,000	
Transactions from Water Asset Inventory Assessment (AIA) Grant Fund:			
State grant		78,400	
Water operations expenses		(85,400)	
Transactions from Wastewater Asset Inventory Assessment (AIA) Grant Fund:			
State grant		90,250	
Wastewater collection system expenses		(97,250)	
Transactions from NC Hwy 109 Force Main Relocation Capital Project Fund:			
State reimbursement		3,610	
Wastewater collection system expenses		<u>(4,332)</u>	
CHANGE IN NET POSITION (EXHIBIT 7)		<u>\$ (64,300)</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, 2023

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	\$ 3,068,192	\$ -	\$ 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	3,411,871	-	3,411,871	112,229
REVENUES UNDER EXPENDITURES	(3,524,100)	(3,411,871)	-	(3,411,871)	112,229
OTHER FINANCING SOURCES					
Loan proceeds	3,455,000	3,340,858	-	3,340,858	(114,142)
Transfers from other funds	69,100	71,013	-	71,013	1,913
TOTAL OTHER SOURCES	3,524,100	3,411,871	-	3,411,871	(112,229)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SEWER SYSTEM IMPROVEMENTS PROJECT FUND - SRP-W-ARP-0102
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2023

Exhibit C-3

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
NCDEQ-DWI-ARPA Grant	\$ 3,500,000	\$ -	\$ 41,000	\$ 41,000	\$(3,459,000)
EXPENDITURES					
Construction	2,794,000	-	-	-	2,794,000
Engineering design and permitting	205,000	-	41,000	41,000	164,000
Bidding and awarding	20,000	-	-	-	20,000
Construction management and inspection	167,000	-	-	-	167,000
Easement surveying and mapping	10,000	-	-	-	10,000
Geotechnical investigations	10,000	-	-	-	10,000
Legal fees	15,000	-	-	-	15,000
Project contingency	279,000	-	-	-	279,000
TOTAL EXPENDITURES	3,500,000	-	41,000	41,000	3,459,000
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF MOUNT GILEAD, NORTH CAROLINA
WATER ASSET INVENTORY ASSESSMENT (AIA) GRANT FUND - AIA-D-0250
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2023

Exhibit C-4

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Water AIA grant	\$ 140,000	\$ -	\$ 78,400	\$ 78,400	\$ (61,600)
EXPENDITURES					
Record drawing, archiving, digital scanning	7,400	-	7,400	7,400	-
Water system mapping update	25,000	-	25,000	25,000	-
Water usage audit	13,500	-	5,400	5,400	8,100
Detailed hydraulic model	25,000	-	20,000	20,000	5,000
Asset inventory and assessment report	25,000	-	17,500	17,500	7,500
Critical asset inventory review & O&M report	20,000	-	6,000	6,000	14,000
Capital improvement plan	20,000	-	2,000	2,000	18,000
Management software	2,000	-	-	-	2,000
Grant match	7,000	-	-	-	7,000
Administrative cost (grant fee)	2,100	-	2,100	2,100	-
TOTAL EXPENDITURES	147,000	-	85,400	85,400	61,600
REVENUES UNDER EXPENDITURES	(7,000)	-	(7,000)	(7,000)	-
OTHER FINANCING SOURCES					
Transfers from other funds	7,000	-	-	-	(7,000)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ (7,000)	\$ (7,000)	\$ (7,000)

TOWN OF MOUNT GILEAD, NORTH CAROLINA
WASTEWATER ASSET INVENTORY ASSESSMENT (AIA) GRANT FUND - AIA-W-0244
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2023

Exhibit C-5

	Project Authorization <i>(As amended)</i>	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Wastewater AIA grant	\$ 140,000	\$ -	\$ 90,250	\$ 90,250	\$ (49,750)
EXPENDITURES					
Record drawing, archiving, digital scanning	7,400	-	7,400	7,400	-
Collections system inspection	20,000	-	20,000	20,000	-
Collections system mapping update	25,000	-	25,000	25,000	-
Flow tracking/sub-basin flow review	22,000	-	22,000	22,000	-
Asset inventory and assessment report	28,000	-	14,000	14,000	14,000
Critical asset inventory review & O&M report	17,000	-	5,100	5,100	11,900
Capital improvement plan	16,500	-	1,650	1,650	14,850
Management software	2,000	-	-	-	2,000
Grant match	7,000	-	-	-	7,000
Administrative cost (grant fee)	2,100	-	2,100	2,100	-
TOTAL EXPENDITURES	147,000	-	97,250	97,250	49,750
REVENUES UNDER EXPENDITURES	(7,000)	-	(7,000)	(7,000)	-
OTHER FINANCING SOURCES					
Transfers from other funds	7,000	-	-	-	(7,000)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ (7,000)	\$ (7,000)	\$ (7,000)

TOWN OF MOUNT GILEAD, NORTH CAROLINA
NC HWY 109 FORCE MAIN RELOCATION CAPITAL PROJECT FUND - R-5826B
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2023

Exhibit C-6

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
REVENUES					
Reimbursement from NCDOT	\$ 7,220	\$ -	\$ 3,610	\$ 3,610	\$ (3,610)
EXPENDITURES					
Engineering design & permitting	<u>7,220</u>	<u>-</u>	<u>4,332</u>	<u>4,332</u>	<u>2,888</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (722)</u>	<u>\$ (722)</u>	<u>\$ (722)</u>

OTHER SCHEDULES

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2023

Exhibit D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022-2023	\$ -	\$ 584,106	\$ 561,756	\$ 22,350
2021-2022	22,850	-	11,339	11,511
2020-2021	11,137	-	4,314	6,823
2019-2020	8,826	-	2,537	6,289
2018-2019	4,744	-	52	4,692
2017-2018	4,758	-	1,313	3,445
2016-2017	3,833	-	912	2,921
2015-2016	3,299	-	411	2,888
2014-2015	2,564	-	-	2,564
2013-2014	4,346	-	27	4,319
2012-2013	4,163	-	4,163	-
	<u>\$ 70,520</u>	<u>\$ 584,106</u>	<u>\$ 586,824</u>	67,802
				Less: allowance for uncollectible accounts <u>(41,000)</u>
				<u>\$ 26,802</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 588,247
 Reconciling items:				
Taxes written off and/or adjusted, net				4,789
Collection of taxes previously written-off				-
Interest collected				<u>(6,212)</u>
			Total collections and credits	<u>\$ 586,824</u>

TOWN OF MOUNT GILEAD, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
For the Year Ended June 30, 2023

Exhibit D-2

	Town-wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current rate	\$ 102,305,248	\$ 0.57	\$ 583,140	\$ 517,799	\$ 65,341
Penalties and adjustments	-		1,227	1,227	-
Total	<u>102,305,248</u>		<u>584,367</u>	<u>519,026</u>	<u>65,341</u>
Discoveries:					
Current and prior years	120,210	0.57	685	685	-
Penalties and adjustments	-		-	-	-
	<u>120,210</u>		<u>685</u>	<u>685</u>	<u>-</u>
Releases	<u>(164,861)</u>		<u>(946)</u>	<u>(946)</u>	<u>-</u>
Total property valuation	<u>\$ 102,260,597</u>				
Net levy			584,106	518,765	65,341
Unpaid (by taxpayer) taxes at June 30, 2023			<u>(22,350)</u>	<u>(22,350)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 561,756</u>	<u>\$ 496,415</u>	<u>\$ 65,341</u>
Current levy collection percentage			<u>96.17%</u>	<u>95.69%</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, 2023

Exhibit D-3

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Water sales	\$ 226,148	\$ -	\$ 226,148
Sewer charges	-	1,000,833	1,000,833
Water and sewer taps and fees	5,353	58,246	63,599
Other operating revenues	<u>102,959</u>	<u>141,715</u>	<u>244,674</u>
TOTAL OPERATING REVENUES	<u>334,460</u>	<u>1,200,794</u>	<u>1,535,254</u>
OPERATING EXPENSES			
Water/Wastewater administration	97,110	189,223	286,333
Water operations	401,914	-	401,914
Wastewater collection system	-	457,378	457,378
Wastewater plant	-	234,495	234,495
Depreciation	<u>80,182</u>	<u>419,013</u>	<u>499,195</u>
TOTAL OPERATING EXPENSES	<u>579,206</u>	<u>1,300,109</u>	<u>1,879,315</u>
OPERATING LOSS	<u>(244,746)</u>	<u>(99,315)</u>	<u>(344,061)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	4,352	8,481	12,833
Interest and fees	<u>(14,826)</u>	<u>(20,712)</u>	<u>(35,538)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(10,474)</u>	<u>(12,231)</u>	<u>(22,705)</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(255,220)</u>	<u>(111,546)</u>	<u>(366,766)</u>
CAPITAL CONTRIBUTIONS	-	41,000	41,000
TRANSFERS	<u>87,337</u>	<u>174,129</u>	<u>261,466</u>
CHANGE IN NET POSITION	<u>\$ (167,883)</u>	<u>\$ 103,583</u>	<u>\$ (64,300)</u>

COMPLIANCE SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2023, 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 January 16, 2024.

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 certain deficiencies in internal control that we consider to be material weaknesses.

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 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, reviews, 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.

Payment of Federal Payroll Taxes:

Federal payroll taxes due to the Internal Revenue Service (IRS) were paid to the North Carolina Department of Revenue (NCDOR) in error for multiple pay periods since the quarter ended March 31, 2021. The Town has requested refunds from NCDOR and has begun receiving those refunds. As monies are available from the NCDOR refunds, the Town will repay the IRS for all past due amounts. The Town agrees with this finding and has enrolled in the Electronic Federal Tax Payment System (EFTPS) to avoid such an issue in the future.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are 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 has established review procedures to monitor this in the future.

Budgetary Accounting for Appropriations:

G.S. 159-13.2(c) requires a balanced project ordinance to include all revenues estimated and all appropriations necessary to complete a project. During the year, the Town adopted two project ordinances for NC Department of Environmental Quality AIA grants that were not balanced and did not include all revenues and appropriations. The Town amended both ordinances subsequent to year-end. The amended ordinance amounts are reflected in the accompanying financial statements.

G.S. 159-13 requires a budget ordinance for all financial transactions of the local government. The fiscal year budget ordinance did not include the revenues and expenditures of the Debt Service Fund and the Debt Service Reserve Fund. The oversight was corrected with a budget amendment during the year. The amendment, however, was incorrect and did not balance. The amendment was corrected subsequent to year-end. The corrected budget amounts are reflected in the accompanying financial statements.

Semiannual Reports:

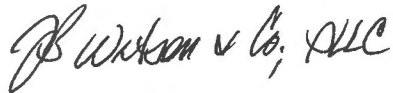
G.S. 159-33 requires the finance officer to provide the Local Government Commission with semiannual reports of the amounts of funds in his/her custody, the amounts of deposits in depositories, and a list of investment securities and time deposits held by the local government. The finance officer submitted the December 31, 2022, report approximately two months late. The Town agrees with this finding. The June 30, 2023, report was submitted by the due date.

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

Government Auditing Standards require 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 the responses.

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
January 16, 2024

TOWN OF MOUNT GILEAD, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2023

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Grant Funds Expended		
			Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
<u>US Dept. of Transportation:</u>					
Passed-through NC Dept. of Transportation:					
Highway Planning and Construction	20.205	EB-5899	\$ -	\$ -	\$ 15,797
<u>US Dept. of Treasury:</u>					
Coronavirus State & Local Fiscal Recovery					
Funds (ARPA)	21.027		363,952	-	-
Passed-through NC Dept. of Environmental Quality:					
Division of Water Infrastructure:					
Coronavirus State & Local Fiscal					
Recovery Funds (ARPA)	21.027-3	SRP-W-ARP-0102	41,000	-	-
Total federal assistance			<u>404,952</u>	<u>-</u>	<u>15,797</u>
State Grants:					
<u>NC Dept. of Environmental Quality:</u>					
Division of Water Infrastructure:					
Asset Inventory & Assessment Grant (AIA)					
		AIA-D-0250	-	78,400	7,000
		AIA-W-0244	-	90,250	7,000
			-	168,650	14,000
<u>NC Dept. of Transportation:</u>					
Powell Bill					
			-	50,000	-
Total State assistance			<u>-</u>	<u>218,650</u>	<u>14,000</u>
Total assistance			<u>\$ 404,952</u>	<u>\$ 218,650</u>	<u>\$ 29,797</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, 2023. 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.