

**Town of Midway
Midway, North Carolina
For the year ended
June 30, 2024**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

Governance

Town Council Members

John Byrum, Mayor

Mike D. McAlpine, Mayor Pro Tempore

Robin S. Moon

Keith Leonard

Jackie Edwards

Berkley Alcorn

Administrative Staff

Hank Perkins, Town Manager

Linda Hunt, Town Clerk

Town of Midway

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June 30, 2024

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TONY BREWER, CPA, PC

Certified Public Accountant

Independent Auditor's Report

To the Honorable Mayor and Town Council
Town of Midway
Midway, North Carolina

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Midway, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Midway as of June 30, 2024, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Midway, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management's for the Audit of 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Midway 's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Midway 's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 32 through 33, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Midway, North Carolina's basic financial statements. The individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script, reading "Tony Brewer". The signature is written in black ink and is positioned above the printed name and date.

Tony Brewer, CPA, PC
Lexington, North Carolina
August 23, 2024

Town of Midway

Gateway to Davidson County



Management's Discussion and Analysis

As management of the Town of Midway, we offer readers of the Town of Midway's financial statements this narrative overview and analysis of the financial activities of the Town of Midway for the fiscal year ended June 30, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

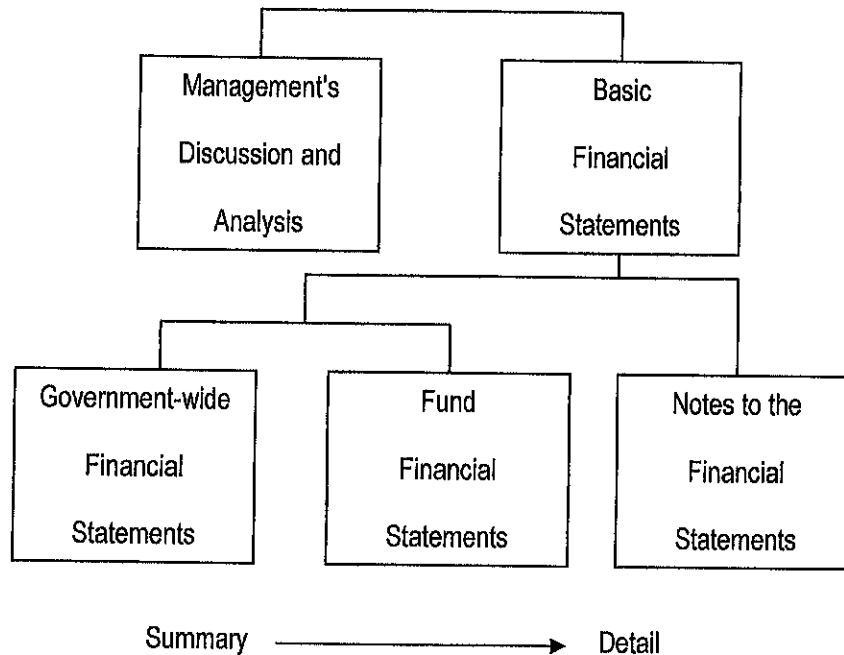
Financial Highlights

- The assets and deferred outflows of resources of the Town of Midway exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,262,368 (*net position*).
- The government's total net position increased by \$1,037,050, due to increases in the governmental type activities net position.
- As of the close of the current fiscal year, the Town of Midway's governmental fund reported an ending fund balance of \$9,103,770 with a net increase of \$1,208,422 in fund balance. Approximately 19 percent of this total amount, or \$1,766,264, is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,337,506, or 555 percent of the total General Fund expenditures for the fiscal year.
- The Town of Midway's total debt decreased by \$23,516 due to an increase in accrued vacation of \$742, and a decrease in net pension liability of \$24,258.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 6) 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 funds 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 individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Management Discussion and Analysis
Town of Midway

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 are summarized into one category: governmental activities. The governmental activities include most of the Town's basic services such as general administration. Property and sales taxes finance most of these activities.

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 of Midway, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Midway can be summarized into one category: governmental funds.

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

The Town of Midway adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted.

Management Discussion and Analysis
Town of Midway

The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

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

Town of Midway's Net position
Figure 2

| | <i>Governmental</i> | | <i>Total</i> | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Current and other assets | \$ 9,177,956 | \$ 8,037,474 | \$ 9,177,956 | \$ 8,037,474 |
| Capital assets | 5,154,480 | 5,327,942 | 5,154,480 | 5,327,942 |
| Deferred outflows of resources | 5,794 | 15,023 | 5,794 | 15,023 |
| Total assets | <u>14,338,230</u> | <u>13,380,439</u> | <u>14,338,230</u> | <u>13,380,439</u> |
| Current liabilities | 66,473 | 130,761 | 66,473 | 130,761 |
| Long-term liabilities | 742 | 24,258 | 742 | 24,258 |
| Deferred inflows of resources | 8,646 | 102 | 8,646 | 102 |
| Total liabilities | <u>75,861</u> | <u>155,121</u> | <u>75,861</u> | <u>155,121</u> |
| Net assets | | | | |
| Invested in capital assets | | | | |
| net of related debt | 5,154,480 | 5,327,942 | 5,154,480 | 5,327,942 |
| Restricted for: | | | | |
| Stabilization by State Statute | 309,414 | 300,624 | 309,414 | 300,624 |
| Unrestricted | 8,798,474 | 7,596,752 | 8,798,474 | 7,596,752 |
| | <u>\$14,262,368</u> | <u>\$13,225,318</u> | <u>\$14,262,368</u> | <u>\$13,225,318</u> |

Management Discussion and Analysis
Town of Midway

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 resources of the Town of Midway exceeded liabilities and deferred inflows of resources by \$14,262,368 as of June 30, 2024. The Town's net position increased by \$1,037,050 for the fiscal year ended June 30, 2024. However, a large portion, 36% reflects the Town's net investment in capital assets (land, buildings, equipment and infrastructure). The Town uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$309,414, represents resources that are subject to external restrictions on how they may be used. The balance of \$8,798,474 is unrestricted.

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

- Conservative spending approach by management

Town of Midway's Changes in Net position
Figure 3

| | Governmental | | Total | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 15,212 | \$ 6,650 | \$ 15,212 | \$ 6,650 |
| Operating grants and contributions | - | 1,565,442 | - | 1,565,442 |
| Capital grants and contributions | 50,000 | 125,000 | 50,000 | 125,000 |
| General revenues: | | | | |
| Property taxes | 219,439 | 215,662 | 219,439 | 215,662 |
| Other taxes | 1,989,448 | 1,925,277 | 1,989,448 | 1,925,277 |
| Other | 253,496 | 79,375 | 253,496 | 79,375 |
| Total revenues | 2,527,595 | 3,917,406 | 2,527,595 | 3,917,406 |
| Expenses: | | | | |
| General government | 410,541 | 336,580 | 410,541 | 336,580 |
| Public safety | 74,739 | 74,769 | 74,739 | 74,769 |
| Public works | 973,094 | 642,786 | 973,094 | 642,786 |
| Planning and zoning | 26,172 | 26,172 | 26,172 | 26,172 |
| Cultural and recreational | 6,000 | 16,000 | 6,000 | 16,000 |
| Total expenses | 1,490,546 | 1,096,307 | 1,490,546 | 1,096,307 |
| Increase in net position | 1,037,050 | 2,821,098 | 1,037,050 | 2,821,098 |
| Net position July 1 | 13,225,318 | 10,404,220 | 13,225,318 | 10,404,220 |
| Net position June 30 | \$ 14,262,368 | \$ 13,225,318 | \$ 14,262,368 | \$ 13,225,319 |

Management Discussion and Analysis
Town of Midway

Governmental Activities. Governmental activities increased the Town's net position by \$1,037,050, thereby accounting for 100% of the total increase in the net position of the Town of Midway. Town management reduced non-essential programs to a minimum and implemented cost saving strategies across Town departments. Management believes healthy investment in the Town will result in additional revenues. Increased efforts to maximize tax collections also contributed to the favorable net position. Town management acknowledges that 2024 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Key elements of this increase are as follows:

- Conservative spending approach by management

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Midway's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Midway's financing requirements. Specifically, unreserved 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 of Midway. At the end of the current fiscal year, the Town of Midway's fund balance available in the General Fund was \$7,337,506, while total fund balance reached \$9,103,770. The Town currently has an available fund balance of 555% of general fund expenditures, while total fund balance represents 688% of the same amount.

At June 30, 2024, the governmental funds of Town of Midway reported a combined fund balance of \$9,103,770 with a net increase in fund balance of \$1,208,422. Included in this change in fund balance is an increase in fund balance in the General Fund

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget. 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.

Although expenditures were held in check overall to comply with its budgetary requirements, the Town did amend the budget in the General Fund in General Government to account for various operating expenditures for the Town.

Management Discussion and Analysis
Town of Midway

Capital Asset and Debt Administration

Capital Assets. The Town of Midway's investment in capital assets for its governmental activities as of June 30, 2024, totaled \$5,315,480 (net of accumulated depreciation). These assets include Town Hall, land, other equipment, and Town park improvements.

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

| | |
|----------------|----------|
| Infrastructure | \$ 6,490 |
| Equipment | 17,769 |

Town of Midway's Capital Assets (net of depreciation) (Figure 4)

| | <i>Governmental Activities</i> | | <i>Total</i> | |
|----------------|------------------------------------|---------------------|---------------------|---------------------|
| | <i>2024</i> | <i>2023</i> | <i>2024</i> | <i>2023</i> |
| | | | | |
| Land | \$ 513,133 | \$ 513,133 | \$ 513,133 | \$ 513,133 |
| CIP -Town Park | 3,483,706 | 3,597,343 | 3,483,706 | 3,597,343 |
| Buildings | 499,481 | 523,173 | 499,481 | 523,173 |
| Equipment | 32,390 | 34,698 | 32,390 | 34,698 |
| Infrastructure | 625,770 | 659,595 | 625,770 | 659,595 |
| Total | <u>\$ 5,154,480</u> | <u>\$ 5,327,942</u> | <u>\$ 5,154,480</u> | <u>\$ 5,327,942</u> |

Additional information on the Town's capital assets can be found in the Note III.A.4 of the Basic Financial Statements.

Long-term Debt.

The Town of Midway's total debt decreased by \$23,516 due to an increase in accrued vacation of \$742, and a decrease in net pension liability of \$24,258.

**Outstanding Liabilities
Figure 5**

Town of Midway's Outstanding Debt

| | <i>Activities</i> | | <i>Total</i> | |
|------------------------------|-------------------|------------------|---------------|------------------|
| | <i>2024</i> | <i>2023</i> | <i>2024</i> | <i>2023</i> |
| Accrued vacation | \$ 742 | \$ - | \$ 742 | \$ - |
| Pension related debt - LGERS | - | 24,258 | - | 24,258 |
| | <u>\$ 742</u> | <u>\$ 24,258</u> | <u>\$ 742</u> | <u>\$ 24,258</u> |

Management Discussion and Analysis Town of Midway

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Midway is \$34,856,320. The Town has no authorized but un-issued bonds at June 30, 2024.

Economic Factors and Next Year's Budgets and Rates

The Town of Midway is mostly residential with no significant business activity; therefore, economic factors do not have a critical impact on the growth and prosperity of the Town.

Budget Highlights for the Fiscal Year Ending June 30, 2025

The General Fund Budget for the fiscal year ending June 30, 2025, was adopted for the amount of \$3,557,250. The budget represents fundamentally conservative governmental service provisions and revenue projections. The Town aims to balance residential quality of life with business opportunity and improve recreational amenities through sound fiscal management. It also continues to maintain a historically strong fund balance, minimal debt, and use of cash for nearly all recurring expenses and capital outlay projects. The Town has had the same level of public services as the previous fiscal year. The tax rate remains at five (5) cents per \$100 valuation.

The recreational use of thirty-eight (38) acres of land off Gumtree Road purchased in 2013 remains a priority for Council and funding was included in the proposed budget for FY 2024-2025 for this purpose.

The Council of the Town of Midway is dedicated to continued evaluation of future goals that enhance the community's quality of life and economic development.

The Town has chosen to appropriate fund balance in the fiscal year 2025 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$42,825 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

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 Town Manager, Town of Midway at 426 Gumtree Road, Winston-Salem, NC 27107.

Town of Midway, North Carolina
Statement of Net Position
June 30, 2024

| | <u>Governmental Activities</u> | <u>Total</u> |
|---------------------------------------|------------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 8,860,829 | \$ 8,860,829 |
| Taxes receivable (net) | 7,712 | 7,712 |
| Sale tax receivable | 6,245 | 6,245 |
| Due from other governments | 303,169 | 303,169 |
| Restricted cash and cash equivalents | - | - |
| Total current assets | <u>9,177,956</u> | <u>9,177,956</u> |
| Non-current assets: | | |
| Capital assets: | | |
| Land | 513,133 | 513,133 |
| Capital assets, net of depreciation | 4,641,347 | 4,641,347 |
| Total capital assets | <u>5,154,480</u> | <u>5,154,480</u> |
| Total assets | <u>14,332,436</u> | <u>14,332,436</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension deferrals | 5,794 | 5,794 |
| Total deferred outflows of resources | <u>5,794</u> | <u>5,794</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 63,173 | 63,173 |
| Customer deposits | 3,300 | 3,300 |
| Long-term liabilities: | | |
| Net pension liability | - | - |
| Accrued vacation | 742 | 742 |
| Total liabilities | <u>67,215</u> | <u>67,215</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension deferrals | 8,646 | 8,646 |
| Total deferred inflows of resources | <u>8,646</u> | <u>8,646</u> |
| NET POSITION | | |
| Net investment in capital assets | 5,154,480 | 5,154,480 |
| Restricted: | | |
| Stabilization by State Statute | 309,414 | 309,414 |
| Unrestricted | 8,798,474 | 8,798,474 |
| Total net position | <u>\$ 14,262,368</u> | <u>\$ 14,262,368</u> |

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

Exhibit 2

Town of Midway, North Carolina
Statement of Activities
June 30, 2024

| Function / Program | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|--|------------------|-------------------------|--|--|---------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities Total |
| Governmental activities: | | | | | |
| General government | \$ 410,541 | \$ 6,162 | \$ - | \$ - | \$ (404,379) |
| Public safety | 74,739 | - | - | - | (74,739) |
| Public works | 973,094 | - | - | 50,000 | (923,094) |
| Planning and zoning | 26,172 | - | - | - | (26,172) |
| Cultural and recreational | 6,000 | 9,050 | - | - | 3,050 |
| Debt service | - | - | - | - | - |
| Total governmental activities | 1,490,545 | 15,212 | - | 50,000 | (1,425,333) |
| | | | | | (1,425,333) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes levied for general purposes | | | | | 219,439 |
| Other taxes | | | | | 1,989,448 |
| Other income | | | | | - |
| Investment earnings | | | | | 253,496 |
| Total general government revenues | | | | | 2,462,383 |
| Change in net position | | | | | 1,037,050 |
| Net position, beginning | | | | | 13,225,318 |
| Net position, ending | | | | | \$ 14,262,368 |

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

Town of Midway, North Carolina
Balance Sheet
Governmental Funds
June 30, 2024

| | <u>Major Funds</u> | <u>Total</u> |
|--|---------------------|---------------------|
| | <u>General Fund</u> | <u>Governmental</u> |
| | | <u>Funds</u> |
| Assets | | |
| Cash and cash equivalents | \$ 8,860,829 | \$ 8,860,829 |
| Restricted cash and cash equivalents | - | - |
| Receivables, net: | | |
| Taxes | 7,712 | 7,712 |
| Sales tax | 6,245 | 6,245 |
| Due from other governments | 303,169 | 303,169 |
| Total assets | <u>\$ 9,177,956</u> | <u>\$ 9,177,956</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 63,173 | \$ 63,173 |
| Customer deposits | 3,300 | 3,300 |
| Total liabilities | <u>66,473</u> | <u>66,473</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property taxes receivable | 7,712 | 7,712 |
| Total deferred inflows of resources | <u>7,712</u> | <u>7,712</u> |
| Fund balances: | | |
| Restricted for: | | |
| Stabilization by State Statute | 309,414 | 309,414 |
| Assigned for: | | |
| Subsequent year's expenditures - park | 1,456,850 | 1,456,850 |
| Unassigned | 7,337,506 | 7,337,506 |
| Total fund balances | <u>9,103,770</u> | <u>9,103,770</u> |
| Total liabilities and fund balances | <u>\$ 9,177,956</u> | |

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

| | |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 5,154,480 |
| Deferred outflows of resources related to pensions are not reported in the funds | 5,794 |
| Long term liabilities not recognized on modified basis: | |
| Accrued vacation | (742) |
| Net pension liability | - |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements. | 7,712 |
| Deferred inflows of resources related to pensions are not reported in the funds | <u>(8,646)</u> |
| Net position of governmental activities | <u>\$ 14,262,368</u> |

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

Town of Midway, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2024

| | <u>Major Fund</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|
| | <u>General Fund</u> | |
| Revenues | | |
| Ad valorem taxes | \$ 223,092 | \$ 223,092 |
| Restricted intergovernmental | 50,000 | 50,000 |
| Unrestricted intergovernmental | 1,989,448 | 1,989,448 |
| Investment earnings | 253,496 | 253,496 |
| Miscellaneous | 15,212 | 15,212 |
| Total revenues | <u>2,531,248</u> | <u>2,531,248</u> |
| Expenditures | | |
| General government | 360,286 | 360,286 |
| Public safety | 74,739 | 74,739 |
| Public works | 855,630 | 855,630 |
| Planning and zoning | 26,172 | 26,172 |
| Cultural and recreational | 6,000 | 6,000 |
| Debt service | - | - |
| Total expenditures | <u>1,322,826</u> | <u>1,322,826</u> |
| Excess (deficiency of revenues over expenditures) | <u>1,208,422</u> | <u>1,208,422</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers (to) from other funds | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> |
| Net change in fund balance | 1,208,422 | 1,208,422 |
| Fund balance, beginning | <u>7,895,348</u> | <u>7,895,348</u> |
| Fund balance, ending | <u>\$ 9,103,770</u> | <u>\$ 9,103,770</u> |

Town of Midway, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2024

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

Net changes in fund balances - total governmental funds \$ 1,208,422

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation for the current period.

| | | |
|----------------|------------------|-----------|
| Capital outlay | \$ 24,259 | |
| Depreciation | <u>(197,721)</u> | (173,462) |

Revenues in statement of activities that do not provide current financial resources are not reported as revenues in the funds

| | |
|--|---------|
| Change in unavailable revenue for tax revenues | (3,653) |
|--|---------|

Change in pension expense

| | | |
|--|----------------|-------|
| Increase (decrease) in net pension assets | - | |
| Increase (decrease) in deferred outflows | (9,229) | |
| (Increase) decrease in net pension liability | 24,258 | |
| (Increase) decrease in deferred inflows | <u>(8,544)</u> | 6,485 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|-----------------------------|--------------|
| Changes in accrued vacation | <u>(742)</u> |
|-----------------------------|--------------|

| | |
|--|----------------------------|
| Total changes in net position of governmental activities | <u><u>\$ 1,037,050</u></u> |
|--|----------------------------|

Town of Midway, North Carolina**General Fund****Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2024**

| | General Fund | | | Variance with Final Budget- Positive (Negative) |
|--------------------------------------|--------------------|--------------------|---------------------|--|
| | Original | Final | Actual Amounts | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 199,071 | \$ 199,071 | \$ 223,092 | \$ 24,021 |
| Restricted intergovernmental | - | 50,000 | 50,000 | - |
| Unrestricted intergovernmental | 1,663,000 | 1,663,000 | 1,989,448 | 326,448 |
| Investment earnings | 30,000 | 30,000 | 253,496 | 223,496 |
| Miscellaneous | 500 | 500 | 15,212 | 14,712 |
| Total revenues | <u>1,892,571</u> | <u>1,942,571</u> | <u>2,531,248</u> | <u>588,677</u> |
| Expenditures: | | | | |
| General government | 520,642 | 520,642 | 360,286 | 160,356 |
| Public safety | 80,000 | 80,000 | 74,739 | 5,261 |
| Public works | 2,487,600 | 2,537,600 | 855,630 | 1,681,970 |
| Planning and zoning | 38,400 | 38,400 | 26,172 | 12,228 |
| Cultural and recreational | 16,000 | 16,000 | 6,000 | 10,000 |
| Debt service | - | - | - | - |
| Total expenditures | <u>3,142,642</u> | <u>3,192,642</u> | <u>1,322,826</u> | <u>1,869,816</u> |
| Revenues over (under) expenditures | <u>(1,250,071)</u> | <u>(1,250,071)</u> | <u>1,208,422</u> | <u>2,458,493</u> |
| Other financing sources (uses): | | | | |
| Fund balance appropriated | <u>1,250,071</u> | <u>1,250,071</u> | - | <u>1,250,071</u> |
| Total other financing sources (uses) | <u>1,250,071</u> | <u>1,250,071</u> | - | <u>1,250,071</u> |
| Net Change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>1,208,422</u> | <u>\$ 1,208,422</u> |
| Fund balance, beginning | | | <u>7,895,348</u> | |
| Fund balance, ending | | | <u>\$ 9,103,770</u> | |

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

***Town of Midway, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024***

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Midway is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town, a single entity with no other legally separate entities for which the Town is financially accountable.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display the information about the primary government. These statements include the 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and 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 fund. A separate statement for each fund category – governmental – is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and various other taxes and licenses. The primary expenditures are for general government administration, public safety, garbage collection, planning and zoning, economic development and public works and recreation.

Notes to the Financial Statements (continued)

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 is reported using the economic resources measurement focus. The government-wide financial statement is reported using the accrual basis of accounting. Revenues are recorded when earned and expenses 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, includes 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 financial 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Midway because the tax is levied by Davidson 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 which are unearned at year-end are recorded as unearned revenues.

Notes to the Financial Statements (continued)

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Property and Building Fund, Capital Fund and Reserve Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30 (c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. The Town does not have a formal investment or credit risk policy.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The Town had no restricted assets as of June 30, 2024

Governmental Activities

General Fund:

Total Restricted Cash

| | |
|----|---|
| \$ | - |
| \$ | - |

Notes to the Financial Statements (continued)

3. 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 and other 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 6. These taxes are based on the assessed values as of January 1, 2022. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, Ad Valorem tax revenues are reported net of such discounts.

4. Allowances for Doubtful Accounts

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

5. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings and improvements, infrastructure, furniture and equipment, and vehicles, \$2,000. Purchases of constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| <u>Asset Class</u> | <u>Life</u> |
|-------------------------|-------------|
| Infrastructure | 50 |
| Buildings | 30 |
| Improvements | 25 |
| Vehicles | 5 |
| Furniture and equipment | 5-7 |
| Computer equipment | 3 |

6. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion - pension deferrals for the 2024 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable, and pension deferrals.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

Notes to the Financial Statements (continued)

8. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave. For the Town's government-wide fund, an expense and a liability for compensated absences and the salary-related payments is recorded. 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.

9. Net position/Fund Balance

Net position

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

Fund Balance

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.

The Town of Midway did not have prepaid expenses that are classified as nonspendable.

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 - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Midway's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

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

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

The Town of Midway has not adopted a revenue spending or minimum fund balance policy.

Notes to the Financial Statements (continued)

9. Net position/Fund Balance (continued)

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions:

1. Noncompliance with North Carolina General Statutes: None

2. Contractual Violations: None

B. Excess of Expenditures over Appropriations: None

III. Detail Notes on All Funds

A. Assets:

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these 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's agents in their names. The amount of the 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 policy regarding custodial credit for deposits.

At June 30, 2024, the Town's deposits had a carrying amount of \$8,849,879 and a bank balance of \$8,860,766. Of the bank balance, \$500,000 was covered by federal depository insurance and \$8,360,766 was covered by collateral held under the pooling method.

2. Investments

At June 30, 2024, the Town of Midway had \$10,950 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Notes to the Financial Statements (continued)

3. Prepaid Expenses

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.

4. Capital Assets

Capital assets activity for the Town for the year ended June 30, 2024:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-----------|-----------|---------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 513,133 | \$ - | \$ - | \$ 513,133 |
| Construction in progress Town Park | 3,597,343 | 6,490 | - | 3,603,833 |
| Total assets not being depreciated | 4,110,476 | 6,490 | - | 4,116,966 |
| Capital assets being depreciated: | | | | |
| Buildings | 710,758 | - | - | 710,758 |
| Equipment | 189,000 | 17,769 | - | 206,769 |
| Infrastructure | 1,014,762 | - | - | 1,014,762 |
| Total capital assets being depreciated | 1,914,520 | 17,769 | - | 1,932,289 |
| Less, accumulated depreciation for: | | | | |
| Buildings | 187,585 | 23,692 | - | 211,277 |
| Equipment | 154,304 | 20,076 | - | 174,380 |
| Infrastructure | 355,165 | 153,953 | - | 509,118 |
| Total accumulated depreciation | 697,054 | 197,721 | - | 894,775 |
| Depreciable capital assets, net | 1,217,466 | | | 1,037,514 |
| Governmental activity capital assets, net | \$ 5,327,942 | | | \$ 5,154,480 |

Depreciation expense was charged to functions of the Town as follows:

| | |
|--------------------|-------------------|
| General government | \$ 55,999 |
| Public works | 141,723 |
| | <u>\$ 197,721</u> |

Notes to the Financial Statements (continued)

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House 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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2024, was

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

8.15% of compensation general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$4,682 for the year ended June 30, 2024.

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, 2024, the Town reported a liability of \$0 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2024, the Town's proportion was 0.00000% (measured as of June 30, 2023, which was a decrease of .00043 as of June 30, 2023 (measured as of June 30, 2022).

For the year ended June 30, 2024, the Town recognized pension expense of \$(1,657). At June 30, 2024, 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 | \$ - | \$ - |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 1,111 | 8,646 |
| Town contributions subsequent to the measurement date | 4,683 | - |
| Total | \$ 5,794 | \$ 8,646 |

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

\$4,683 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | | |
|------------|----|----------------|
| 2025 | \$ | (2,138) |
| 2026 | | (2,591) |
| 2027 | | (2,806) |
| 2028 | | - |
| 2029 | | - |
| Thereafter | | - |
| | \$ | <u>(7,535)</u> |

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

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The plan 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, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

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, 2024 are summarized in the following table:

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2023 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

| | 1% Decrease (5.50%) | Discount Rate (6.50%) | 1% Increase (7.50%) |
|---|--------------------------------|----------------------------------|--------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ - | \$ - | \$ - |

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.

Notes to the Financial Statements (continued)

2. Deferred Outflows and Inflows of Resources

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

| Source | Amount |
|---|-----------------|
| Differences between expected and actual experience | \$ - |
| Changes in assumptions | - |
| Net difference between projected and actual earnings on pension plan investments | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,111 |
| Town contributions subsequent to the measurement date | 4,683 |
| Total | \$ 5,794 |

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

| | Statement of Net Position | General Fund Balance Sheet |
|--|------------------------------|-------------------------------|
| Prepaid taxes (General Fund) | \$ - | \$ 7,712 |
| Differences between expected and actual experience | - | - |
| Net difference between projected and actual investment earnings on plan investments | 8,646 | - |
| Changes in proportion and differences between employer contributions and proportional share of contributions | - | - |
| | \$ 8,646 | \$ 7,712 |

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft or 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 coverage of \$1 million per occurrence, public officials and employment practices liability up to \$1 million per occurrence, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of \$500,000, up to \$500,000 for property, and \$250,000 up to \$5 million 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 of \$1,000,000 for the aggregate losses in a single year. After the property pool has paid out \$3,000,000, then the pool will be liable for a \$10,000 per claim maintenance deductible on future property losses for that year. The remainder of each claim will be borne by the re-insurer.

The finance officer is bonded for \$300,000. All other employees are covered under employee dishonesty blanket coverage of \$10,000 per occurrence.

Notes to the Financial Statements (continued)

3. Risk Management (continued)

The Town has limited flood coverage for property located in flood zones B, C or X. Maximum covered limit is \$5 million per occurrence, \$ 5 million annual aggregate with a \$50,000 deductible.

4. Other Post Retirement Benefits

The Town does not currently provide for any post-retirement benefits.

5. Long-Term Obligations:

a. Changes in Long-term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

| Town of Midway's Changes in Outstanding Debt | | | | | |
|---|------------------|---------------|------------------|---------------|-----------------|
| | Balance | | | Balance | Current Portion |
| Governmental activities: | June 30, 2023 | Increases | Decreases | June 30, 2024 | of Balance |
| Net pension liability | \$ 24,258 | \$ - | \$ 24,258 | \$ - | \$ - |
| Accrued Vacation | - | 742 | - | 742 | - |
| | <u>\$ 24,258</u> | <u>\$ 742</u> | <u>\$ 24,258</u> | <u>\$ 742</u> | <u>\$ -</u> |

At June 30, 2024, the Town had bonds authorized but unissued of \$0 and a legal debt margin of \$34,856,320.

C. Net Investment in Capital Assets

| | Governmental |
|----------------------------------|---------------------|
| Capital Assets | \$ 5,154,480 |
| less: long-term debt | - |
| add: unexpended debt proceeds | - |
| Net investment in capital assets | <u>\$ 5,154,480</u> |

D. Fund Balance

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

| | |
|--|---------------------|
| Total fund balance - General Fund | \$ 9,103,770 |
| Less: | |
| Prepaid expenses | - |
| Stabilization by State Statute | 309,414 |
| Appropriated fund balance in 2025 budget | 1,456,850 |
| Remaining Fund Balance | <u>\$ 7,337,506</u> |

Notes to the Financial Statements (continued)

IV. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through August 23, 2024, which is the date the financial statements were available to be issued. No material subsequent events were noted

Town of Midway, North Carolina
Town of Midway's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years *

Local Government Employees' Retirement System

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Midway's proportion of the net pension liability (asset) (%) | 0.00000% | 0.00043% | 0.00045% | 0.00043% | 0.00042% | 0.00043% | 0.00123% | 0.00184% | 0.00160% | 0.00000% |
| Midway's proportion of the net pension liability (asset) (\$) | \$ - | \$ 24,258 | \$ 6,901 | \$ 15,366 | \$ 11,470 | \$ 10,201 | \$ 18,791 | \$ 39,051 | \$ 7,181 | \$ - |
| Midway's covered-employee payroll | \$ 10,474 | \$ 37,188 | \$ 37,615 | \$ 37,818 | \$ 39,376 | \$ 59,308 | \$ 96,374 | \$ 98,792 | \$ 98,640 | \$ 77,244 |
| Midway's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 0.00% | 65.23% | 18.35% | 40.63% | 29.13% | 17.20% | 19.50% | 39.53% | 7.28% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability** | 82.49% | 84.14% | 95.51% | 88.61% | 91.63% | 92.00% | 94.18% | 91.74% | 98.09% | 102.64% |

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

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

Town of Midway, North Carolina
Town of Midway's Contributions
Required Supplementary Information
Last Ten Fiscal Years

Local Government Employees' Retirement System

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Contractually required contribution | \$ 4,682 | \$ 1,507 | \$ 5,043 | \$ 4,679 | \$ 4,251 | \$ 3,672 | \$ 5,807 | \$ 9,194 | \$ 7,198 | \$ 9,933 |
| Contributions in relation to the contractually required contribution | 4,682 | 1,507 | 5,043 | 4,679 | 4,251 | 3,672 | 5,807 | 9,194 | 7,198 | 9,933 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Midway's covered-employee payroll | \$ 57,443 | \$ 10,474 | \$ 37,188 | \$ 37,615 | \$ 37,818 | \$ 39,376 | \$ 59,308 | \$ 96,374 | \$ 98,792 | \$ 98,604 |
| Contributions as a percentage of covered-employee payroll | 8.15% | 14.39% | 13.56% | 12.44% | 11.24% | 9.33% | 9.79% | 9.54% | 7.29% | 10.07% |

Town of Midway, North Carolina

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2024

(With Comparative Actual Amounts for the Year Ended June 30, 2023)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>2023 Actual</u> |
|---------------------------------|---------------|---------------|---|------------------------|
| Revenues | | | | |
| Ad valorem taxes: | | | | |
| Taxes | | \$ 223,092 | | \$ 215,185 |
| Total | \$ 199,071 | 223,092 | \$ 24,021 | 215,185 |
| Restricted intergovernmental: | | | | |
| Grants | | 50,000 | | 125,000 |
| | 50,000 | 50,000 | - | 125,000 |
| Unrestricted intergovernmental: | | | | |
| Local option sales taxes | | 1,802,787 | | 1,739,730 |
| Solid waste tax | | 3,849 | | 3,731 |
| Beer and wine tax | | 23,745 | | 21,719 |
| Utility franchise tax | | 159,068 | | 160,097 |
| Total | 1,663,000 | 1,989,448 | 326,448 | 1,925,277 |
| Miscellaneous: | | | | |
| Interest earned | | 253,496 | | 67,621 |
| Other fees | | 6,162 | | 6,650 |
| Pavillion revenue | | 8,450 | | - |
| Gazebo revenue | | 600 | | - |
| Total | 30,500 | 268,708 | 238,208 | 74,271 |
| Total revenues | 1,942,571 | 2,531,248 | 588,677 | 2,339,732 |
| Expenditures: | | | | |
| General Government: | | | | |
| Governing board: | | | | |
| Salaries and benefits | | 37,782 | | 35,347 |
| | 49,400 | 37,782 | 11,618 | 35,347 |
| Administration: | | | | |
| Salaries and benefits | | 126,661 | | 94,086 |
| Tax collection fees | | 20,971 | | 19,861 |
| Legal and professional | | 69,809 | | 33,121 |
| Economic development | | - | | 10 |
| Office expense | | 23,383 | | 23,068 |
| Insurance | | 10,757 | | 8,385 |
| Utilities and telephone | | 8,327 | | 7,494 |
| Contracted services | | 36,868 | | 27,289 |
| Contributions | | 10,000 | | 11,021 |
| Other expenses | | 14,605 | | 9,916 |
| Capital outlay | | 1,123 | | 6,698 |
| | 471,242 | 322,504 | 148,738 | 240,950 |
| Total general government | 520,642 | 360,286 | 160,356 | 276,297 |

Town of Midway, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>2023 Actual</u> |
|------------------------------------|--------------------|---------------------|---|------------------------|
| Expenditures (continued): | | | | |
| Public safety | <u>\$ 80,000</u> | <u>\$ 74,739</u> | <u>\$ 5,261</u> | <u>\$ 74,769</u> |
| Public works: | | | | |
| Utilities | | 42,100 | | 33,316 |
| Solid waste - Contracted services | | 417,661 | | 403,009 |
| Park operations | | 368,167 | | 194,103 |
| Capital outlay: | | | | |
| Park development | | - | | 1,704,308 |
| Park equipment | | 27,702 | | 143,048 |
| Total public works | <u>2,537,600</u> | <u>855,630</u> | <u>1,681,970</u> | <u>2,477,783</u> |
| Planning and zoning | <u>38,400</u> | <u>26,172</u> | <u>12,228</u> | <u>26,172</u> |
| Cultural and recreational | <u>16,000</u> | <u>6,000</u> | <u>10,000</u> | <u>16,000</u> |
| Debt service | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contingency | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>3,192,642</u> | <u>1,322,826</u> | <u>1,869,816</u> | <u>2,871,021</u> |
| Revenues over (under) expenditures | <u>(1,250,071)</u> | <u>1,208,422</u> | <u>2,458,493</u> | <u>(531,288)</u> |
| Other financing sources (uses): | | | | |
| Fund balance appropriated | 1,250,071 | - | (1,250,071) | - |
| Transfers from ARPA | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,578,093</u> |
| Net Change in fund balance | <u>\$ -</u> | <u>1,208,422</u> | <u>\$ 1,208,422</u> | <u>1,046,804</u> |
| Fund balances, beginning | | <u>7,895,348</u> | | <u>6,848,544</u> |
| Fund balances, ending | | <u>\$ 9,103,770</u> | | <u>\$ 7,895,348</u> |

Town of Midway, North Carolina
Schedule of Changes in Ad Valorem Taxes Receivable
June 30, 2024

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2023</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Balance June 30, 2024</u> |
|---|--|-------------------|------------------------------------|--|
| | | \$ 217,852 | \$ 214,129 | \$ 3,723 |
| 2022-2023 | \$ 3,550 | - | 2,290 | 1,260 |
| 2021-2022 | 1,479 | - | 724 | 755 |
| 2020-2021 | 1,104 | - | 597 | 507 |
| 2019-2020 | 754 | - | 311 | 443 |
| 2018-2019 | 977 | - | 473 | 504 |
| 2017-2018 | 608 | - | 476 | 132 |
| 2016-2017 | 396 | - | 250 | 146 |
| 2015-2016 | 282 | - | 173 | 109 |
| 2014-2015 | 133 | - | - | 133 |
| 2013-2014 | 2,081 | - | 2,081 | - |
| | <u>\$ 11,365</u> | <u>\$ 217,852</u> | <u>\$ 221,504</u> | <u>\$ 7,712</u> |
| Less: allowance for uncollectible accounts: | | | | |
| General Fund | | | | \$ - |
| Ad valorem taxes receivable - net | | | | <u>\$ 7,712</u> |
| Reconciliation with revenues: | | | | |
| Ad valorem taxes - General Fund | | | | \$ 223,092 |
| Reconciling items: | | | | |
| Discoveries & credits | | | | <u>(1,588)</u> |
| Total collections and credits | | | | <u>\$ 221,504</u> |

Town of Midway, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Year Ended June 30, 2024

| | Town - Wide | | Total Levy | |
|--------------------------------------|-----------------------|------|--|---------------------------|
| | Property Valuation | Rate | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | |
| Property taxed at current years rate | \$ 435,704,000 | 0.05 | \$ 189,720 | \$ 28,132 |
| Total | <u>435,704,000</u> | | <u>189,720</u> | <u>28,132</u> |
| Discoveries: | | | | |
| Current year taxes | - | 0.05 | - | - |
| Total | <u>-</u> | | <u>-</u> | <u>-</u> |
| Abatements | - | 0.05 | - | - |
| Total property valuation | <u>\$ 435,704,000</u> | | | |
| Net Levy | | | 217,852 | 28,132 |
| Uncollected taxes at June 30, 2024 | | | (3,723) | - |
| Current year's taxes collected | | | <u>\$ 214,129</u> | <u>\$ 28,132</u> |
| Current levy collection percentage | | | <u>98.29%</u> | <u>100.00%</u> |