

TOWN OF MILLS RIVER, NORTH CAROLINA

Financial Statements

June 30, 2020

Town Council Members

Chae Davis, Mayor
Brian Caskey, Mayor Pro Tem
Randy Austin
Brian Kimball
Roger Snyder

Administrative and Financial Staff

Daniel Cobb, Town Manager
Sue Powell, Finance Director
Aurelie Taylor, Tax Collector
Patty Brown, Deputy Clerk

Town of Mills River, North Carolina
Table of Contents
June 30, 2020

| <u>Exhibit</u> | | <u>Page</u> |
|--|--|-------------|
| Financial Section: | | |
| | Independent Auditor’s Report | i-iii |
| | Management’s Discussion and Analysis | iv-xi |
| Basic Financial Statements: | | |
| Government-wide Financial Statements: | | |
| 1 | Statement of Net Position | 1-2 |
| 2 | Statement of Activities | 3 |
| Fund Financial Statements: | | |
| 3 | Balance Sheets – Governmental Funds | 5 |
| 3 | Reconciliation of the Governmental Funds’ Balance Sheets to the Statement of Net Position | 6 |
| 4 | Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 7 |
| 4 | Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 8 |
| 5 | Statement of Revenues, Expenditures, and Changes in Fund Balance – Annual Budget and Actual – General Fund | 9 |
| | Notes to the Financial Statements | 10-25 |
| Required Supplementary Information: | | |
| | Schedule of the Proportionate Share of the Net Pension Liability – Local Government Employees’ Retirement System | 27 |
| | Schedule of Contributions – Local Government Employees’ Retirement System | 28 |

**Town of Mills River
Table of Contents
June 30, 2020**

| | <u>Page</u> |
|--|--------------------|
| Individual Fund Schedule and Other Schedules: | |
| <i>Individual Fund Schedule:</i> | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund | 30-32 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – From Inception – Capital Projects Fund | 33 |
| <i>Other Schedules:</i> | |
| Schedule of Ad Valorem Taxes Receivable | 35 |
| Analysis of Current Tax Levy – Town-Wide Levy | 36 |



Carl E. Shaw, CPA, PLLC
220-C Third Avenue West 828.698.7725 fax:828.698.7720
Hendersonville, North Carolina 28739 www.cshawcpa.com

Independent Auditor's Report

To the Honorable Mayor
and Members of the Governing Board
Town of Mills River, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Mills River, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Mills River, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Mills River, North Carolina. The individual fund schedule and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor and
Members of the Governing Board
Independent Auditor's Report
Page iii

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

October 29, 2020

Carl E. Shaw, CPA, PLLC

Management's Discussion and Analysis

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

Financial Highlights

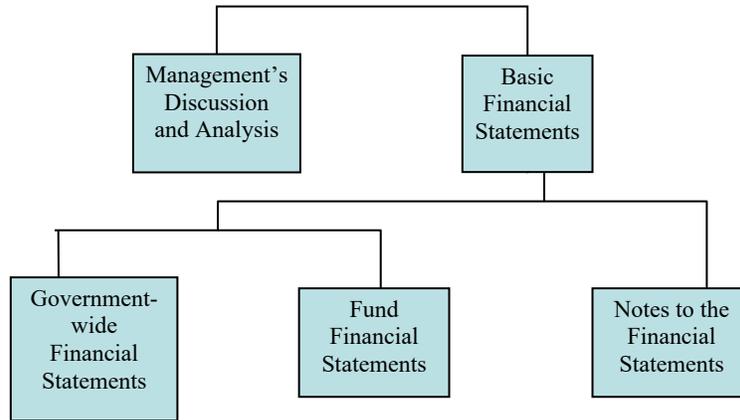
- The Town's assets and deferred outflows of resources *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$10,433,699.
- The Town's total net position *increased* by \$503,630. This year's increase was due to Henderson County's re-evaluation of real property values, the continued strength of the sales tax revenues received from the State, along with expenditures remaining below budgetary provisions.
- As of the June 30, 2020, the Town's governmental funds reported a fund balance of \$4,755,845, a decrease of \$327,251 in comparison with the prior year. This decrease was primarily caused by the Town's decision to pay off the remaining amount owed on its debt to the USDA, which will save on future interest expense. Approximately 13% percent of this total amount, or \$617,522, is nonspendable, restricted, committed or assigned.

Overview of the Financial Statements

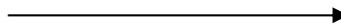
This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements (see Figure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

Figure 1

Required Components of Annual Financial Report



Summary



Detail

Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's property taxes.

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 total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements could be divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as general government, parks and recreation, and public safety. Property taxes and State-shared revenues finance most of these activities. The Town has no business-type activities. There are no component units.

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

Fund Financial Statements

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

Governmental Funds – The governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Town's basic services are accounted for in its 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 government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town 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 Council 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.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin after Exhibit 5.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 27-28.

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

Government-wide Financial Analysis

Figure 2

**Town of Mills River, North Carolina
Condensed Statements of Net Position
June 30**

| | 2020 | 2019 |
|---|----------------------|---------------------|
| Current Assets | \$ 4,876,122 | \$ 5,205,090 |
| Capital Assets, Net | 5,699,758 | 5,349,163 |
| Deferred Outflows of Resources | 100,745 | 107,280 |
| Total Assets and Deferred Outflows | 10,676,625 | 10,661,533 |
| Current Liabilities | 85,284 | 171,964 |
| Long-term Liabilities | 154,549 | 553,562 |
| Deferred Inflows of Resources | 3,093 | 5,938 |
| Total Liabilities and Deferred Inflows | 242,926 | 731,464 |
| Net Position | | |
| Investment in Capital Assets | 5,699,758 | 4,839,765 |
| Restricted | 292,713 | 437,083 |
| Unrestricted | 4,441,228 | 4,653,221 |
| Total Net Position | \$ 10,433,699 | \$ 9,930,069 |

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$10,433,699 as of June 30, 2020. The Town’s net position *increased* by \$503,630 for the fiscal year ended June 30, 2020. However, approximately 55% of the Town’s net position reflects its investment in capital assets (e.g. land, building, furniture and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town’s net position, \$292,713, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,441,228 is unrestricted.

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

- The Town achieved an overall tax collection rate of 99%.
- Henderson County’s revaluation of real property tax values was used in calculating the current year levy.
- State-shared revenues such as sales taxes on retail goods and utilities increased over prior year totals.

Figure 3

**Town of Mills River, North Carolina
Condensed Statements of Activities
Years Ended June 30**

| | 2020 | 2019 |
|------------------------------------|----------------------|---------------------|
| Revenues: | | |
| Program Revenues | | |
| Charges for Services | \$ 8,630 | \$ 7,895 |
| Operating Grants and Contributions | 3,691 | 24,896 |
| Capital Grants and Contributions | - | 116,199 |
| General Revenues | | |
| Ad Valorem Taxes | 2,611,384 | 2,068,843 |
| Other Taxes | 1,336,136 | 1,284,457 |
| Investment Earnings | 72,400 | 84,011 |
| Miscellaneous | 7,951 | 9,373 |
| Total Revenues | 4,040,192 | 3,595,674 |
| Expenses: | | |
| General Government | 679,048 | 673,194 |
| Public Safety | 2,250,920 | 1,673,633 |
| Transportation | 12,537 | 10,873 |
| Economic and Physical Development | 176,287 | 159,736 |
| Cultural and Recreation | 403,661 | 312,521 |
| Interest on Long-term Debt | 14,109 | 22,517 |
| Total Expenses | 3,536,562 | 2,852,474 |
| Increase in Net Position | 503,630 | 743,200 |
| Net Position, July 1 | 9,930,069 | 9,186,869 |
| Net Position, June 30 | \$ 10,433,699 | \$ 9,930,069 |

Financial Analysis of the Town's General Fund

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's unassigned fund balance available is \$4,138,323, while total fund balance totals \$4,467,958. The Governing Body of the Town of Mills River has determined that the Town should maintain an available fund balance of 65-75% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. As a measure of the general fund's liquidity, it may be useful to compare available fund balance to total fund expenditures. Available fund balance represents 89% of annual General Fund expenditures.

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

Revenues were more than budgeted amounts primarily because the Town strives to budget with realistic revenue projections. Actual expenditures approximated budgeted amounts. The Town continued to provide required governmental services.

The Town provided \$7,479 to support the Henderson County Library branch in Mills River. The citizens of Mills River provided more than 1,696 volunteer hours in support of the Mills River branch library.

Capital Project Fund Budgetary Highlights – During the fiscal year, the Town created a capital project fund to account for the construction costs of the new ball field located in the Town Park.

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental activities as of June 30, 2020 totals \$5,699,758 (net of accumulated depreciation). These assets consist mainly of real property purchased and the Town Hall/Library building constructed in prior years, and construction-related costs for the Town Park.

During the current year, the Town upgraded their security system and began installing solar panels on the buildings located at the Town Hall Center. They also completed construction on a park maintenance building, began construction on a ball field, and purchased various equipment for the park.

Figure 4

**Town of Mills River, North Carolina
Capital Assets - Net of Depreciation
June 30**

| | <u>2020</u> | <u>2019</u> |
|-------------------------|---------------------|---------------------|
| Non-Depreciable | \$ 2,696,154 | \$ 2,505,636 |
| Buildings | 1,274,377 | 1,098,479 |
| Land Improvements | 1,415,312 | 1,518,352 |
| Furniture and Equipment | 280,319 | 167,422 |
| Computer Equipment | 33,596 | 55,186 |
| Vehicles | - | 4,088 |
| Total | <u>\$ 5,699,758</u> | <u>\$ 5,349,163</u> |

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

Long-term Obligations

The Town paid in full its USDA-based loan which financed the construction of the Town Hall/Library building. Total principal and interest payments paid during fiscal year ended June 30, 2020 were \$523,506. The Town has no other capital-related long-term debt. Additional information on this debt can be found in Note 9 of the Basic Financial Statements.

Economic Factors

The Town continued to see growth in its tax base this year. Single-family residential construction has been the predominant driver in growth this year. Permit activity continues to exceed expectation.

Additional economic factors include:

- Incentive payments to Sierra Nevada, Raumedic, GF Linamar, Smart Products, Norafin, and Gaia Herbs totaling \$49,000.
- Continuing support to the Henderson County Economic Development Partnership and Agribusiness Henderson County with contributions of \$15,000 to each organization.
- Mills River Crossing, a new residential and commercial development, consisting of 52 single-family homes and 45,000 square feet of commercial space expanded into its next phase with approval of 46 additional homes.
- Mills River Brewery and Burning Blush Brewery opened their doors this year.
- COVID-19 continues to remain an unknown with regards to revenue. The Town's budget reflects an anticipated drop in revenue related to sales tax of 30%.

Budget Highlights for the Fiscal Year Ending June 30, 2021

- The total tax rate for fiscal year 2021 remains the same at \$0.19 per \$100 valuation with \$0.08 going to the Town's General Fund for operating expenses and \$0.11 per \$100 valuation funding the contract with Mills River Fire and Rescue.
- Expenditures for public safety services provided by Mills River Fire and Rescue at \$1,504,775.
- Expenditures for contractual law enforcement services provided by Henderson County Sheriff at \$793,000.
- The Parks Department began its first facilities masterplan. Anticipated completion date is early 2021. Cost for this work is \$35,000.
- The Town established its first capital reserve account with an initial contribution of \$34,500.

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 at the Town Hall, located at 124 Town Center Drive, Mills River, North Carolina, 28759, or (828) 890-2901.

Town of Mills River, North Carolina
Statement of Net Position
June 30, 2020

| | <u>Governmental Activities</u> |
|---|---|
| Assets | |
| Current Assets | |
| Cash and Cash Equivalents | \$ 4,522,079 |
| Taxes Receivable (net) | 48,690 |
| Accrued Interest Receivable on Taxes | 12,640 |
| Due from Other Governments | 272,521 |
| Restricted Cash and Cash Equivalents | <u>20,192</u> |
| Total Current Assets | <u>4,876,122</u> |
| Non-Current Assets | |
| Capital Assets: | |
| Land and Non-Depreciable Improvements | 2,696,154 |
| Other Capital Assets, Net of Depreciation | <u>3,003,604</u> |
| | <u>5,699,758</u> |
| Total Assets | <u>10,575,880</u> |
| Deferred Outflows of Resources | |
| Pension Related Deferrals | <u>100,745</u> |
| Total Deferred Outflows of Resources | <u>100,745</u> |

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

Exhibit 1

| | Governmental Activities |
|--|------------------------------------|
| Liabilities | |
| Current Liabilities | |
| Accounts and Construction Payable | \$ 55,854 |
| Current Portion of Long-term Liabilities | <u>29,430</u> |
| Total Current Liabilities | <u>85,284</u> |
| Long-term Liabilities | |
| Net Pension Liability | 144,739 |
| Due in More than One Year | <u>9,810</u> |
| Total Long-term Liabilities | <u>154,549</u> |
| Total Liabilities | <u>239,833</u> |
| Deferred Inflows of Resources | |
| Prepaid Taxes | 2,943 |
| Prepaid Rent and Rental Deposits | 150 |
| Pension Related Deferrals | <u>-</u> |
| Total Deferred Inflows of Resources | <u>3,093</u> |
| Net Position | |
| Investment in Capital Assets | 5,699,758 |
| Restricted for: | |
| Stabilization by State Statute | 272,521 |
| Flood Cleanup and Riverbank Restoration | 20,192 |
| Unrestricted | <u>4,441,228</u> |
| Total Net Position | <u><u>\$ 10,433,699</u></u> |

Town of Mills River, North Carolina
Statement of Activities
Year Ended June 30, 2020

| <u>Functions / Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense)</u> |
|--|---------------------|-------------------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Revenue and Changes in Net Position</u> |
| | | | | | <u>Governmental Activities</u> |
| Governmental Activities: | | | | | |
| General Government | \$ 679,048 | \$ 8,630 | \$ - | \$ - | \$ (670,418) |
| Public Safety | 2,250,920 | - | - | - | (2,250,920) |
| Transportation | 12,537 | - | - | - | (12,537) |
| Economic and Physical Development | 176,287 | - | - | - | (176,287) |
| Cultural and Recreation | 403,661 | - | 3,691 | - | (399,970) |
| Interest on long-term debt | 14,109 | - | - | - | (14,109) |
| Total Governmental Activities | <u>\$ 3,536,562</u> | <u>\$ 8,630</u> | <u>\$ 3,691</u> | <u>\$ -</u> | <u>(3,524,241)</u> |
| General Revenues | | | | | |
| Taxes: | | | | | |
| Property Taxes, levied for general purpose | | | | | 2,611,384 |
| Other Taxes | | | | | 1,336,136 |
| Unrestricted Investment Earnings | | | | | 72,400 |
| Miscellaneous | | | | | 7,951 |
| Total General Revenues | | | | | <u>4,027,871</u> |
| Change in Net Position | | | | | 503,630 |
| Net Position, July 1 | | | | | <u>9,930,069</u> |
| Net Position, June 30 | | | | | <u>\$ 10,433,699</u> |

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

Fund Financial Statements

Town of Mills River, North Carolina
Balance Sheets
Governmental Funds
June 30, 2020

| | <u>Major Funds</u> | | Total Governmental Funds |
|---|---------------------|---------------------------------|---|
| | <u>General Fund</u> | <u>Capital Project Fund</u> | |
| Assets | | | |
| Cash and Cash Equivalents | \$ 4,212,954 | \$ 309,125 | \$ 4,522,079 |
| Taxes Receivable - Net | 48,690 | - | 48,690 |
| Due from Other Governments | 268,574 | 3,947 | 272,521 |
| Restricted Cash and Cash Equivalents | 20,192 | - | 20,192 |
| Total Assets | <u>4,550,410</u> | <u>313,072</u> | <u>4,863,482</u> |
| Liabilities | | | |
| Accounts and Construction Payable | 30,669 | 25,185 | 55,854 |
| Total Liabilities | <u>30,669</u> | <u>25,185</u> | <u>55,854</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes Receivable | 48,690 | - | 48,690 |
| Prepaid Taxes | 2,943 | - | 2,943 |
| Prepaid Rent and Rental Deposits | 150 | - | 150 |
| Total Deferred Inflows of Resources | <u>51,783</u> | <u>-</u> | <u>51,783</u> |
| Fund Balance | | | |
| Restricted | | | |
| Stabilization by State Statute | 268,574 | 3,947 | 272,521 |
| Flood Cleanup and Riverbank Restoration | 20,192 | - | 20,192 |
| Committed | | | |
| Cultural and Recreation | - | 283,940 | 283,940 |
| Assigned | | | |
| Building Maintenance | 40,869 | - | 40,869 |
| Unassigned | 4,138,323 | - | 4,138,323 |
| Total Fund Balance | <u>4,467,958</u> | <u>287,887</u> | <u>4,755,845</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 4,550,410</u> | <u>\$ 313,072</u> | <u>\$ 4,863,482</u> |

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

Town of Mills River, North Carolina
Balance Sheets
Governmental Funds
June 30, 2020

Exhibit 3
(Continued)

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

| | | |
|--|--------------------|----------------------------|
| Total Fund Balances - Governmental Funds | | \$ 4,755,845 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Gross capital assets at historical cost | \$ 7,084,462 | |
| Accumulated depreciation | <u>(1,384,704)</u> | 5,699,758 |
| Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position. | | |
| | | 100,745 |
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. | | |
| | | 12,640 |
| Earned revenues considered deferred inflows of resources in fund statements. | | |
| | | 48,690 |
| Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the governmental funds. | | |
| Gross long-term debt - beginning of year | (536,800) | |
| Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.) | <u>497,560</u> | (39,240) |
| Net Pension Liability | | (144,739) |
| Pension related deferrals | | <u>-</u> |
| Net Position of Governmental Activities | | <u>\$10,433,699</u> |

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

Town of Mills River, North Carolina
Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

| | <u>Major Funds</u> | | <u>Total Governmental Funds</u> |
|---------------------------------------|---------------------|---------------------------------|---|
| | <u>General Fund</u> | <u>Capital Project Fund</u> | |
| Revenues | | | |
| Ad Valorem Taxes | \$ 2,595,419 | \$ - | \$ 2,595,419 |
| Unrestricted Intergovernmental | 1,336,136 | - | 1,336,136 |
| Restricted Intergovernmental | 2,750 | - | 2,750 |
| Restricted Contributions | 941 | - | 941 |
| Investment Earnings | 72,400 | - | 72,400 |
| Permits and Fees | 8,630 | - | 8,630 |
| Miscellaneous | 7,951 | - | 7,951 |
| Total Revenues | <u>4,024,227</u> | <u>-</u> | <u>4,024,227</u> |
| Expenditures | | | |
| Current: | | | |
| General Government | 537,365 | - | 537,365 |
| Public Safety | 2,250,920 | - | 2,250,920 |
| Transportation | 12,537 | - | 12,537 |
| Economic and Physical Development | 184,689 | - | 184,689 |
| Cultural and Recreation | 294,247 | - | 294,247 |
| Debt Service: | | | |
| Principal | 509,397 | - | 509,397 |
| Interest and Other Charges | 14,109 | - | 14,109 |
| Capital Outlay | 371,101 | 177,113 | 548,214 |
| Total Expenditures | <u>4,174,365</u> | <u>177,113</u> | <u>4,351,478</u> |
| Revenues under expenditures | <u>(150,138)</u> | <u>(177,113)</u> | <u>(327,251)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers from other funds | - | 465,000 | 465,000 |
| Transfers to other funds | (465,000) | - | (465,000) |
| Total other financing sources (uses) | <u>(465,000)</u> | <u>465,000</u> | <u>-</u> |
| Net Change in Fund Balance | (615,138) | 287,887 | (327,251) |
| Fund Balances | | | |
| Beginning of Year | <u>5,083,096</u> | <u>-</u> | <u>5,083,096</u> |
| End of Year | <u>\$ 4,467,958</u> | <u>\$ 287,887</u> | <u>\$ 4,755,845</u> |

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

Town of Mills River, North Carolina
Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020

Exhibit 4
(Continued)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

| | | |
|--|----|-----------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | (327,251) |
|--|----|-----------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|--|------------------|---------|
| Capital outlay expenditures which were capitalized | \$ 548,214 | |
| Depreciation expense for governmental assets | <u>(197,619)</u> | 350,595 |

| | | |
|--|--|--------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | | 37,393 |
|--|--|--------|

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.

| | | |
|--|--|--------|
| Change in accrued interest receivable on taxes | | 3,177 |
| Change in unavailable revenue for tax revenues | | 12,789 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | |
|--------------------------------------|--|---------|
| Principal payments on long-term debt | | 509,397 |
|--------------------------------------|--|---------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

| | | |
|--------------------------------|--|-----------------|
| Change in compensated absences | | (11,837) |
| Pension expense | | <u>(70,633)</u> |

| | | |
|--|-----------|-----------------------|
| Total Change in Net Position of Governmental Activities | \$ | <u>503,630</u> |
|--|-----------|-----------------------|

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

Town of Mills River, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Annual Budget and Actual
Year Ended June 30, 2020

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance</u> |
|---|------------------|--------------------|---------------------|---------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | |
| Revenues | | | | |
| Ad Valorem Taxes | \$ 2,384,500 | \$ 2,384,500 | \$ 2,595,419 | \$ 210,919 |
| Unrestricted Intergovernmental | 1,026,000 | 1,026,000 | 1,336,136 | 310,136 |
| Restricted Intergovernmental | - | - | 2,750 | 2,750 |
| Restricted Contributions | - | - | 941 | 941 |
| Investment Earnings | 20,000 | 20,000 | 72,400 | 52,400 |
| Permits and Fees | 6,500 | 6,500 | 8,630 | 2,130 |
| Miscellaneous | 4,770 | 4,770 | 7,951 | 3,181 |
| Total Revenues | <u>3,441,770</u> | <u>3,441,770</u> | <u>4,024,227</u> | <u>582,457</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 632,220 | 817,820 | 648,207 | 169,613 |
| Public Safety | 2,123,500 | 2,253,500 | 2,250,920 | 2,580 |
| Transportation | 15,000 | 15,000 | 12,537 | 2,463 |
| Economic and Physical Development | 197,150 | 204,150 | 184,689 | 19,461 |
| Cultural and Recreation | 374,800 | 673,300 | 554,506 | 118,794 |
| Debt Service: | | | | |
| Principal Retirement | 99,100 | 533,300 | 509,397 | 23,903 |
| Interest and Other Charges | - | 19,700 | 14,109 | 5,591 |
| Total Expenditures | <u>3,441,770</u> | <u>4,516,770</u> | <u>4,174,365</u> | <u>342,405</u> |
| Revenues under expenditures | <u>-</u> | <u>(1,075,000)</u> | <u>(150,138)</u> | <u>924,862</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | (465,000) | (465,000) | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(465,000)</u> | <u>(465,000)</u> | <u>-</u> |
| Fund Balance Appropriated | <u>-</u> | <u>1,540,000</u> | <u>-</u> | <u>(1,540,000)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>(615,138)</u> | <u>\$ (615,138)</u> |
| Fund Balance, Beginning | | | <u>5,083,096</u> | |
| Fund Balance, Ending | | | <u>\$ 4,467,958</u> | |

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

Town of Mills River, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies:

The accounting policies of the Town of Mills River (the “Town”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by a five-member Council. There are no other entities for which the Town is accountable and which should be included in the accompanying financial statements.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the Town’s financial activities. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Town’s funds.

The Town reports the following major governmental funds:

General Fund – The General Fund, the general operating fund of the Town, is used to account for all financial resources. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for general government services and public safety.

Ball Field Capital Project Fund – This fund is used to account for the construction costs of the ball field for the Town’s park.

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenues because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all the 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 are shown as receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue.

Sales taxes are considered a shared revenue for the Town because the tax is levied by Henderson County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues that are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town could fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there would be 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 by general revenues.

D. Budgetary Data

The Town's budget is adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. The budget is prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revision that alter total expenditures or that change functional appropriations by more than \$2,500. During the year, an amendment to the original budget was necessary.

The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

A capital project ordinance was adopted for the Ball Field Capital Project Fund. This ordinance will be in effect until the construction is completed.

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

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

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

Cash and Cash Equivalents – The Town’s cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

Allowances for Doubtful Accounts – All receivables that historically experience uncollectible accounts are subject to be shown net of an allowance for doubtful accounts. This amount will be estimated by analyzing the percentage of receivables that were written off in prior years. The Town has not established an allowance due to the immaterial amounts of receivables subject to being uncollectible.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets – Capital assets are defined by the Town as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received after June 30, 2015 are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

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

| | Estimated Useful Lives (in years) |
|-------------------------|--|
| | <hr/> |
| Buildings | 39 |
| Land Improvements | 15 |
| Furniture and Equipment | 7 |
| Vehicles | 5 |
| Computer Equipment | 5 |

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 two items that meet this criterion, contributions made to the pension plan in the 2020 year and pension related deferrals.

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, property taxes receivable, prepaid rent, rental deposits and deferrals of pension expense that result from the implementation of GASB Statement 68.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

In fund financial statements, governmental fund types recognize the face amount of debt issues as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of 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 Balance – Net position in government-wide financial statements are classified as investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Flood Cleanup and Riverbank Restoration – Portion of fund balance that is donor restricted for flood cleanup and riverbank restoration.

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of the Town's governing body. Any changes or removal of specific purpose requires majority action by the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

The portion of fund balance held in the Town's capital project fund is considered to be committed.

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

Assigned for Building Maintenance – portion of fund balance that is assigned for necessary repairs and maintenance to the Town's buildings.

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

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first.

The Town has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 65-75% of budgeted expenditures. If the fund balance percentage falls below the adopted threshold, the Governing Body will have 36 months to implement a plan to restore the fund balance to at least 65%.

Pensions

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

Note 2 – Deposits and Investments:

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

At June 30, 2020, the Town's deposits had a carrying amount of \$1,885,790 and a bank balance of \$1,897,355. \$1,500,000 of the bank balance was covered by federal depository insurance and \$397,355 in interest-bearing deposits was covered by collateral held under the Pooling Method. At June 30, 2020, the Town's petty cash fund totaled \$300.

Investments:

At June 30, 2020, the Town's investment balances were as follows:

| <u>Investment Type</u> | <u>Valuation Measurement Method</u> | <u>Fair Value</u> | <u>Maturity</u> | <u>Rating</u> |
|---|---|---------------------|-----------------|---------------|
| NC Capital Management Trust - Government Portfolio | Amortized Cost | \$ 2,129,298 | N/A | AAAm |
| NC Capital Management Trust - Term Portfolio | Fair Value Level 1 | <u>526,883</u> | .15 Years (a) | Unrated |
| Total | | <u>\$ 2,656,181</u> | | |

(a) This is the duration for the Term Portfolio.

All investments are measured using the market approach; using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 – Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Custodial credit risk

The Town has no formal policy on custodial credit risk.

Note 3 – Capital Assets:

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

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|-------------------|------------------|----------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 2,465,677 | \$ - | \$ - | \$ 2,465,677 |
| Construction in Progress | 25,086 | 190,518 | - | 215,604 |
| Land Improvements | 14,873 | - | - | 14,873 |
| Total Capital Assets Not Being Depreciated | <u>2,505,636</u> | <u>190,518</u> | <u>-</u> | <u>2,696,154</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 1,347,173 | 209,029 | - | 1,556,202 |
| Land Improvements | 2,089,842 | - | - | 2,089,842 |
| Furniture and Equipment | 381,152 | 148,667 | - | 529,819 |
| Vehicles | 46,040 | - | - | 46,040 |
| Computer Equipment | 166,405 | - | - | 166,405 |
| Total Capital Assets Being Depreciated | <u>4,030,612</u> | <u>357,696</u> | <u>-</u> | <u>4,388,308</u> |
| Less: Accumulated Depreciation For: | | | | |
| Land Improvements | 571,490 | 103,040 | - | 674,530 |
| Buildings | 248,694 | 33,131 | - | 281,825 |
| Furniture and Equipment | 213,730 | 35,770 | - | 249,500 |
| Vehicles | 41,952 | 4,088 | - | 46,040 |
| Computer Equipment | 111,219 | 21,590 | - | 132,809 |
| Total Accumulated Depreciation | <u>1,187,085</u> | <u>197,619</u> | <u>-</u> | <u>1,384,704</u> |
| Total Capital Assets Being Depreciated - Net | <u>2,843,527</u> | <u>160,077</u> | <u>-</u> | <u>3,003,604</u> |
| Governmental Activity Capital Assets - Net | <u>\$ 5,349,163</u> | <u>\$ 350,595</u> | <u>\$ -</u> | <u>\$ 5,699,758</u> |

Depreciation expense of \$197,619 was charged \$83,936 to the Town's general government function and \$113,683 to the Town's cultural and recreation function.

Note 4 – Pension Plan Obligations:

Local Governmental Employees' Retirement System

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Mills River employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Mills River contractually required contribution rate for the year ended June 30, 2020, was 9.26%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Mills River were \$37,393 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$144,739 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town’s proportion was 0.00530%, which was an increase of 0.00038% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$70,633. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 24,783 | \$ - |
| Changes of assumptions | 23,590 | - |
| Net difference between projected and actual earnings on pension plan investments | 3,530 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 11,449 | - |
| Town contributions subsequent to the measurement date | 37,393 | - |
| | <u>\$ 100,745</u> | <u>\$ -</u> |

\$37,393 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 ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | |
|--------------------------------|------------------|
| 2021 | \$ 31,183 |
| 2022 | 10,898 |
| 2023 | 16,464 |
| 2024 | 4,807 |
| 2025 | - |
| Thereafter | - |
| Total | <u>\$ 63,352</u> |

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

| | |
|---------------------------|---|
| Inflation | 3.0 percent per year |
| Salary Increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These

projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

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

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

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

| | <u>1% Decrease (6.00%)</u> | <u>Current Discount Rate (7.00%)</u> | <u>1% Increase (8.00%)</u> |
|---|----------------------------|--------------------------------------|----------------------------|
| Town's proportionate share of the net pension liability (asset) | <u>\$ 331,044</u> | <u>\$ 144,739</u> | <u>\$ (10,119)</u> |

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

Note 5 – 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. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

Note 6 – Claims, Judgments and Contingent Liabilities:

The Town is periodically involved in legal actions and claims arising in the normal course of operations. The ultimate resolution of these actions is not expected to have a material effect upon the net position of the Town.

Note 7 – Deferred Outflows and Inflows of Resources:

Deferred outflows of resources at June 30, 2020 is comprised of contributions to the pension plan in the current fiscal year totaling \$100,745.

Deferred inflows of resources at June 30, 2020 is comprised of the following:

| | | |
|---|-----------|---------------|
| Prepaid Taxes | \$ | 2,943 |
| Prepaid Rent and Rental Deposits | | 150 |
| Taxes Receivable | | 48,690 |
| Differences between expected and actual experience | | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | - |
| | <u>\$</u> | <u>51,783</u> |

Note 8 – Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability of \$5 million and auto liability coverage of \$1 million per occurrence, property coverage up to

the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town does not carry flood insurance due to the physical location of the Town's facilities and the lack of a risk of potential flood damage, as determined by the Town's management.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$75,000 and the tax collector is bonded for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

Note 9 – Long-term Debt:

General Obligation Indebtedness

In 2010, the Town entered into a direct borrowing loan agreement with the USDA for construction of the Town Hall/Library. The property was pledged as collateral for the debt while the debt was outstanding. During the current fiscal year, this loan was paid in full.

A schedule of the changes in long-term debt that occurred during the year ended June 30, 2020 is as follows:

| Governmental Activities: | Beginning Balances | Increases | Decreases | Ending Balances | Current Portion |
|-------------------------------------|-------------------------------|------------------|-------------------|----------------------------|----------------------------|
| Town Hall/Library | \$ 509,397 | \$ - | \$ 509,397 | \$ - | \$ - |
| Net Pension Liability (LGRS) | 116,719 | 28,020 | - | 144,739 | - |
| Compensated Absences | 27,403 | 11,837 | - | 39,240 | 29,430 |
| Total | \$ 653,519 | \$ 39,857 | \$ 509,397 | \$ 183,979 | \$ 29,430 |

The Town's legal debt margin was approximately \$108,696,000 at June 30, 2020.

Note 10 – Interfund Balances and Activity:

As of June 30, 2020, there were no interfund balances.

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

During the 2020 fiscal year, the Town transferred \$465,000 from the General Fund to the Capital Project Fund to fund the construction of a ball field in the Town’s park.

Note 11 – Commitments:

The Town had the following outstanding commitment at June 30, 2020:

| <u>Contract</u> | <u>Remaining Commitment</u> |
|-------------------------|---------------------------------|
| Ball Field Construction | \$ 201,468 |
| Solar Panels | <u>86,730</u> |
| Total | <u>\$ 288,198</u> |

Note 12 – Effect of COVID-19:

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

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

**Required
Supplementary Information**

**Town of Mills River, North Carolina
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years ***

Local Governmental Employees' Retirement System

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Mills River's proportion of the net pension liability (asset) (%) | 0.00530% | 0.00492% | 0.00419% | 0.00459% | 0.00306% | 0.00450% | 0.00380% |
| Mills River's proportion of the net pension liability (asset) (\$) | \$ 144,739 | \$ 116,719 | \$ 64,013 | \$ 97,416 | \$ 13,733 | \$ (26,539) | \$ 45,805 |
| Mills River's covered payroll | \$ 361,163 | \$ 343,362 | \$ 312,393 | \$ 298,753 | \$ 270,115 | \$ 252,053 | \$ 181,231 |
| Mills River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 31.61% | 33.99% | 20.49% | 32.61% | 5.08% | -10.53% | 25.27% |
| Plan fiduciary net position as a percentage of the total pension liability** | 91.63% | 94.18% | 91.47% | 98.09% | 99.07% | 102.64% | 94.35% |

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30. This schedule is intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.

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

**Town of Mills River, North Carolina
Schedule of Contributions
Required Supplementary Information
Last Seven Fiscal Years (*)**

Local Government Employees' Retirement System

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 37,393 | \$ 29,110 | \$ 26,748 | \$ 26,335 | \$ 23,034 | \$ 21,420 | \$ 19,963 |
| Contributions in relation to the contractually required contribution | <u>37,393</u> | <u>29,110</u> | <u>26,748</u> | <u>26,335</u> | <u>23,034</u> | <u>21,420</u> | <u>19,963</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Mills River's covered payroll | \$ 403,814 | \$ 361,163 | \$ 343,362 | \$ 312,393 | \$ 298,753 | \$ 270,115 | \$ 252,053 |
| Contributions as a percentage of covered payroll | <u>9.26%</u> | <u>8.06%</u> | <u>7.79%</u> | <u>8.42%</u> | <u>7.70%</u> | <u>7.92%</u> | <u>7.92%</u> |

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30. This schedule is intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.

Individual Fund Schedules and Other Schedules

Town of Mills River, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------|---------------------|------------------|---|
| Revenues: | | | |
| Ad Valorem Taxes: | | | |
| Current Year | | \$ 2,568,603 | |
| Prior Years | | 18,217 | |
| Interest and Penalties | | 8,599 | |
| Total | <u>\$ 2,384,500</u> | <u>2,595,419</u> | <u>\$ 210,919</u> |
| Unrestricted Intergovernmental: | | | |
| Local Option Sales Taxes | | 865,651 | |
| Sales Tax - Utilities | | 371,917 | |
| Sales Tax - Telecommunications | | 43,453 | |
| Sales Tax - Video Programming | | 22,771 | |
| Beer and Wine Tax | | 32,344 | |
| Total | <u>1,026,000</u> | <u>1,336,136</u> | <u>310,136</u> |
| Restricted Intergovernmental | <u>-</u> | <u>2,750</u> | <u>2,750</u> |
| Restricted Contributions | <u>-</u> | <u>941</u> | <u>941</u> |
| Permits and Fees: | | | |
| Building permits | <u>6,500</u> | <u>8,630</u> | <u>2,130</u> |
| Investment Earnings | <u>20,000</u> | <u>72,400</u> | <u>52,400</u> |
| Miscellaneous | | | |
| Rental Income | 4,670 | 6,425 | 1,755 |
| Other Miscellaneous Income | 100 | 1,526 | 1,426 |
| | <u>4,770</u> | <u>7,951</u> | <u>3,181</u> |
| Total Revenues | <u>3,441,770</u> | <u>4,024,227</u> | <u>582,457</u> |
| Expenditures: | | | |
| General Government: | | | |
| Governing Body | <u>4,000</u> | <u>1,157</u> | <u>2,843</u> |
| Administration: | | | |
| Salaries and Employee Benefits | 373,550 | 366,149 | |
| Other Operating Expenditures | 189,570 | 118,760 | |
| Capital Outlay | | 39,653 | |
| Total | <u>563,120</u> | <u>524,562</u> | <u>38,558</u> |

Town of Mills River, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------------|------------------|------------------|---|
| Finance: | | | |
| Tax Department | \$ 3,500 | \$ 3,415 | |
| Contract Services | 34,000 | 31,982 | |
| Total | <u>37,500</u> | <u>35,397</u> | <u>\$ 2,103</u> |
| Legal: | | | |
| Contract Services | <u>10,100</u> | <u>3,340</u> | <u>6,760</u> |
| Elections: | | | |
| Contracts | <u>5,100</u> | <u>5,039</u> | <u>61</u> |
| Public Building | | | |
| Capital Outlay | 198,000 | 71,190 | |
| Other Operating Expenditures | - | 7,522 | |
| Total | <u>198,000</u> | <u>78,712</u> | <u>119,288</u> |
| Total General Government | <u>817,820</u> | <u>648,207</u> | <u>169,613</u> |
| Public Safety | | | |
| Payments to Henderson County Sheriff | 738,000 | 737,832 | |
| Payments to Fire Departments | 1,514,000 | 1,512,839 | |
| Other Operating Expenditures | <u>1,500</u> | <u>249</u> | |
| Total Public Safety | <u>2,253,500</u> | <u>2,250,920</u> | <u>2,580</u> |
| Transportation | <u>15,000</u> | <u>12,537</u> | |
| Total | <u>15,000</u> | <u>12,537</u> | <u>2,463</u> |
| Economic and Physical Development | | | |
| Other Operating Expenditures | <u>204,150</u> | <u>184,689</u> | |
| Total | <u>204,150</u> | <u>184,689</u> | <u>19,461</u> |

Town of Mills River, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2020

| | Budget | Actual | Variance Positive (Negative) |
|--|---------------|---------------|---|
| Cultural and Recreation | | | |
| Capital Outlay | \$ 298,500 | \$ 260,259 | |
| Parks | 364,800 | 286,768 | |
| Library | 10,000 | 7,479 | |
| | 673,300 | 554,506 | \$ 118,794 |
| Debt Service | | | |
| Principal | 533,300 | 509,397 | |
| Interest | 19,700 | 14,109 | |
| | 553,000 | 523,506 | 29,494 |
| | | | |
| Total Expenditures | 4,516,770 | 4,174,365 | 342,405 |
| Revenues Under Expenditures | (1,075,000) | (150,138) | 924,862 |
| Other Financing Sources (Uses): | | | |
| Transfers from Other Funds | | | |
| Capital Project Fund | - | - | - |
| Transfers to Other Funds | | | |
| Capital Project Fund | (465,000) | (465,000) | - |
| | (465,000) | (465,000) | - |
| Fund Balance Appropriated | 1,540,000 | - | (1,540,000) |
| Net Change in Fund Balance | \$ - | (615,138) | \$ (615,138) |
| Fund Balance: | | | |
| Beginning of Year | | 5,083,096 | |
| End of Year | | \$ 4,467,958 | |

Town of Mills River, North Carolina
Capital Projects Fund - Ball Field
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Initial Year Ended June 30, 2020

| | <u>Project</u> | | <u>Variance</u> |
|---------------------------------------|----------------------|--------------------------|--------------------------|
| | <u>Authorization</u> | <u>Current Year</u> | <u>Positive</u> |
| | | | <u>(Negative)</u> |
| Revenues | | | |
| Other Revenue | \$ - | \$ - | \$ - |
| Total Revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | |
| Cultural and Recreation: | | | |
| Capital Outlay | 440,000 | 177,113 | 262,887 |
| Other Expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Contingency | <u>25,000</u> | <u>-</u> | <u>25,000</u> |
| Total Expenditures | <u>465,000</u> | <u>177,113</u> | <u>287,887</u> |
| Revenues Over (Under) | | | |
| Expenditures | <u>(465,000)</u> | <u>(177,113)</u> | <u>287,887</u> |
| Other Financing Sources (Uses) | | | |
| Transfers to/from Other Funds: | | | |
| From General Fund | 465,000 | 465,000 | - |
| To General Fund | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>465,000</u> | <u>465,000</u> | <u>-</u> |
| Net Change in Fund Balance | <u><u>\$ -</u></u> | <u>287,887</u> | <u><u>\$ 287,887</u></u> |
| Fund Balance: | | | |
| Beginning of Year | | <u>-</u> | |
| End of Year | | <u><u>\$ 287,887</u></u> | |

Other Schedules

Town of Mills River, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2019</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Balance June 30, 2020</u> |
|---|--|----------------------------|------------------------------------|--|
| 2019-2020 | \$ - | \$ 2,581,536 | \$ 2,554,992 | \$ 26,544 |
| 2018-2019 | 17,467 | 18,399 | 26,368 | 9,498 |
| 2017-2018 | 7,108 | 2,175 | 3,924 | 5,359 |
| 2016-2017 | 3,645 | 401 | 1,176 | 2,870 |
| 2015-2016 | 1,982 | 142 | 358 | 1,766 |
| 2014-2015 | 1,081 | 122 | 595 | 608 |
| 2013-2014 | 576 | - | 196 | 380 |
| 2012-2013 | 289 | - | 113 | 176 |
| 2011-2012 | 773 | - | 100 | 673 |
| 2010-2011 | 816 | - | - | 816 |
| 2009-2010 | 2,162 | - | 2,162 | - |
| Totals | <u><u>\$ 35,899</u></u> | <u><u>\$ 2,602,775</u></u> | <u><u>\$ 2,589,984</u></u> | <u><u>\$ 48,690</u></u> |
| Less: Allowance for Uncollectible Taxes | | | | - |
| Ad Valorem Taxes Receivable - Net | | | | <u><u>\$ 48,690</u></u> |
| Reconciliation with Revenues: | | | | |
| Taxes - Ad Valorem - General Fund | | | | \$ 2,586,820 |
| Reconciling Items: | | | | |
| Taxes written off | | | | 2,162 |
| Releases, Refunds, and Adjustments | | | | <u>1,002</u> |
| Total Collections and Credits | | | | <u><u>\$ 2,589,984</u></u> |

Town of Mills River, North Carolina
Analysis of Current Tax Levy
Year Ended June 30, 2020

| | <u>Property Valuation</u> | <u>Rate</u> | <u>Total Levy</u> | <u>Total Levy Property Excluding Registered Motor Vehicles</u> | <u>Registered Motor Vehicles</u> |
|---|--------------------------------|-------------|----------------------------|--|--|
| Original Levy | \$ 1,316,008,947 | \$ 0.19 | \$ 2,500,417 | \$ 2,337,674 | \$ 162,743 |
| Discoveries | 50,787,368 | | 96,496 | 96,496 | - |
| Releases | <u>(8,093,158)</u> | | <u>(15,377)</u> | <u>(15,377)</u> | <u>-</u> |
| Adjusted Levy | <u><u>\$ 1,358,703,157</u></u> | | | | |
| Net Levy | | | 2,581,536 | 2,418,793 | 162,743 |
| Less: Uncollected Taxes at June 30, 2020 | | | <u>26,544</u> | <u>26,544</u> | <u>-</u> |
| Current Year's Taxes Collected | | | <u><u>\$ 2,554,992</u></u> | <u><u>\$ 2,392,249</u></u> | <u><u>\$ 162,743</u></u> |
| Percent Collected | | | <u><u>98.97%</u></u> | <u><u>98.90%</u></u> | <u><u>100.00%</u></u> |