

TOWN OF MCADENVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2018

Town Council Members

James Robinette, Jr., Mayor
Jay McCosh, Mayor Pro Tem
Carrie B. Bailey
Joe Rankin
Greg Richardson
C. Reid Washam

Administrative and Financial Staff

Lesley Dellinger, Town Clerk / Finance Officer
Angela Bradshaw, Accounts Payable / Billing Clerk

Town of McAdenville, North Carolina
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FINANCIAL SECTION

October 17, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the Town Council
Town of McAdenville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of McAdenville, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of McAdenville'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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of McAdenville, North Carolina as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 – 11 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 47 – 48 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of McAdenville's basic financial statements. The introductory information, combining and 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.

The combining and individual fund financial statements, budgetary schedules, 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 the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information has not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Butler & Stone

Management's Discussion and Analysis

As management of the Town of McAdenville, we offer readers of the Town of McAdenville's financial statements this narrative overview and analysis of the financial activities of the Town of McAdenville for the fiscal year ended June 30, 2018. 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

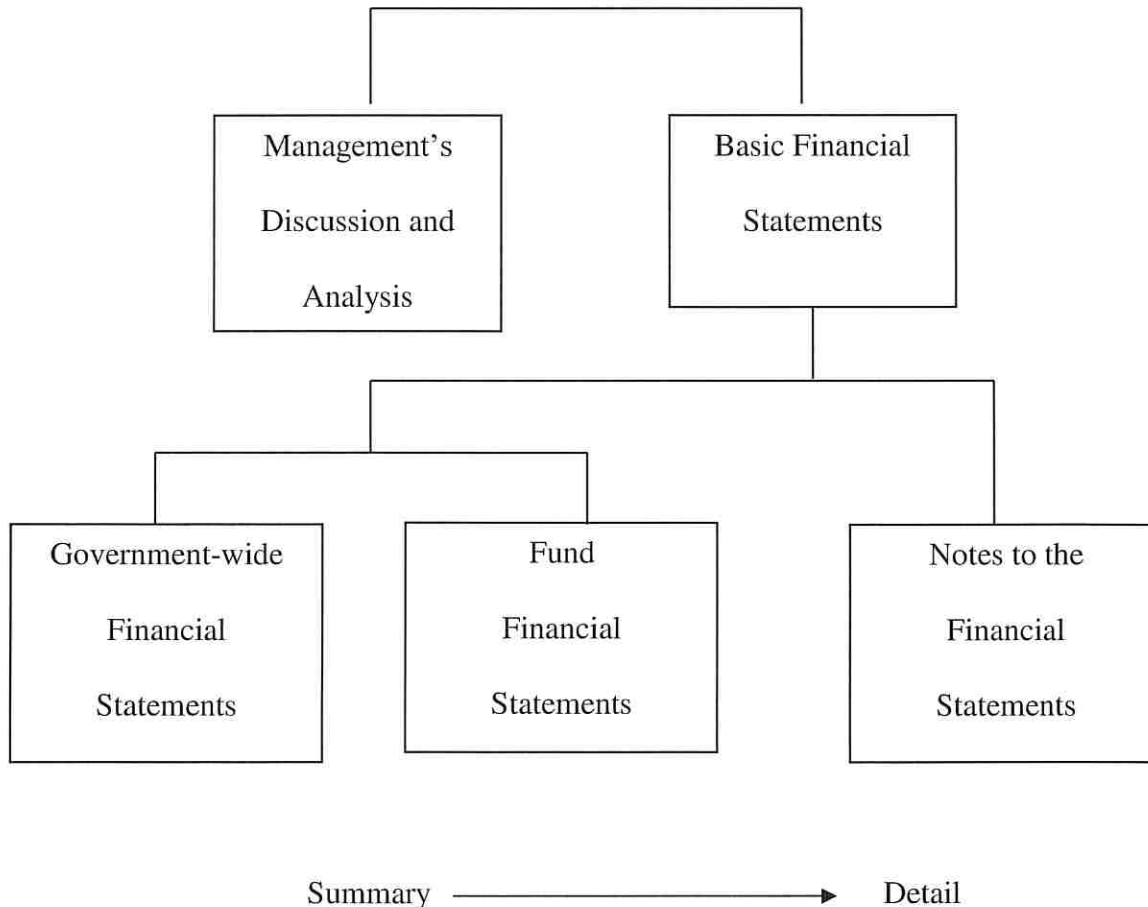
- The assets of the Town of McAdenville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,593,761 (*net position*).
- The government's total net position *increased* by \$362,560 primarily due to a conservative financial approach of the Town Council and staff.
- As of the close of the current fiscal year, the Town of McAdenville's governmental funds reported combined ending fund balances of \$1,388,302 with a net change of (\$77,671) in fund balance. Approximately 51.01 percent of this total amount, or \$708,182, is non spendable or restricted.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$680,120 or 72.84 percent of total general fund expenditures for the fiscal year.
- A decision to purchase property for \$205,000 was made in June 2017 for use as a future Town Hall location with renovations beginning in 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of McAdenville's basic financial statements. The Town of McAdenville'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 of McAdenville 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 McAdenville.

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 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town of McAdenville government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town of McAdenville's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include basic services such as public safety, and general administration. Utility Franchise Tax, Property Tax Revenue, Local Option Sales Tax and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town.

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

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

Management Discussion and Analysis
Town of McAdenville

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Town of McAdenville has one fiduciary fund, which is an agency fund.

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 23 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes required supplementary information concerning the Town of McAdenville's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 47 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

The Town of McAdenville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,553,368	\$ 1,491,175	\$ 870,066	\$ 650,176	\$ 2,423,434	\$ 2,141,351
Capital assets	1,097,328	820,097	1,300,436	1,334,270	2,397,764	2,154,367
Deferred outflows of resources	17,398	14,552	4,379	3,442	21,777	17,994
Total assets	<u>2,668,094</u>	<u>2,325,824</u>	<u>2,174,881</u>	<u>1,987,888</u>	<u>4,842,975</u>	<u>4,313,712</u>
Long-term liabilities	16,233	11,019	4,086	2,774	20,319	8,256
Other liabilities	160,527	19,286	64,420	44,396	224,947	63,682
Deferred inflows of resources	3,154	4,260	794	776	3,948	5,036
Total liabilities	<u>179,914</u>	<u>34,565</u>	<u>69,300</u>	<u>47,946</u>	<u>249,214</u>	<u>76,974</u>
Net position:						
Net investment in capital assets	1,097,328	820,097	1,300,436	1,334,270	2,397,764	2,154,367
Restricted	708,182	425,910			708,182	425,910
Unrestricted	682,670	1,045,252	805,145	605,672	1,487,815	1,650,924
Total net position	<u>\$ 2,488,180</u>	<u>\$ 2,291,259</u>	<u>\$ 2,105,581</u>	<u>\$ 1,939,942</u>	<u>\$ 4,593,761</u>	<u>\$ 4,231,201</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of McAdenville exceeded liabilities and deferred inflows by \$4,593,761 as of June 30, 2018. The Town's net position *increased* by \$362,560 for the fiscal year ended June 30, 2018. However, a large portion (52.2%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of McAdenville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of McAdenville'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 \$708,182 (15.42%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,487,815 is unrestricted.

Management Discussion and Analysis
Town of McAdenville

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.75%. The statewide average in fiscal year 2018 was 98.78%.

Town of McAdenville Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 2,275	\$ 3,237	\$ 741,641	\$ 699,437	\$ 743,916	\$ 702,674
Operating grants and contributions	17,714	17,644			17,714	17,644
Capital grants and contributions					-	-
General revenues:						
Property taxes	415,705	359,632			415,705	359,632
Other taxes	406,276	402,008			406,276	402,008
Other	12,699	11,333	2,685	1,273	15,384	12,606
Total revenues	<u>854,669</u>	<u>793,854</u>	<u>744,326</u>	<u>700,710</u>	<u>1,598,995</u>	<u>1,494,564</u>
Expenses:						
General Government	341,559	313,060			341,559	313,060
Public safety	282,808	283,520			282,808	283,520
Transportation	28,495	26,601			28,495	26,601
Parks and recreation	4,886	9,400			4,886	9,400
Water and sewer			578,687	430,828	578,687	430,828
Total expenses	<u>657,748</u>	<u>632,581</u>	<u>578,687</u>	<u>430,828</u>	<u>1,236,435</u>	<u>1,063,409</u>
Increase in net position	196,921	161,273	165,639	269,882	362,560	431,155
Net position, beginning	2,291,259	2,129,986	1,939,942	1,670,060	4,231,201	3,800,046
Net position, June 30	<u>\$ 2,488,180</u>	<u>\$ 2,291,259</u>	<u>\$ 2,105,581</u>	<u>\$ 1,939,942</u>	<u>\$ 4,593,761</u>	<u>\$ 4,231,201</u>

Management Discussion and Analysis
Town of McAdenville

Governmental activities. Governmental activities increased the Town's net position by \$196,921 thereby accounting for 54.31% of the total growth in net position of the Town of McAdenville. Key elements of the increase in governmental activities are as follows:

- Property tax revenue increased over prior year due to a \$0.03 increase in the property tax rate from \$0.30 to \$0.33 per \$100 valuation.

Business-type activities: Business-type activities increased the Town of McAdenville's net position by \$165,639, accounting for 45.69% of the total growth in the government's net position.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of McAdenville'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 McAdenville's financing requirements.

The general fund is the chief operating fund of the Town of McAdenville. At the end of the current fiscal year, the Town of McAdenville's fund balance available in the General Fund was \$680,120, while the total fund balance reached \$1,388,302. The Town currently has an available fund balance of 72.84% of general fund expenditures, while the total fund balance represents 148.7% of the same amount.

At June 30, 2018, the governmental funds of Town of McAdenville reported a combined fund balance of \$1,388,302 with a net decrease in fund balance of \$77,671.

General Fund Budgetary Highlights: During the fiscal year, the Town did have a need to revise 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.

There were several budget transfers made at the function level. There were several line item amendments made within the departments.

Management Discussion and Analysis
Town of McAdenville

Proprietary Funds. The Town of McAdenville’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$805,145. The total change in net position for the water and sewer fund was \$165,639. The change in net position in the Water and Sewer Fund is a result of development fees for increased system connections attached to the construction of new homes within the McAdenville Village subdivision.

Capital Asset and Debt Administration

Capital assets. The Town of McAdenville’s investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$2,397,764 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, and vehicles.

**Town of McAdenville’s Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 10,360	\$ 10,360	\$	\$	\$ 10,360	\$ 10,360
Buildings	235,129	238,747			235,129	238,747
Other Improvements	603,982	299,920	1,300,436	1,334,270	1,904,418	1,634,190
Machinery and equipment	20,536	24,298			20,536	24,298
Infrastructure	227,321	246,772			227,321	246,772
	<u>\$ 1,097,328</u>	<u>\$ 820,097</u>	<u>\$ 1,300,436</u>	<u>\$ 1,334,270</u>	<u>\$ 2,397,764</u>	<u>\$ 2,154,367</u>

Additional information on the Town of McAdenville’s capital assets can be found in Note 2 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- Pharr Yarns continues to maintain a strong position in the textile specialty market and employment remains stable.
- Residential utility rates were increased by 2.5% to offset the rate increase imposed by the City of Gastonia on wholesale water rates and treatment processing.
- Construction continues on the final phase of McAdenville Village which will increase the Town's tax base and population. The buildout of the subdivision is expected to be at 99% completion by December 2018. Development fees will be collected as the additional houses are built. This will increase funds in the water and sewer fund.
- The McAdenville waste water treatment plant will be going offline in February 2019 upon completion of Phase II of the South Fork Sewer Project lowering contract operations costs by \$15,000 annually.
- Commercial development is booming in McAdenville with the addition of a new restaurant and retailers.
- South Fork Sewer funding is in place with construction beginning in January 2018. Department of Commerce has awarded the Town \$750,000 in grant funds. Department of Water Infrastructure (DWI) has approved funding in the form of a SRL in the amount of \$320,494.
- PARTF Grant in the amount of \$350,000 has been extended due to bridge construction and the South Fork Sewer Project with estimated construction beginning in Fall of 2018. Estimated Greenway completion would be one year.
- The final easement needed to complete the Carolina Thread Trail through McAdenville connecting to Goat Island in Cramerton has been obtained. The addition of this section of the trail will provide a continual hiking / biking passage along the South Fork River connecting four municipalities.
- Renovation of newly purchased property at 163 Main Street began in June 2018. Estimated construction time is approximately three to five months. Property, once renovated, will become the new Town Hall offices and meeting facility.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: The FY net position budget reflects the goal of maintaining the present level of services provided by the Town. The Town maintained the current property tax rate of \$.33 for each \$100 valuation of taxable property and a \$5.00 vehicle tax.

Business – type Activities: It is anticipated the Water & Sewer operations will continue to support itself without a contribution from the General Fund. The agreement between the City of Gastonia and the Town for the purchase of water and waste treatment will remain in effect until regional consolidation is completed.

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 Lesley Dellinger, Town Clerk, 163 Main Street, PO Box 9, McAdenville, NC 28101, (704) 824-3190.

BASIC FINANCIAL STATEMENTS

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,374,158	\$ 755,639	\$ 2,129,797
Taxes receivable	4,539		4,539
Accounts receivable		92,284	92,284
Due from other governments	89,604		89,604
Internal balances	2,189	(2,189)	
Restricted cash and cash equivalents	82,878	24,332	107,210
Total current assets	<u>1,553,368</u>	<u>870,066</u>	<u>2,423,434</u>
NONCURRENT ASSETS:			
Capital assets:			
Land	10,360		10,360
Other capital assets, net of depreciation	1,086,968	1,300,436	2,387,404
Total capital assets	<u>1,097,328</u>	<u>1,300,436</u>	<u>2,397,764</u>
Total assets	<u>\$ 2,650,696</u>	<u>\$ 2,170,502</u>	<u>\$ 4,821,198</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>\$ 17,398</u>	<u>\$ 4,379</u>	<u>\$ 21,777</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	160,527	40,088	200,615
Payable from restricted assets		24,332	24,332
Total current liabilities	<u>160,527</u>	<u>64,420</u>	<u>224,947</u>
LONG-TERM LIABILITIES			
Net pension liability	<u>16,233</u>	<u>4,086</u>	<u>20,319</u>
Total liabilities	<u>176,760</u>	<u>68,506</u>	<u>245,266</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>3,154</u>	<u>794</u>	<u>3,948</u>
NET POSITION			
Net investment in capital assets	1,097,328	1,300,436	2,397,764
Restricted for:			
Stabilization by State Statute	625,304		625,304
Streets	82,878		82,878
Unrestricted	682,670	805,145	1,487,815
Total net position	<u>\$ 2,488,180</u>	<u>\$ 2,105,581</u>	<u>\$ 4,593,761</u>

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

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- type Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 341,559	\$ 2,275	\$	\$ (339,284)	\$	\$ (339,284)
Public safety	282,808			(282,808)		(282,808)
Transportation	28,495		17,714	(10,781)		(10,781)
Parks and recreation	4,886			(4,886)		(4,886)
Total governmental activities	657,748	2,275	17,714	(637,759)	-	(637,759)
Business-type activities:						
Water and sewer	578,687	741,641		-	162,954	162,954
Total business-type activities	578,687	741,641	-	-	162,954	162,954
Total primary government	\$ 1,236,435	\$ 743,916	\$ 17,714	(637,759)	162,954	(474,805)
General revenues:						
Taxes:						
Property taxes, levied for general purpose				415,705		415,705
Other taxes				406,276		406,276
Unrestricted investment earnings				7,643	2,685	10,328
Miscellaneous				5,056		5,056
Total general revenues not including transfers				834,680	2,685	837,365
Change in net position				196,921	165,639	362,560
Net position-beginning				2,291,259	1,939,942	4,231,201
Net position-ending				\$ 2,488,180	\$ 2,105,581	\$ 4,593,761

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

TOWN OF MCADENVILLE, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	Major Funds		Total Governmental Funds
	General Fund	Non-Major Fund	
ASSETS			
Cash and cash equivalents	\$ 1,374,158	\$ -	\$ 1,374,158
Restricted cash	82,878		82,878
Receivables, net:			
Taxes	4,539		4,539
Due from other funds	2,189		2,189
Due from other governments	89,604	-	89,604
Total assets	<u>\$ 1,553,368</u>	<u>\$ -</u>	<u>\$ 1,553,368</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>\$ 160,527</u>		<u>\$ 160,527</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	<u>4,539</u>		<u>4,539</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	625,304		625,304
Streets	82,878		82,878
Unassigned	680,120		680,120
Total fund balances	<u>1,388,302</u>		<u>1,388,302</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,553,368</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 funds.

Gross capital assets	1,970,479
Accumulated depreciation	(873,151)

Deferred outflows of resources related to pensions are not reported in the funds	17,398
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Earned revenues considered deferred inflows of resources in fund statements	4,539
--	-------

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Net pension liability	(16,233)

Deferred inflows of resources are not reported in the funds	<u>(3,154)</u>
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Net position of governmental activities	<u>\$ 2,488,180</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Governmental Funds

For the Year Ended June 30, 2018

	Major Funds		
	General Fund	Non-Major Fund	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 417,083	\$	\$ 417,083
Unrestricted intergovernmental	406,276		406,276
Restricted intergovernmental	17,714		17,714
Licenses and permits	2,275		2,275
Investment earnings	7,643		7,643
Miscellaneous	5,056		5,056
Total revenues	<u>856,047</u>	<u>-</u>	<u>856,047</u>
EXPENDITURES			
Current:			
General government	558,777		558,777
Public safety	282,808		282,808
Sanitation	78,807		78,807
Parks and recreation	4,886	6,515	11,401
Transportation	1,925		1,925
Total expenditures	<u>927,203</u>	<u>6,515</u>	<u>933,718</u>
Net change in fund balance	(71,156)	(6,515)	(77,671)
OTHER FINANCING SOURCES (USES)			
Transfer	<u>(6,515)</u>	<u>6,515</u>	
Revenues and other financing sources over (under) expenditures	(77,671)	-	(77,671)
FUND BALANCE			
Fund balance-beginning	<u>1,465,973</u>		<u>1,465,973</u>
Fund balance-end of year	<u>\$ 1,388,302</u>	<u>\$ -</u>	<u>\$ 1,388,302</u>

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

TOWN OF MCADENVILLE, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

Governmental Funds

For the Year Ended June 30, 2018

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

Net changes in fund balances - total governmental funds		\$ (77,671)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period</p>		
Capital outlay expenditures that were capitalized	319,593	
Depreciation expense for governmental assets	<u>(42,362)</u>	277,231
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		5,206
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(1,377)
<p>Some expenses are 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.</p>		
Pension expense		<u>(6,468)</u>
Total changes in net position of governmental activities		<u>\$ 196,921</u>

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

TOWN OF MCADENVILLE, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE- BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 374,000	\$ 374,000	\$ 417,083	\$ 43,083
Unrestricted intergovernmental	362,400	362,400	406,276	43,876
Restricted intergovernmental	17,500	17,500	17,714	214
Permits and fees	1,500	1,500	2,275	775
Investment earnings	2,100	2,100	7,643	5,543
Miscellaneous	295,000	295,000	5,056	(289,944)
Total revenues	<u>1,052,500</u>	<u>1,052,500</u>	<u>856,047</u>	<u>(196,453)</u>
Expenditures:				
Current:				
General government	631,800	531,800	558,777	(26,977)
Public safety	270,000	283,000	282,808	192
Sanitation	80,000	80,000	78,807	1,193
Park maintenance	20,700	7,700	4,886	2,814
Transportation	50,000	50,000	1,925	48,075
Total expenditures	<u>1,052,500</u>	<u>952,500</u>	<u>927,203</u>	<u>25,297</u>
Revenues over (under) expenditures	-	100,000	(71,156)	(171,156)
Other financing sources (uses):				
Transfer to Capital Project Fund	-	(100,000)	(6,515)	93,485
Total other financing sources (uses)	<u>-</u>	<u>(100,000)</u>	<u>(6,515)</u>	<u>93,485</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(77,671)	<u>\$ (77,671)</u>
Fund balance, beginning of year			<u>1,465,973</u>	
Fund balance, end of year			<u>\$ 1,388,302</u>	

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

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2018

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash	\$ 755,639	\$ 755,639
Cash - restricted	24,332	24,332
Accounts receivable (net) - billed	48,045	48,045
Accounts receivable (net) - unbilled	43,214	43,214
Prepaid items	1,025	1,025
Total current assets	<u>872,255</u>	<u>872,255</u>
Noncurrent assets:		
Capital assets:		
Other capital assets, net of depreciation	1,300,436	1,300,436
Total assets	<u>\$ 2,172,691</u>	<u>\$ 2,172,691</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan	<u>\$ 4,379</u>	<u>\$ 4,379</u>
LIABILITIES		
Current liabilities:		
Due to other funds	2,189	2,189
Accounts payable and accrued liabilities	40,088	40,088
Customer deposits	24,332	24,332
Total liabilities	<u>66,609</u>	<u>66,609</u>
Noncurrent liabilities:		
Net pension liability	<u>4,086</u>	<u>4,086</u>
Total noncurrent liabilities	<u>4,086</u>	<u>4,086</u>
Total liabilities	<u>70,695</u>	<u>70,695</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	794	794
NET POSITION		
Net investment in capital assets	1,300,436	1,300,436
Unrestricted	805,145	805,145
Total net position	<u>\$ 2,105,581</u>	<u>2,105,581</u>
Net position of business-type activities		<u>\$ 2,105,581</u>

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

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES		
Charges for services	\$ 597,872	\$ 597,872
Water and sewer taps	143,769	143,769
Total operating revenues	<u>741,641</u>	<u>741,641</u>
OPERATING EXPENSES		
Purchase of water	363,756	363,756
Salaries	17,339	17,339
Payroll taxes and benefits	3,844	3,844
Professional services	6,410	6,410
Repairs	61,568	61,568
Depreciation	33,834	33,834
Operation of treatment plant	87,538	87,538
Miscellaneous	4,398	4,398
Total operating expenses	<u>578,687</u>	<u>578,687</u>
Operating income (loss)	162,954	162,954
NONOPERATING REVENUES		
Interest	<u>2,685</u>	<u>2,685</u>
CHANGE IN NET POSITION	165,639	165,639
Total net position - beginning	1,939,942	
Total net position - ending	<u>\$ 2,105,581</u>	
Change in net position - business-type activities		<u>\$ 165,639</u>

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

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS-- BUSINESS-TYPE ACTIVITIES

For the Fiscal Year Ended June 30, 2018

	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 722,961	\$ 722,961
Cash paid for goods and services	(508,424)	(508,424)
Cash paid to or on behalf of employees for services	(20,791)	(20,791)
Customer deposits received	9,400	9,400
Customer deposits returned	(4,621)	(4,621)
Other operating revenues	5,403	5,403
Net cash provided by operating activities	<u>203,928</u>	<u>203,928</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Decrease in due from other funds	<u>27,639</u>	<u>27,639</u>
Total cash flows from noncapital financing activities	<u>27,639</u>	<u>27,639</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	<u>2,685</u>	<u>2,685</u>
Net cash provided by investing activities	<u>2,685</u>	<u>2,685</u>
Net increase in cash and cash equivalents	234,252	234,252
Balances-beginning of the year	<u>545,719</u>	<u>545,719</u>
Balances-end of the year	<u>\$ 779,971</u>	<u>\$ 779,971</u>

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

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS--- BUSINESS-TYPE ACTIVITIES

For the Fiscal Year Ended June 30, 2018

	Enterprise Fund	Totals
	Water and Sewer Fund	
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 162,954	\$ 162,954
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	33,834	33,834
Changes in assets and liabilities:		
Increase in accounts receivable	(13,277)	(13,277)
Increase in deferred outflows of resources - pensions	(938)	(938)
Increase in net pension liability	1,312	1,312
Increase in deferred inflows of resources - pensions	18	18
Increase in accounts payable and accrued liabilities	15,246	15,246
Increase in customer deposits	4,779	4,779
Total adjustments	40,974	40,974
Net cash provided by operating activities	\$ 203,928	\$ 203,928

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

TOWN OF MCADENVILLE, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND**

For the Fiscal Year Ended June 30, 2018

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 471,000
Liabilities:	
Performance bond	\$ 471,000

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of McAdenville, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of McAdenville, North Carolina is a municipal corporation that is governed by an elected mayor and a five-member council.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program 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. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town reports the following major governmental fund:

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 public safety and general government services.

The Town reports the following non-major governmental fund:

Park and Recreation Capital Projects Fund. This fund is used to account for the construction of a new town park.

The Town reports the following major enterprise funds:

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

The Town reports the following fund type:

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the Performance Bond Fund, which accounts for a deposit held by the Town until the Town Hall renovation is complete. Upon completion, the Town will return the funds to the contractor.

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.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

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

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

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

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

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of McAdenville because the tax is levied by Gaston County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. 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 project level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of McAdenville Restricted Cash

Governmental Activities:

General Fund:

Streets \$ 82,878

Business-type Activities:

Enterprise Fund:

Water & Sewer Fund

Customer deposits \$ 24,332

Total Restricted Cash \$107,210

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2017.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. It is the Town's policy to capitalize any asset with a cost greater than \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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:

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

6. Deferred Outflows/Inflows of Resources

In addition to liabilities, 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 will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2018 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

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to a future period and so will not be recognized as revenue until then. The Town has two items that meets the criteria for this category – property taxes receivable, and deferrals for pension expense that result from the implementation of GASB Statement 68.

7. Long-Term Obligations

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

8. Compensated Absences

The Town's vacation policy provides vacation to be earned based on length of employment. However, vacation must be taken within the Town's next fiscal year. Any vacation earned, but not taken as of June 30, 2018 was paid on June 30, 2018. Therefore, there is no liability for compensated absences as of June 30, 2018.

The Town's sick leave policy provides for five days per fiscal year. Forty hours of sick leave may be accumulated and carried over to the next fiscal year. The Town has two full time employees that have this benefit. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position/Fund Balances

Net position

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

Fund Balances

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

TOWN OF MCADEVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of McAdenville's governing body (highest level of decision-making authority). 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.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Defined Benefit Cost-Sharing Plans

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 of McAdenville's employer contributions are recognized when due and the Town of McAdenville 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: DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their names. The amount of the pledged collateral is based

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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. 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, 2018, the Town's deposits had a carrying amount of \$2,521,877 and a bank balance of \$2,524,561. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2018, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2018, the Town of McAdenville had \$185,930 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.

The Town does not have a formal investment policy.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

3. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,360	\$	\$	\$ 10,360
Renovation to building		311,929		311,929
Construction of park		6,515		6,515
Building (not in service)	<u>205,000</u>			<u>205,000</u>
Total	<u>215,360</u>	<u>318,444</u>		<u>533,804</u>
Capital assets being depreciated:				
Buildings	180,907			180,907
Other improvements	395,850			395,850
Equipment	85,711	1,149		86,860
Infrastructure	<u>773,058</u>			<u>773,058</u>
Total	<u>1,435,526</u>	<u>1,149</u>		<u>1,436,675</u>
Less accumulated depreciation for:				
Buildings	147,160	3,618		150,778
Other improvements	95,930	14,382		110,312
Equipment	61,413	4,911		66,324
Infrastructure	<u>526,286</u>	<u>19,451</u>		<u>545,737</u>
Total	<u>830,789</u>	<u>\$ 42,362</u>	<u>\$</u>	<u>873,151</u>
Total capital assets depreciated, net	<u>604,737</u>			<u>563,524</u>
Governmental activity capital assets, net	<u>\$ 820,097</u>			<u>\$1,097,328</u>

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

General government	\$ 22,911
Transportation	<u>19,451</u>
Total depreciation expense	<u>\$ 42,362</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets being depreciated:				
Other improvements	<u>\$ 1,691,705</u>	\$ _____	\$ _____	<u>\$1,691,705</u>
Less accumulated depreciation for:				
Other improvements	<u>357,435</u>	<u>\$ 33,834</u>	\$ _____	<u>391,269</u>
Water and Sewer capital assets, net	<u>\$ 1,334,270</u>			<u>\$1,300,436</u>

Construction commitments

The government has active construction projects as of June 30, 2018. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Renovation of Town Hall	\$ 266,368	\$ 244,092
Park and recreation		<u>19,419</u>
	<u>\$ 266,368</u>	<u>\$ 263,511</u>

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of McAdenville 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, or 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.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of McAdenville 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 McAdenville's contractually required contribution rate for the year ended June 30, 2018, was 7.50% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of McAdenville were \$6,468 for the year ended June 30, 2018.

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

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

At June 30, 2018, the Town reported a liability of \$20,319 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was 0.00133%, which was an increase of 0.00068% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$8,149. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,171	\$ 575
Changes of assumptions	2,902	
Net differences between projected and actual earnings on pension plan investments	4,933	
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,303	3,373
Town contributions subsequent to the measurement date	<u>6,468</u>	
Total	<u>\$ 21,777</u>	<u>\$ 3,948</u>

\$6,468 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Year ended June 30:

2019	\$ 2,317
2020	6,426
2021	3,043
2022	(426)
2023	
Thereafter	<u>\$ 11,360</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and production factor
Investment rate of return	7.20 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, 2016 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.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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, 2017 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	<u>6.0%</u>	4.0%
	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 are annualized.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Discount rate. The discount rate used to measure the total pension liability was 7.20%. 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 employees will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s proportionate share of the net pension liability 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate.

	1% Decrease <u>(6.20%)</u>	Discount Rate <u>(7.20%)</u>	1% Increase <u>(8.20%)</u>
Town’s proportionate share of the net pension liability (asset)	\$60,997	\$20,319	(\$13,635)

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.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

b. Supplemental Retirement Income Plan for General Government Employees

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$0.

The Town has also elected to contribute to the Supplemental Retirement Income Plan for the general employees as well as for the law enforcement officers. The contribution rate for general employees equaled five percent of the employee's salary. The Town's contributions were calculated using a covered payroll amount of \$86,237. Total contributions for the year ended June 30, 2018 were \$4,312 which consisted of \$4,312 from the Town.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 6,468
Differences between expected and actual experience	1,171
Changes of assumptions	2,902
Net difference between projected and actual	4,933
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,303
	<u>\$21,777</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund), less penalties	\$	\$ 4,539
Differences between expected and actual experience	575	
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,373	
	<u>\$ 3,948</u>	<u>\$ 4,539</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has secured insurance coverage with an insurance company and is a participant in an employee accident and health insurance pool administered by the North Carolina League of Municipalities. The Town's insurance coverage provides the following types of major coverage for the amounts of retained risk noted; general liability (\$1,000,000), auto (\$1,000,000), and worker's compensation (\$1,000,000 per occurrence). The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Town Council each year. 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.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Through the health insurance pool, the Town obtains employee health coverage up to a \$2 million lifetime limit. The pool is reinsured for annual employee health claims in excess of \$150,000.

The Town does not maintain any flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds is performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees are insured under a blanket bond of \$10,000 (per occurrence) for employee dishonesty and forgery or alteration. In addition, the Town maintains insurance on employees of \$5,000 (per occurrence) for theft of money and securities both inside and outside the premises.

4. Changes in Long-Term Liabilities

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion of Balance
Governmental Activities:					
Net pension liability (LGERS)	<u>\$ 11,019</u>	<u>\$ 5,214</u>	<u>\$ 0</u>	<u>\$ 16,233</u>	<u>\$ 0</u>
Business-type Activities:					
<u>Water & Sewer Fund</u>					
Net pension liability (LGERS)	<u>\$ 2,774</u>	<u>\$ 1,312</u>	<u>\$ 0</u>	<u>\$ 4,086</u>	<u>\$ 0</u>

5. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2018 consist of the following:

Due to the General Fund for the allocation of costs from the:

Water & Sewer Fund	<u>\$2,189</u>
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TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

The interfund balance resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2018, consist of the following:

From the General Fund to the Park and Recreation Fund to fund
the local match required by the grant agreement \$6,515

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 provided by matching funds for various grant agreements.

6. Fund Balances

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	\$1,388,302
Less:	
Stabilization by State Statute	625,304
Streets- Powell Bill	<u>82,878</u>
Remaining Fund Balance	<u>\$ 680,120</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<u>Encumbrances</u>	<u>General Fund</u>	<u>Non-Major Funds</u>
	\$514,092	\$19,419

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 3: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

In conjunction with the Community Development Block Grant completed during fiscal year end June 30, 2013, the Town entered into an agreement with the owner of the residential real property that was rehabilitated. The agreement specifies that the owner follow all requirements of the Grant program. Failure to comply with the guidelines will result in the owner reimbursing the Town for monies spent on the residential unit. The total amount of the agreement is \$360,000 at zero percent interest rate. No repayment of the grant money will be required if all the guidelines are followed. The agreement is in effect for a period of eight years and expires in January 2020.

NOTE 4: INTERLOCAL AGREEMENTS

The Town has entered into an agreement with Town of Cramerton for police safety and fire safety. The total contract amount for police services is \$215,000 per year. The contract amount for fire safety is \$55,000 per year.

NOTE 5: SUBSEQUENT EVENTS

Subsequent to year end, the Town entered into a contract for the construction of a park. The total amount of the contract is \$376,046.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

TOWN OF MCADENVILLE, NORTH CAROLINA

**TOWN OF MCADENVILLE'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)**

REQUIRED SUPPLEMENTARY INFORMATION

Last Five Fiscal Years

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
McAdenville's proportion of the net pension liability (asset)	0.00133%	0.00065%	0.00184%	0.00100%	0.00128%
McAdenville's proportion of the net pension liability (asset) (\$)	\$ 20,319	\$ 13,793	\$ 8,256	\$ (7,550)	\$ 12,054
McAdenville's covered-employee payroll	\$ 80,743	\$ 75,930	\$ 88,052	\$ 64,247	\$ 47,211
McAdenville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	25.17%	18.17%	9.38%	-11.75%	25.53%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

TOWN OF MCADENVILLE, NORTH CAROLINA

TOWN OF MCADENVILLE'S CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

Last Five Fiscal Years

Local Government Employees' Retirement System

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 6,468	\$ 5,878	\$ 5,080	\$ 6,225	\$ 10,305
Contributions in relation to the contractually required	6,468	5,878	5,080	6,225	10,305
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
McAdenville's covered-employee payroll	\$ 86,237	\$ 80,743	\$ 75,930	\$ 88,052	\$ 64,247
Contribution as a percentage of covered-employee payroll	7.50%	7.28%	6.69%	7.07%	16.04%

INDIVIDUAL FUND FINANCIAL STATEMENTS

TOWN OF MCADENVILLE, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2018

	2018		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Ad valorem taxes			
Taxes	\$ 374,000	\$ 416,577	\$ 42,577
Interest		506	506
Total	<u>374,000</u>	<u>417,083</u>	<u>43,083</u>
Unrestricted intergovernmental:			
Local option sales tax	100,000	131,786	31,786
Telecommunications sales tax		5,966	5,966
Utilities sales tax	260,000	257,434	(2,566)
Piped natural gas sales tax		2,780	2,780
Video franchise fee		4,913	4,913
Solid waste disposal fees	400	452	52
Beer and wine tax	2,000	2,945	945
Total	<u>362,400</u>	<u>406,276</u>	<u>43,876</u>
Restricted intergovernmental:			
Powell Bill allocation	<u>17,500</u>	<u>17,714</u>	<u>214</u>
Licenses and permits			
Building permits	<u>1,500</u>	<u>2,275</u>	<u>775</u>
Investment earnings			
Investment earnings	<u>2,100</u>	<u>7,643</u>	<u>5,543</u>
Miscellaneous			
Other	11,000	5,056	(5,944)
Fund balance appropriated	<u>284,000</u>		<u>(284,000)</u>
Total	<u>295,000</u>	<u>5,056</u>	<u>(289,944)</u>
TOTAL REVENUES	<u>1,052,500</u>	<u>856,047</u>	<u>(196,453)</u>

TOWN OF MCADENVILLE, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2018

	2018		Variance Favorable (Unfavorable)
	Budget	Actual	
EXPENDITURES			
General government			
Administrative salaries	98,500	88,192	10,308
Professional service	80,000	48,869	31,131
Retirement	6,000	5,216	784
FICA expense	10,500	6,747	3,753
401-K	4,000	3,464	536
Unemployment insurance reimbursement	500	74	426
Group insurance	19,000	18,334	666
General insurance	7,000	4,915	2,085
Telephone	7,000	5,937	1,063
Travel	2,500	2,203	297
Supplies	3,000	1,744	1,256
Dues and subscriptions	3,700	2,987	713
Advertisements	1,000	449	551
Miscellaneous	6,500	5,770	730
Maintenance	7,000	5,889	1,111
Equipment maintenance	15,000	8,446	6,554
Capital outlay	215,000	313,078	(98,078)
Street repairs	10,000	7,119	2,881
Water and trash	1,900	1,540	360
Election expense	1,300	1,138	162
Security - fire /burglar	400	108	292
Cleaning service-Town Hall	4,000	2,280	1,720
Bridge lighting	22,000	18,662	3,338
Utilities	6,000	5,616	384
	<u>531,800</u>	<u>558,777</u>	<u>(26,977)</u>
Total general government	<u>531,800</u>	<u>558,777</u>	<u>(26,977)</u>

TOWN OF MCADENVILLE, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2018

	2018		Variance
	Budget	Actual	Favorable (Unfavorable)
EXPENDITURES (CONTINUED)			
Public safety			
Professional services	13,000	12,808	192
Contract services	215,000	215,000	-
Fire Department contribution	55,000	55,000	-
Total public safety	283,000	282,808	192
Sanitation			
Garbage disposal	80,000	78,807	1,193
Parks and recreation:			
Park maintenance	7,700	4,886	2,814
Transportation			
Street capital outlay and maintenance	50,000	1,925	48,075
TOTAL EXPENDITURES	952,500	927,203	25,297
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	100,000	(71,156)	(171,156)
OTHER FINANCING SOURCES (USES)			
Transfer to other funds			
Transfer to Capital Project Fund	(100,000)	(6,515)	93,485
Total other financing sources (uses)	(100,000)	(6,515)	93,485
Revenues and other financing sources over (under) expenditures	\$ -	(77,671)	\$ (77,671)
FUND BALANCE:			
Fund balance, beginning of year		1,465,973	
Fund balance, end of year		\$1,388,302	

TOWN OF MCADENVILLE, NORTH CAROLINA

**CAPITAL PROJECT FUND -
PARKS AND RECREATION PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

From Inception and For the Fiscal Year Ended June 30, 2018

	Actual			Variance Positive (Negative)	
	Project Authorization	Prior Years	Current Year		Total to Date
REVENUES:					
Restricted intergovernmental:					
Grants - State	\$ 350,000	\$	\$	\$	\$ (350,000)
Total	350,000	-	-	-	(350,000)
EXPENDITURES:					
McAdenville Park					
Land	470,000			-	470,000
Construction	686,216		6,515	6,515	679,701
Total	1,156,216	-	6,515	6,515	1,149,701
REVENUES OVER (UNDER) EXPENDITURES					
	(806,216)	-	(6,515)	(6,515)	799,701
OTHER FINANCING SOURCES:					
Donation of land	470,000				(470,000)
Contribution from private entity	236,216				(236,216)
Transfer from general fund	100,000		6,515	6,515	(93,485)
	806,216		6,515	6,515	(799,701)
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF MCADENVILLE, NORTH CAROLINA

**WATER AND SEWER FUND
STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (NON-GAAP)**

For the Fiscal Year Ended June 30, 2018

	2018		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Operating revenues			
Water and sewer charges	\$ 485,000	\$ 597,872	\$ 112,872
Water and sewer hookups and fees	96,000	143,769	47,769
TOTAL OPERATING REVENUES	581,000	741,641	160,641
Nonoperating revenues			
Interest	500	2,685	2,185
TOTAL REVENUES	581,500	744,326	162,826
OPERATING EXPENSES			
Purchase of water	370,000	363,756	6,244
Salaries	17,500	17,339	161
Payroll taxes and benefits	3,625	3,452	173
Professional services	6,500	6,410	90
Repairs	92,875	61,568	31,307
Operation of treatment plant	87,000	87,538	(538)
Miscellaneous	4,000	4,398	(398)
	581,500	544,461	37,039
TOTAL EXPENSES	581,500	544,461	37,039
REVENUES OVER EXPENSES	\$ -	\$ 199,865	\$ 199,865

TOWN OF MCADENVILLE, NORTH CAROLINA

**WATER AND SEWER FUND
STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (NON-GAAP)**

For the Fiscal Year Ended June 30, 2018

	2018		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES OVER EXPENSES	<u>\$ -</u>	\$ 199,865	<u>\$ 199,865</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL			
RECONCILING ITEMS			
Increase in deferred outflows of resources - pensions		938	
Increase in net pension liability		(1,312)	
Increase in deferred inflows of resources - pensions		(18)	
Depreciation		<u>(33,834)</u>	
Total		<u>(34,226)</u>	
CHANGE IN NET POSITION		<u>\$ 165,639</u>	

TOWN OF MCADENVILLE, NORTH CAROLINA

**PERFORMANCE BOND - AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

For the Fiscal Year Ended June 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and cash equivalents	<u>\$</u>	<u>\$ 471,000</u>	<u>\$</u>	<u>\$ 471,000</u>
Liabilities:				
Performance bond	<u>\$</u>	<u>\$ 471,000</u>	<u>\$</u>	<u>\$ 471,000</u>

OTHER SCHEDULES

TOWN OF MCADENVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2018

Fiscal Year	Uncollected Balance June 30, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2007-2008	\$ 162	\$	\$ 162	\$ -
2008-2009	294			294
2009-2010	394		5	389
2010-2011	318			318
2011-2012	373		35	338
2012-2013	549		182	367
2013-2014	499		173	326
2014-2015	383		185	198
2015-2016	934		620	314
2016-2017	2,010		1,054	956
2017-2018	<u>-</u>	<u>415,200</u>	<u>414,161</u>	<u>1,039</u>
	<u>\$ 5,916</u>	<u>\$ 415,200</u>	<u>\$ 416,577</u>	<u>\$ 4,539</u>

Reconcilement with revenues:

Taxes-ad valorem-general fund \$ 417,083

Reconciling items:

Interest collected (506)

Total collections and credits \$ 416,577

TOWN OF MCADENVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

Year Ended June 30, 2018

	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>	<u>Total Levy</u>
Total valuation	\$118,934,242	\$ 6,883,636	\$125,817,878
Rate	<u>0.0033</u>	<u>0.0033</u>	<u>0.0033</u>
Levy (net of adjustments)	392,483	22,717	415,200
Uncollected at June 30, 2018	<u>1,039</u>	<u> </u>	<u>1,039</u>
Current year taxes collected	<u>\$ 391,444</u>	<u>\$ 22,717</u>	<u>\$ 414,161</u>
Ratio of taxes collected to net levy	<u>99.74%</u>	<u>100.00%</u>	<u>99.75%</u>