

**TOWN OF BURNSVILLE
NORTH CAROLINA**

Financial Statements

June 30, 2019

(with Independent Auditor's Report thereon)

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TOWN OF BURNSVILLE, NORTH CAROLINA

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Burnsville, North Carolina, as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Burnsville'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the

Burnsville ABC Board were not audited in accordance with Governmental Auditing Standards.

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, based on our audit the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Burnsville, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, 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, the other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, and the Schedule of Changes in Net OPEB Liability and Related Ratios on pages 8 through 17, 55-57, respectively, be presented to supplement the basic financial statements. Such information,

although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 basic financial statements of Town of Burnsville, North Carolina. The combining and individual fund statements, budgetary schedules, 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of Town of

Burnsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Burnsville's internal control over financial reporting and compliance.

Young, Miller & Gillespie, P.A.

Young, Miller & Gillespie, P.A.
Spruce Pine, North Carolina
November 22, 2019

TOWN OF BURNSVILLE, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2019

As management of the Town of Burnsville, we offer readers of the Town of Burnsville's financial statements this narrative overview and analysis of the financial activities of the Town of Burnsville for the fiscal year ended June 30, 2019. 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

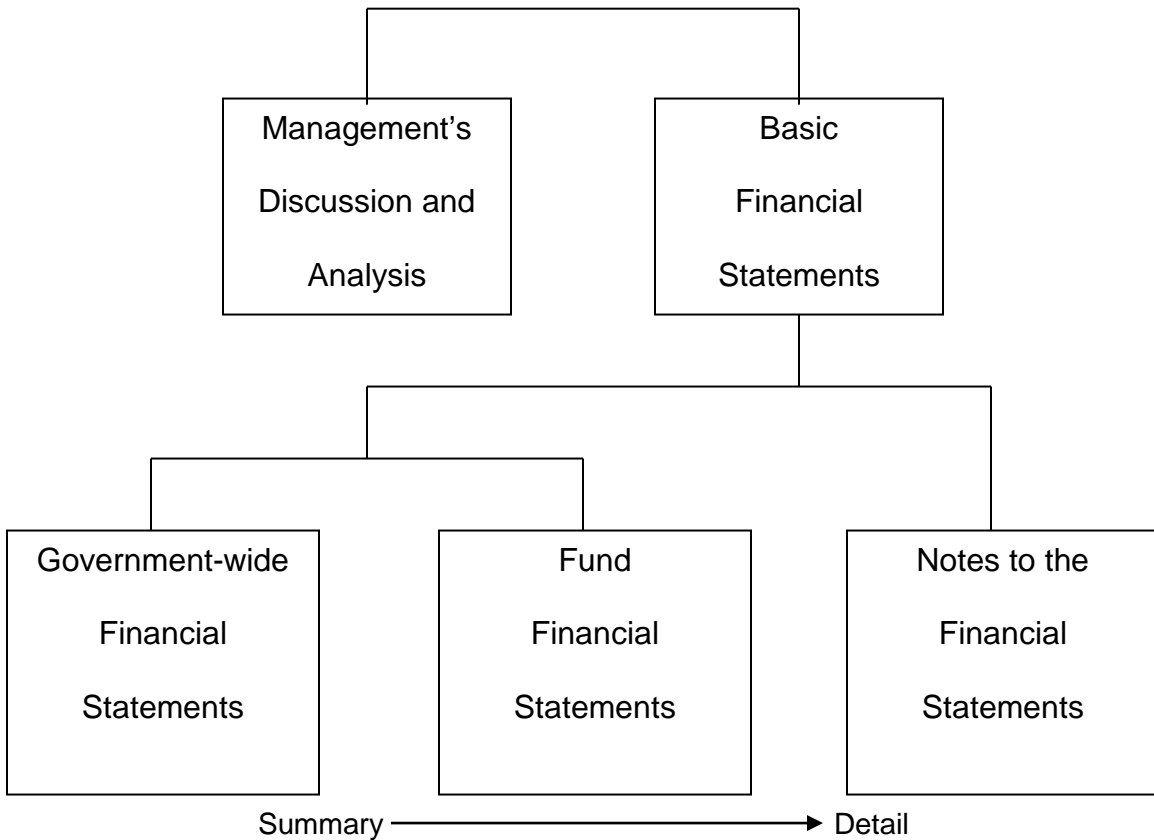
- The assets of the Town of Burnsville exceeded its liabilities at the close of the fiscal year by \$11,197,627.
- The government's total net position increased by \$827,081 for current year change, inclusive of a prior period adjustment of \$46,879.
- As of the close of the current fiscal year, The Town of Burnsville's governmental funds reported combined ending fund balances of \$1,489,167 an increase of \$24,243 in comparison with the prior year. Approximately 83 percent of this total amount or \$1,231,414 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,231,414 or 62 percent of total general fund expenditures for the fiscal year.
- The Town of Burnsville's total general fund debt generated by installment obligations decreased by \$191,919 during the current fiscal year.

Overview of the Basic Financial Statements

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

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**. These statements provide short and long-term information about the Town's financial status.

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

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

Management's Discussion and Analysis (continued)

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 total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: (1) governmental activities; and (2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Burnsville.

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

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Burnsville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Burnsville 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 be readily converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Burnsville 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

Management's Discussion and Analysis (continued)

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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27-54 of this report.

Other Information

Combining and individual fund statements and schedules are also included in this report.

Management's Discussion and Analysis (continued)

Government-Wide Financial Analysis

Town of Burnsville's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,572,003	\$ 1,527,857	\$ 1,797,872	\$ 1,684,521	\$ 3,369,875	\$ 3,212,378
Capital assets and noncurrent assets	2,624,329	2,688,902	10,231,594	9,347,001	12,855,923	12,035,903
Total assets	4,196,332	4,216,759	12,029,466	11,031,522	16,225,798	15,248,281
Deferred Outflows of Resources	262,118	209,229	175,302	114,028	437,420	323,257
Long-term liabilities outstanding	2,174,947	2,252,547	2,405,985	2,335,956	4,580,932	4,588,503
Other liabilities	103,419	90,179	242,955	150,262	346,374	240,441
Total liabilities	2,278,366	2,342,726	2,648,940	2,486,218	4,927,306	4,828,944
Deferred Inflows of Resources	276,325	187,778	261,960	184,270	538,285	372,048
Net position:						
Net investment in capital assets	2,624,329	2,484,902	9,721,216	8,836,623	12,345,545	11,321,525
Restricted	257,752	230,805	826,899	817,888	1,084,651	1,048,693
Unrestricted	(978,323)	(820,223)	(1,254,247)	(1,179,449)	(2,232,570)	(1,999,672)
Total net position	\$ 1,903,758	\$ 1,895,484	\$ 9,293,868	\$ 8,475,062	\$ 11,197,626	\$ 10,370,546

As noted earlier, net position may serve over time as one useful indication of an agency's financial condition. The assets of The Town of Burnsville exceeded liabilities by \$11,197,626 as of June 30, 2019. The Town's net position increased by \$780,202 for the fiscal year ended June 30, 2019. However, the largest portion (110%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Burnsville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Burnsville's investment in its 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. The remaining balance of \$(2,232,570) is unrestricted.

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

- Increased capital grant revenue generated additional revenue
- The Town was able to adequately monitor and control expenditures

Management's Discussion and Analysis (continued)

Town of Burnsville's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	Total
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 78,612	\$ 69,358	\$ 2,224,051	\$ 2,205,669	\$ 2,302,663	\$ 2,275,027
Operating grants and contributor	254,656	252,233	-	-	254,656	252,233
Capital grants and contributions	24,298	14,907	821,903	278,470	846,201	293,377
General Revenues:						
Property taxes	892,128	871,291	-	-	892,128	871,291
Other Taxes	737,461	687,657	-	-	737,461	687,657
Investment earnings	10,324	10,317	1,922	8,365	12,246	18,682
Other	15,994	13,169	-	-	15,994	13,169
Total revenues	2,013,473	1,918,932	3,047,876	2,492,504	5,061,349	4,411,436
Expenses:						
General government	339,947	382,371	-	-	339,947	382,371
Public safety	1,054,256	950,859	-	-	1,054,256	950,859
Public works	287,086	270,618	-	-	287,086	270,618
Town Centre Operations	145,776	118,252	-	-	145,776	118,252
Cultural and recreation	42,638	34,812	-	-	42,638	34,812
Environmental protection	121,591	148,356	-	-	121,591	148,356
Economic development	20,000	20,000	-	-	20,000	20,000
Interest expense	5,987	11,140	-	-	5,987	11,140
Water and sewer	-	-	2,263,866	2,192,644	2,263,866	2,192,644
Total expenses	2,017,281	1,936,408	2,263,866	2,192,644	4,281,147	4,129,052
Increase in net position	(3,808)	(17,476)	784,010	299,860	780,202	282,384
Net Position:						
Net position, July 1	1,895,484	3,129,442	8,475,062	9,576,416	10,370,546	7,255,422
Restatement	12,083	(1,216,482)	34,796	(1,401,214)	46,879	-
Net position, July 1, as restated	1,907,567	1,912,960	8,509,858	8,175,202	10,417,425	7,255,422
Net position, June 30	\$ 1,903,759	\$ 1,895,484	\$ 9,293,868	\$ 8,475,062	\$ 11,197,627	\$ 7,537,806

Management's Discussion and Analysis (continued)

Governmental activities. Governmental activities decreased the Town's net position by \$3,808. Key elements of this decrease are as follows:

- Recurring depreciation expense plays a major role in the decrease.

Business-Type Activities: Business-type activities increased the Town of Burnsville's net position by \$784,010. Key elements of this increase are as follows:

- Received several capital grants to fund water and sewer improvements.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Burnsville'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 Burnsville's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of The Town of Burnsville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,231,414 while total fund balance reached \$1,489,167. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 62 percent of total General Fund expenditures and transfers (compared to 65% in 2018) while total fund balance represents 75 percent of that same amount (compared to 84% in 2017).

At June 30, 2019, the governmental funds of The Town of Burnsville reported a combined fund balance of \$1,489,167, an increase over last year. Partially responsible for this change in fund balance is an increase in grant monies and controlled expenditures.

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

Proprietary Funds. The Town of Burnsville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Total net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$9,293,868. The change in net position was \$784,010. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Burnsville's business-type activities.

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration

Capital assets. The Town of Burnsville's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$12,855,923 (net of accumulated depreciation). These assets include buildings, infrastructure, land, machinery and equipment, vehicles, and water and sewer systems. Unamortized bond proceeds are also included in this category.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Police car purchased for public safety functions
- Meter project for water and sewer fund
- Construction on waterline and sewer improvement projects

Town of Burnsville's Capital Assets
(Net of Depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 446,131	\$ 446,131	\$ 1,182,016	\$ 28,009	\$ 1,628,147	\$ 474,140
Bond issue	-	-	-	-	\$ -	\$ -
Construction in progress	-	-	-	-	-	-
Infrastructure	472,334	493,531	-	-	472,334	493,531
Buildings	1,490,894	1,498,513	-	-	1,490,894	1,498,513
Plant and systems	-	-	8,836,298	9,062,759	8,836,298	9,062,759
Equipment and furniture	31,812	50,626	128,717	123,975	160,529	174,601
Vehicles	183,158	200,101	84,563	132,258	267,721	332,359
Total	\$ 2,624,329	\$ 2,688,902	\$ 10,231,594	\$ 9,347,001	\$ 12,855,923	\$ 12,035,903

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

Long-Term Debt. As of June 30, 2019, The Town of Burnsville had total debt and related liabilities outstanding of \$4,678,603.

Management's Discussion and Analysis (continued)

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Compensated Absences	\$ 59,237	\$ 58,518	\$ 38,435	\$ 48,526	\$ 97,672	\$ 107,044
Other post employment bene	1,668,335	1,635,530	1,668,336	1,635,531	3,336,671	3,271,061
Installment purchases	-	204,000	510,378	549,638	510,378	753,638
Total pension liability	279,341	262,231	-	-	279,341	262,231
Net pension liability	227,270	150,786	227,271	150,787	454,541	301,573
General obligation bonds	-	-	-	-	-	-
Total	<u>\$ 2,234,183</u>	<u>\$ 2,311,065</u>	<u>\$ 2,444,420</u>	<u>\$ 2,384,482</u>	<u>\$ 4,678,603</u>	<u>\$ 4,695,547</u>

The Town of Burnsville's total long-term debt decreased by \$16,944 during the past fiscal year. An additional \$168,000 was paid on installment purchase agreements to pay off the Town Center building loan.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Burnsville's long-term debt is \$ 13,361,258.

Additional information regarding the Town of Burnsville's long-term debt can be found in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the stability and prosperity of the Town.

- Continued aggressive collection measures by staff will keep revenues stable.
- Administration will continue to recommend utility rate increases to ensure financial stability and infrastructure needs.
- The Town Council will consistently review the voluntary annexation petitions and consider administrative recommendations concerning the

Management's Discussion and Analysis (continued)

financial advantages/disadvantages of each petition in relation to the Town's overall well-being.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Budgeted revenues and expenditures in the General Fund are expected to remain consistent with prior years. Planned construction of new fire department building with loan funds.

Business-Type Activities: General operating expenses are expected remain consistent. Ongoing capital improvements will be funded by grants and revolving loan funds.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Burnsville, P.O. Box 97, Burnsville, NC 28714.

TOWN OF BURNSVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Town of Burnsville ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 1,287,309	\$ 752,765	\$ 2,040,074	\$ 107,723
Taxes receivable (net)	38,654	-	38,654	-
Accounts receivable (net)	-	852,928	852,928	3,742
Due from other governments	157,468	29,022	186,490	-
Inventory	-	70,170	70,170	157,594
Restricted cash and equivalents	88,572	92,987	181,559	-
Total current assets	<u>1,572,003</u>	<u>1,797,872</u>	<u>3,369,875</u>	<u>269,059</u>
Non-current Assets:				
Capital Assets:				
Land, nondepreciable improvements, and construction in progress	446,131	1,182,016	1,628,147	-
Other capital assets, net of depreciation	2,178,198	9,049,578	11,227,776	53,457
Total capital assets	<u>2,624,329</u>	<u>10,231,594</u>	<u>12,855,923</u>	<u>53,457</u>
Total non-current assets:	<u>2,624,329</u>	<u>10,231,594</u>	<u>12,855,923</u>	<u>53,457</u>
Total assets	<u>4,196,332</u>	<u>12,029,466</u>	<u>16,225,798</u>	<u>322,516</u>
Deferred Outflows of Resources	262,118	175,302	437,420	
Liabilities:				
Current Liabilities:				
Accounts payable	44,182	111,533	155,715	3,994
Unearned revenue	-	92,987	92,987	-
Compensated absences - current	59,237	38,435	97,672	-
Total current liabilities	<u>103,419</u>	<u>242,955</u>	<u>346,374</u>	<u>3,994</u>
Long-Term Liabilities:				
Due within one year	-	39,260	39,260	-
Due in more than one year	2,174,947	2,366,725	4,541,672	-
Total long-term liabilities	<u>2,174,947</u>	<u>2,405,985</u>	<u>4,580,932</u>	<u>-</u>
Total Liabilities	<u>2,278,366</u>	<u>2,648,940</u>	<u>4,927,306</u>	<u>3,994</u>
Deferred Inflows of Resources:	<u>276,325</u>	<u>261,960</u>	<u>538,285</u>	<u>-</u>
Net Position:				
Net investment in capital assets	2,624,329	9,721,216	12,345,545	53,457
Restricted for Streets - Powell Bill	88,572	-	88,572	-
Restricted for Stabilization by State Statute	157,468	-	157,468	-
Restricted for Public Safety - Fire Tax	11,713	-	11,713	-
Restricted for Capacity Depletion Impact Fees	-	826,899	826,899	-
Unrestricted	(978,323)	(1,254,247)	(2,232,570)	265,065
Total net position	<u>\$ 1,903,759</u>	<u>\$ 9,293,868</u>	<u>\$ 11,197,627</u>	<u>\$ 318,522</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BURNSVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Town of Burnsville ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 339,947	\$ -	\$ -	\$ -	\$ (339,947)	\$ -	\$ (339,947)	\$ -
Public Safety	1,054,256	5,220	201,689	24,298	(823,049)	-	(823,049)	-
Public Works	287,086	-	51,652	-	(235,434)	-	(235,434)	-
Environmental protection	121,591	-	1,315	-	(120,276)	-	(120,276)	-
Cultural and recreational	42,638	-	-	-	(42,638)	-	(42,638)	-
Town Centre	145,776	73,392	-	-	(72,384)	-	(72,384)	-
Economic development	20,000	-	-	-	(20,000)	-	(20,000)	-
Interest on long-term debt	5,987	-	-	-	(5,987)	-	(5,987)	-
Total governmental activities	<u>2,017,281</u>	<u>78,612</u>	<u>254,656</u>	<u>24,298</u>	<u>(1,659,715)</u>	<u>-</u>	<u>(1,659,715)</u>	<u>-</u>
Business-Type Activities								
Water and Sewer	<u>2,263,866</u>	<u>2,224,051</u>	<u>-</u>	<u>821,903</u>	<u>-</u>	<u>782,088</u>	<u>782,088</u>	<u>-</u>
Total business-type activities	<u>2,263,866</u>	<u>2,224,051</u>	<u>-</u>	<u>821,903</u>	<u>-</u>	<u>782,088</u>	<u>782,088</u>	<u>-</u>
Total primary government	<u>\$ 4,281,147</u>	<u>\$ 2,302,663</u>	<u>\$ 254,656</u>	<u>\$ 846,201</u>	<u>(1,659,715)</u>	<u>782,088</u>	<u>(877,627)</u>	<u>-</u>
Component Unit:								
Town of Burnsville								
ABC Board	<u>\$ 1,205,969</u>		<u>\$ 1,306,098</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,129</u>
Total Component unit	<u>\$ 1,205,969</u>	<u>\$ -</u>	<u>\$ 1,306,098</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,129</u>
General Revenues:								
Taxes:								
Ad valorem					892,128	-	892,128	-
Local general sales tax					544,388	-	544,388	-
Utility and cable franchise tax					183,664	-	183,664	-
Other taxes and licenses					9,409	-	9,409	-
Unrestricted investment earnings					10,324	1,922	12,246	-
Miscellaneous revenues					15,994	-	15,994	-
Total general revenues and transfers					<u>1,655,907</u>	<u>1,922</u>	<u>1,657,829</u>	<u>-</u>
Change in net position					(3,808)	784,010	780,202	100,129
Net Position:								
Beginning of year, July 1					1,895,484	8,475,062	10,370,546	
Restatement					12,083	34,796	46,879	-
Beginning of year, July 1					<u>1,907,567</u>	<u>8,509,858</u>	<u>10,417,425</u>	<u>218,393</u>
End of year, June 30					<u>\$ 1,903,759</u>	<u>\$ 9,293,868</u>	<u>\$ 11,197,627</u>	<u>\$ 318,522</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF BURNSVILLE, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General	Total Governmental Funds
Assets:		
Cash and cash equivalents	\$ 1,287,309	\$ 1,287,309
Restricted cash	88,572	88,572
Taxes receivable, net	31,985	31,985
Due from other governments	157,468	157,468
Total assets	<u>\$ 1,565,334</u>	<u>\$ 1,565,334</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 44,182	\$ 44,182
Total liabilities	<u>44,182</u>	<u>44,182</u>
Deferred Inflows of Resources:		
	<u>31,985</u>	<u>31,985</u>
Fund balances:		
Restricted:		
Stabilization by State Statute	157,468	157,468
Streets - Powell Bill	88,572	88,572
Public Safety - Fire Tax	11,713	11,713
Unassigned:	1,231,414	1,231,414
Total fund balances	<u>1,489,167</u>	<u>1,489,167</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,565,334</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,624,329
Net pension liability	(227,270)
Total pension liability - LEO Separation resources on the Statement of Net Position	(279,341)
Other long term assets, including interest receivable on taxes, are not available to pay for current period expenditures and therefore are deferred in the funds.	38,654
Long-term liabilities, other post employment benefits and compensated absences are not due and payable in the period and are also not reported in the funds.	(1,727,572)
Healthcare plan related deferrals	(246,930)
Pension related deferrals	<u>232,722</u>
Net position of governmental activities	<u>\$ 1,903,759</u>

**TOWN OF BURNSVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Total Governmental Funds
Revenues:		
Ad valorem taxes	\$ 891,416	\$ 891,416
Other taxes and licenses	450	450
Unrestricted intergovernmental	738,326	738,326
Restricted governmental	277,639	277,639
Permits and fees	78,612	78,612
Investment earnings	3,655	3,655
Miscellaneous	15,994	15,994
Total revenues	<u>2,006,092</u>	<u>2,006,092</u>
Expenditures:		
Current:		
General government	297,208	297,208
Public safety	948,655	948,655
Public works	248,797	248,797
Environmental protection	121,591	121,591
Cultural and recreational	42,638	42,638
Town Centre	105,054	105,054
Economic development	20,000	20,000
Debt Service:		
Principal	191,919	191,919
Interest and other charges	5,987	5,987
Total expenditures	<u>1,981,849</u>	<u>1,981,849</u>
Revenues over (under) expenditures	<u>24,243</u>	<u>24,243</u>
Fund Balances:		
Beginning of year, July 1	<u>1,464,923</u>	<u>1,464,923</u>
End of year, June 30	<u>\$ 1,489,166</u>	<u>\$ 1,489,166</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF BURNSVILLE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net changes in fund balances - total governmental funds	\$ 24,243
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	121,889
Changes in pension deferrals	(49,692)
Changes in other post employment benefit healthcare plan deferrals	(81,978)
Contributions to the pension plan in the current year are not included on the Statement of Activities	96,010
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	712
Interest receivable on uncollected tax revenues	6,669
Loan proceeds	
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(186,462)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds	
Compensated absences	(719)
Pension plan - LGERS	(76,484)
Pension plan - LEO	(17,110)
OPEB expense	(32,805)
Advance refunding of bonds and principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not reported.	191,919
Total changes in net position of governmental activities.	<u>\$ (3,808)</u>

**TOWN OF BURNSVILLE, NORTH CAROLINA
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 917,623	\$ 917,723	\$ 891,416	\$ 26,307
Other taxes and licenses	-	-	450	(450)
Unrestricted intergovernmental	681,868	683,818	738,326	(54,508)
Restricted intergovernmental	240,936	275,786	277,639	(1,853)
Permits and fees	87,600	94,700	78,612	16,088
Investment earnings	14,050	14,050	3,655	10,395
Miscellaneous	24,800	12,800	15,994	(3,194)
Total revenues	<u>1,966,877</u>	<u>1,998,877</u>	<u>2,006,092</u>	<u>(7,215)</u>
Expenditures:				
Current:				
General government	450,229	363,829	297,208	66,621
Public safety	999,766	1,043,066	948,655	94,411
Public works	243,118	256,118	248,797	7,321
Environmental protection	111,750	123,750	121,591	2,159
Cultural and recreational	57,215	46,115	42,638	3,477
Town Centre	110,084	113,084	105,054	8,030
Economic Development	-	20,000	20,000	-
Debt Service:				
Principal retirement	-	213,700	191,919	21,781
Interest and other charges	-	7,500	5,987	1,513
Total expenditures	<u>1,972,162</u>	<u>2,187,162</u>	<u>1,981,849</u>	<u>205,313</u>
Revenues over (under) expenditures	(5,285)	(188,285)	24,243	(212,528)
Other Financing Sources (Uses):				
Appropriations	<u>5,285</u>	<u>188,285</u>	-	<u>188,285</u>
Total other financing sources (uses)	<u>5,285</u>	<u>188,285</u>	-	<u>188,285</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	24,243	<u>\$ (24,243)</u>
Fund Balance:				
Beginning of year, July 1			1,464,923	
End of year, June 30			<u>\$ 1,489,166</u>	

The accompanying notes are an integral part of these financial statements.

**TOWN OF BURNSVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019**

	2019
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 752,765
Accounts receivable (net)	852,928
Due from other governments	29,022
Inventory	70,170
Restricted cash and equivalents	92,987
Total current assets	<u>1,797,872</u>
Noncurrent Assets:	
Non-depreciable assets	1,182,016
Other capital assets, net of depreciation	9,049,578
Total noncurrent assets	<u>10,231,594</u>
Total assets	<u><u>12,029,466</u></u>
Deferred Outflows of Resources	
Contributions to pension plan	\$ 175,302
Liabilities:	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 111,533
Utility Customer deposits	92,987
Compensated absences	38,435
Current maturities of debt	39,260
Total current liabilities	<u>282,215</u>
Noncurrent Liabilities:	
Other post employment health care benefits	1,668,336
Net pension liability	227,271
Clean water revolving loan fund	471,118
Total noncurrent liabilities	<u>2,366,725</u>
Total liabilities	<u>2,648,940</u>
Deferred Inflows of Resources	
Deferrals of Pension and OPEB Healthcare costs	261,960
Net Position:	
Net investment in capital assets	9,721,216
Restricted for Capacity Depletion Impact fees	826,899
Unrestricted	(1,254,247)
Total net position	<u><u>\$ 9,293,868</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF BURNSVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019
Operating Revenues:	
Charges for services	\$ 2,021,738
Water and sewer connection fees	12,125
Late and reconnect fees	47,692
Capacity Depletion Impact fees	125,050
Fire Protection line	9,156
Other operating revenues	8,290
Total operating revenues	<u>2,224,051</u>
Operating Expenses:	
Water and sewer treatment and distribution	1,904,814
Depreciation and amortization	348,059
Total operating expenses	<u>2,252,873</u>
Operating income (loss)	<u>(28,822)</u>
Nonoperating Revenues (Expenses):	
Investment income	1,922
Interest and other charges	(10,993)
Total nonoperating revenues (expenses) before transfers	<u>(9,071)</u>
Capital contributions	821,903
Change in net position	<u>784,010</u>
Net Position:	
Beginning of year, July 1	8,475,062
Restatement	34,796
Beginning of year, July 1	<u>8,509,858</u>
End of year, June 30	<u><u>\$ 9,293,868</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF BURNSVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	2019
Cash Flows From Operating Activities:	
Cash received from customers	\$ 2,196,537
Cash paid for goods and services	(712,311)
Cash paid to or on behalf of employees for services	(1,088,161)
Other operating revenues	8,290
Net cash provided (used) by operating activities	<u>404,355</u>
Cash Flows From Capital and Related Financing Activities:	
Capital grants and investments	416,879
(Acquisition) disposal and construction of capital assets	(1,088,764)
Repayments on long term debt	(50,253)
Net cash provided (used) by capital and related financing activities	<u>(722,138)</u>
Cash Flows From Investing Activities:	
Interest income	<u>1,922</u>
Net (increase) in cash and cash equivalents	(315,861)
Cash and cash equivalents, July 1	1,161,613
Cash and cash equivalents, June 30	<u>\$ 845,752</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (28,822)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	348,059
Pension expense	59,659
OPEB expense	114,780
Changes in assets and liabilities and deferred outflows of resources:	
(Increase) decrease in accounts receivable	(24,188)
Increase (decrease) in accounts payable and accrued liabilities	(11,272)
Increase (decrease) in customer deposits	4,964
(Increase) decrease in deferred outflows of resources for pensions	(61,274)
Increase (decrease) in deferred inflows of resources for pensions	77,690
Increase (decrease) in accrued vacation pay	(10,091)
Increase (decrease) in net pension liability	16,825
Increase (decrease) in accrued OPEB liability	(81,975)
Total adjustments	<u>433,177</u>
Net cash provided by operating activities	<u>\$ 404,355</u>

Supplemental information: Interest paid during the year was \$10,993.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity:

The Town of Burnsville is a municipal corporation, which is governed by an elected mayor and a four-member council. As required by the generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

The Burnsville ABC Board is a corporate body with powers outlined by General Statutes [Chapter 18B-701.] The Town's governing body appoints members to the Burnsville ABC Board. The Burnsville ABC Board is required by State Statute to distribute its surpluses to the general fund of the Town, which represents a financial benefit to the Town. Therefore, the Burnsville ABC Board is reported as a discretely presented component unit in the Town's financial statements. Complete financial statements for the Burnsville ABC Board may be obtained by writing to P.O. Box 1127, Burnsville, NC 28714.

Basis of Presentation - Fund Accounting:

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 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

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

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. Any other funds would be reported as non-major funds, but the Town has no other funds at this time.

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

The Town reports the following major governmental funds:

General Fund - The General fund is the general operating fund of the town. The General fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary revenue expenditures are for public safety, street and sidewalk maintenance, and sanitation services.

The Town reports the following major enterprise fund:

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

Agency Funds: Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency Funds are used to account for assets the Town holds on behalf of others. The Town maintains the following agency funds: the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the Town is required to remit to the Yancey Board of Education.

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 BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

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.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Burnsville because the tax is levied by Yancey County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues.

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

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

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 Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Enterprise Fund Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Finance Officer is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000 must be approved by the governing board. During the year, several immaterial adjustments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt the interim budget that covers that time until the annual ordinance can be adopted.

Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are collateralized 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 the 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contract are reported at amortized cost.

2. Cash and Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

<u>Town of Burnsville Restricted Cash</u>		
Governmental Activities:	Streets	\$ 88,572
Business type activities:	Water and Sewer Fund	
	Customer Deposits	\$ 92,987
Total restricted cash		\$ 181,559

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

4. Allowances for Doubtful Accounts

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

5. Inventory

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when purchased.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all capital assets. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at

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acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, have not been recorded under the allowable exemption for Phase III governments in GASB Statement No. 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20-25
Buildings	50
Equipment and Machinery	5-20
Vehicles	10

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion: contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category –property tax receivable, deferrals of pension expense, and deferrals of other post employment healthcare benefit expense.

8. 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 assets. Materials bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Material issuance costs are reported as deferred charges and amortized over the term of the related debt.

9. Compensated Absences

The vacation policies of the Town provide for the accumulation of thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and liability for compensated absences and salary-related payments are recorded as the leave is earned. The Town has assumed a last-in, first-out method of using accumulated compensated time. The portion of that time is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

10. Net Position / Fund Balances

Net position in the 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 the laws or regulations of other governments, or imposed by law through State statute.

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

The governmental fund types classify fund balances as follows:

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

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

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

- Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina

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State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

- Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.
- Restricted for Public Safety - portion of fund balance available for appropriation but legally segregated for fire department expenditures. It represents the balance of the total unexpended fire tax receipts from Yancey County.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote of the governing body. Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance – portion of fund balance of the Town intended to be used 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 appropriation by resource within funds.

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

The Town has a revenue spending policy that provides guidance for programs with

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multiple revenue sources. The Finance Officer will use resources in the following hierarchy, federal funds, State funds, and local 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.

11. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Local Government 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 Burnsville's employer contributions are recognized when due and the Town of Burnsville 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 its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding

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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 deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$2,220,883 and a bank balance of \$2,402,741. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The Town maintains a petty cash fund of \$750.

At June 30, 2019, the ABC Board's deposits had a carrying amount of \$106,523 and a bank balance of \$197,206. All of the bank balance was covered by federal depository insurance. The ABC Board maintains a petty cash fund of \$1200.

3. Receivables

Receivables at the government-wide level at June 30, 2019, were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ -	\$ 43,501	\$ 157,468	\$ 200,969
Allowance for doubtful accounts	-	(4,847)	-	(4,847)
Total governmental activities	<u>\$ -</u>	<u>\$ 38,654</u>	<u>\$ 157,468</u>	<u>\$ 196,122</u>
Business-Type Activities				
Water fund	\$ 890,706	\$ -	\$ 29,022	\$ 919,728
Allowance for doubtful accounts	(37,778)	-	-	(37,778)
Total business-type activities	<u>\$ 852,928</u>	<u>\$ -</u>	<u>\$ 29,022</u>	<u>\$ 881,950</u>
		<u>Governmental</u>	<u>Business-Type</u>	
Local option sales tax		\$ 92,725	\$ -	
Sales tax		10,740	29,022	
Fire tax		31,972	-	
Motor vehicle tax		22,031	-	
		<u>\$ 157,468</u>	<u>\$ 29,022</u>	

4. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2019 was as follows:

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	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 446,131	\$ -	\$ -	\$ 446,131
Total capital assets not being depreciated	<u>446,131</u>	<u>-</u>	<u>-</u>	<u>446,131</u>
Capital assets being depreciated:				
Infrastructure	1,281,788	48,350	-	1,330,138
Buildings	2,257,995	37,538	-	2,295,533
Equipment and furniture	636,768	-	-	636,768
Vehicles	1,385,977	36,001	-	1,421,978
Total capital assets being depreciated	<u>5,562,528</u>	<u>121,889</u>	<u>-</u>	<u>5,684,417</u>
Less accumulated depreciation for:				
Infrastructure	788,258	69,547	-	857,805
Buildings	759,482	45,157	-	804,639
Equipment and furniture	535,203	18,815	-	554,018
Vehicles	1,236,814	52,943	-	1,289,757
Total accumulated depreciation	<u>3,319,757</u>	<u>\$ 186,462</u>	<u>\$ -</u>	<u>3,506,219</u>
Total capital assets being depreciated, net	<u>2,242,771</u>			<u>2,178,198</u>
Governmental activity capital assets, net	<u>\$ 2,688,902</u>			<u>\$ 2,624,329</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 19,771
Public Safety	68,038
Public Works	69,415
Cultural and Recreational	<u>29,238</u>
	<u>\$186,462</u>

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	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Business-Type Activities:				
Water Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 28,009	\$ -	\$ -	\$ 28,009
Construction in progress	-	1,199,957	(45,951)	1,245,908
Total capital assets not being depreciated	<u>28,009</u>	<u>1,199,957</u>	<u>(45,951)</u>	<u>1,273,917</u>
Capital Assets Being Depreciated:				
Plant	12,970,503		45,951	12,924,552
Equipment	339,871	32,695	-	372,566
Vehicles	354,410	-	-	354,410
Total capital assets being depreciated	<u>13,664,784</u>	<u>32,695</u>	<u>45,951</u>	<u>13,651,528</u>
Less Accumulated depreciation for:				
Plant	3,907,746	272,413	-	4,180,159
Equipment	207,614	36,234	-	243,848
Vehicles	230,432	39,412	-	269,844
Total accumulated depreciation	<u>4,345,792</u>	<u>\$ 348,059</u>	<u>\$ -</u>	<u>4,693,851</u>
Water capital assets, net				
Business-type capital assets, net	<u>\$ 9,347,001</u>			<u>\$ 10,231,594</u>

Capital asset activity for the component unit is as follows:

	Useful Life	Cost	Depreciation	Net Amount
Equipment	5-10 yrs.	\$ 94,585	\$ 76,492	\$ 18,366
Leasehold Improvements	7-39 yrs.	51,282	16,190	35,092
Total		<u>\$ 145,867</u>	<u>\$ 92,682</u>	<u>\$ 53,458</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2019, were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 26,369	\$ 17,813	\$ 44,182
Total governmental activities	<u>\$ 26,369</u>	<u>\$ 17,813</u>	<u>\$ 44,182</u>
Business-Type Activities:			
Water	\$ 111,533	\$ -	\$ 111,533
Total business-type activities	<u>\$ 111,533</u>	<u>\$ -</u>	<u>\$ 111,533</u>

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2. Pension Plan Obligations

a. Local Government Employees' Retirement System

Plan Description The Town of Burnsville 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 law enforcement officers (LEOs) of participating local government 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, and 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, or by calling (919) 981-5454.

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 services. 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 year 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 member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon the actuarial gains of the plan.

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

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Contributions Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Burnsville 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 Burnsville's contractually required contribution rate for the year ended June 30, 2019 was 8.5% of compensation for law enforcement officers and 7.82% for general employees and firefighters, 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 for the Town of Burnsville were \$97,466 for the year ended June 30, 2019.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS may file an application for 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 employee contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Town reported a liability of \$454,541 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long term share of future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was .01916%, which was a decrease of .00058% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$119,318. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 70,125	\$ 2,353
Changes of assumptions	\$120,618	
Net difference between projected and actual earnings on pension plan investments	\$ 63,295	
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ -	\$27,708
Town contributions subsequent to the measurement date	\$ 97,466	
Total	\$350,604	\$30,061

\$97,466 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net

TOWN OF BURNSVILLE, NORTH CAROLINA
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pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 109,635
2021	\$ 69,670
2022	\$ 9,432
2023	\$ 34,337
2024	-
	\$ 223,074

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation 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 productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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 3.0%. All rates of return and inflation are annualized.

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

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

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	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,091,846	\$ 454,541	\$ (78,002)

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.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description. The Town of Burnsville administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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All full-time Town law enforcement officers are covered by the Separation Allowance.

At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>8</u>
Total	<u>8</u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate used to measure TPL is the weekly average of Bond Buyer General Obligation 20 year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration

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costs of the Separation Allowance are financed through investment earnings. The Town paid out no benefits for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$279,341. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$36,351.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	\$ 73,281	\$ -
Changes of assumptions	13,535	14,365
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 86,816</u>	<u>\$ 14,365</u>

No amount reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended June 30:

2020	\$ 14,742
2021	\$ 14,742
2022	\$ 14,742
2023	\$ 14,742
2024	\$ 13,962
Thereafter	\$ (479)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 308,307	\$ 279,341	\$ 252,944

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

Total Pension Liability as of December 31, 2017	\$ 262,231
Changes for the year:	
Service Cost at End of Year	13,323
Interest	8,286
Change in benefit terms	0
Difference between expected and actuarial Experience	9,077
Changes of assumptions and other inputs	(13,576)
Benefit payments	0
Other	0
Net changes	\$ 17,110
Total Pension Liability as of December 31, 2018	\$ 279,341

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

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

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

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

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

	LGERS	LEOSSA	Total
Pension Expense	\$ 119,318	\$ 36,351	\$ 155,669
Pension Liability	454,541	279,341	733,882
Proportionate share of the net pension liability	0.19160%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	70,125	73,281	143,406
Changes of assumptions	120,618	13,535	134,153
Net difference between projected and actual earnings on plan investments	62,395	-	62,395
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	97,466	-	97,466
Deferred Inflows of Resources			
Differences between expected and actual experience	2,353	-	2,353
Changes of assumptions	-	14,365	14,365
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	27,708	-	27,708

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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 immediately vested. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$17,430, which consisted of \$17,430 from the Town and none from the law enforcement officers.

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

d. Defined Contribution 401(K) Plan

The Town sponsors a defined contribution 401(K) plan, in which the Town has pledged to match as funds are available, 100% of employee contributions up to 2% of the employee's annual salary. The Town portion of contributions for the year ended June 30, 2019 was \$10,217.

e. Post-Employment Health Care Benefits

Membership of the HCB Plan consisted of the following at December 31, 2018, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers:
Retirees and dependents receiving benefits	9	-
Active plan members	19	8
Total	28	8

Total OPEB Liability

The Town's total OPEB liability of \$3,336,671 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 -7.75 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Pre-Medicare – 7.5% decreasing to rate of 5% by 2020 Medicare – 5.5% decreasing to rate of 5% by 2020

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 07/01/18	3,271,061
Changes for the year	
Service cost	207,304
Interest	115,822
Changes of benefit terms	-
Differences between expected and actual experience	(12,468)
Changes in assumptions or other inputs	(209,463)
Benefit payments	(35,585)
Net changes	65,610
Balance at 6/30/19	3,336,671

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

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

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 4,030,539	\$ 3,336,671	\$ 2,797,672

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,677,375	\$ 3,336,671	\$ 4,226,304

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$265,144. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,652
Changes of assumptions	-	480,205
Benefit payments and administrative costs made subsequent to the measurement date	-	
Total	\$ -	\$ 493,857

No amounts were reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date to be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 57,982
2021	57,982
2022	57,982
2023	57,982
2024	
Thereafter	203,947

3. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

benefit amount. The Town considers these contributions to be immaterial.

4. Deferred inflows and outflows of resources

The balance in deferred inflows and outflows of resources at year-end is composed of the following elements:

Government wide statements – governmental activities:

Deferred outflows: Pension contributions and assumptions: \$437,420

Deferred inflows: Pension related deferrals \$29,396
OPEB related deferrals \$246,929

Fund statements: Deferred inflows: taxes receivable \$31,985

5. 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 disaster. The Town is a participant in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance value of the property policy, worker's compensation coverage of up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of \$500,000 and \$300,000 up to statutory limits for worker's compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values

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

The Town carries flood insurance through the Inter Local Risk Financing Fund of North Carolina. The coverage pays up to \$5 million per occurrence.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000 and the tax collector is bonded for \$25,000.

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

Long-Term Obligations

On May 1, 2012, the Town was approved for funding from a Federal Revolving Loan in the amount of \$1,521,236 with principal forgiveness of \$760,618 to finance a capital project for the water inflow and infiltration system. As of June 30, 2019, \$549,638 representing loan funds had been drawn down from the NC Department of Environmental and Natural Resources. Terms of repayment call for an annual principal payment of \$39,260 for a term of 19 years at an interest rate of 2%, along with semi-annual interest payments.

Changes in Long-Term Liabilities

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Direct Placement					
Installment purchase contracts	\$ 191,918	\$ -	\$ 191,918	\$ -	\$ -
Net pension liability – LGERS	150,786	76,484	-	227,270	-
Total pension liability - LEO	262,231	17,110	-	279,341	-
Compensated absences	58,518	719	-	59,237	59,237
Other post employment benefits	1,635,531	32,805	-	1,668,336	-
Total governmental activities	<u>\$ 2,298,984</u>	<u>\$ 127,118</u>	<u>\$ 191,918</u>	<u>\$ 2,234,184</u>	<u>\$ 59,237</u>
Business-Type Activities					
Revolving loan fund	\$ 549,638	\$ -	\$ 39,260	\$ 510,378	\$ -
Net pension liability – LGERS	150,787	76,484	-	227,271	-
Compensated absences	48,526	-	10,091	38,435	38,435
Other post employment benefits	1,635,531	32,805	-	1,668,336	-
Total business-type activities	<u>\$ 2,384,482</u>	<u>\$ 109,289</u>	<u>\$49,351</u>	<u>\$ 2,444,419</u>	<u>\$ 77,695</u>

NOTE 4: JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with seven counties and nineteen municipalities, established the Region D Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board and this governing board selects the management and determines the budget and financing requirements of the Council. The Town paid no membership fees to the Council during the fiscal year ended June 30, 2019.

The Town participates in a joint venture to operate the Yancey County Economic Development Commission with Yancey County. Each participating government appoints one member to the governing board. The Town has an ongoing financial responsibility for the joint venture because the Commission's continued existence depends on the participating governments' continued funding. Neither of the participating governments have an equity interest in the Commission, so

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

no equity interest has been reflected in the financial statements at June 30, 2019. The Town appropriated \$20,000 to the Commission to supplement its activities. Complete financial statements for the Commission may be obtained from the Commission’s office at the Yancey County EDC, P.O. Box 246, Burnsville, NC 28714.

NOTE 5: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 6: CONCENTRATIONS

The Town has one textile manufacturer that uses a significant portion of the Town’s water and sewer services. Total revenue from this customer accounts for 10% of total revenue in this area for the year ended June 30, 2019.

NOTE 7: FUND BALANCE

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

Total fund balance-General Fund	\$1,489,167
Less:	
Stabilization by State Statute	157,468
Streets-Powell Bill	88,572
Public Safety – Fire Tax	11,713
Remaining Fund Balance	1,231,414

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 22, 2019, the date which the financial statements were available to be issued.

NOTE 9: RESTATEMENTS

Prior Period Adjustment

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2019

During the fiscal year ended June 30, 2019, the Town determined that a construction in progress-fixed asset was understated in the proprietary fund. An adjustment to beginning net position of \$34,796 was made to correct the overstatement. In addition, a loan was paid off on the government wide statements and the payoff amount was adjusted by \$12,083 to correct the prior year loan balance. Total additions to the net position of government wide statements as a result of these two entries was \$46,879.

Town of Burnsville
Proportionate Share of Net Pension (Liability) Asset
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees Retirement System						
	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.000197	0.000197	0.002082	0.000228	0.000224	0.000208
Town's proportion of the net pension liability (asset) (\$)	454,541	441,869	441,869	102,325	132,103	250,720
Town's covered-employee payroll	1,164,864	1,133,387	1,102,269	1,130,713	1,132,429	1,071,115
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.39	0.39	0.40	0.09	0.12	0.23
Plan fiduciary net position as a percentage of the total pension liability	0.9200	0.9418	0.9147	0.9809	1.0264	0.9435

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

Town of Burnsville
Schedule of Contributions to the Local Government Employees' Retirement System
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees Retirement System						
	2019	2018	2017	2016	2015	2014
Contractually required contribution	97,466	92,091	85,671	76,032	81,062	80,732
Contributions in relation to the contractually required contribution	97,466	92,091	85,671	76,032	81,062	80,732
Town's covered-employee payroll	1,214,873	1,164,864	1,133,387	1,102,269	1,130,713	1,132,429
Contributions as a percentage of covered-employee payroll	0.0802	0.0791	0.0756	0.0690	0.0717	0.0713

See auditor's report and accompanying notes.

Town of Burnsville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018	2017
Beginning balance	\$ 262,231	\$ 134,512	\$ 125,301
Service Cost	13,323	11,217	9,641
Interest on the total pension liability	8,286	5,192	4,473
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	9,077	92,261	-
Changes of assumptions or other inputs	(13,576)	19,049	(4,903)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 279,341</u>	<u>\$ 262,231</u>	<u>\$ 134,512</u>

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

Town of Burnsville, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018	2017
Total pension liability	\$ 279,341	\$ 262,231	\$ 134,512
Covered payroll	392,923	380,880	352,034
Total pension liability as a percentage of covered payroll	71.09%	68.85%	38.21%

Notes to the schedules:

The Town of Burnsville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of Burnsville, North Carolina
Schedule of Changes in the Net OPEB Liability and Related Ratios

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 207,304	\$ 234,314
Interest	115,822	100,148
Changes of benefit terms	-	-
Differences between expected and actual experience	(12,468)	(3,006)
Changes of assumptions	(209,463)	(362,997)
Benefit payments	(35,585)	(42,221)
Net change in total OPEB liability	<u>65,610</u>	<u>(73,762)</u>
Total OPEB liability - beginning	<u>3,271,061</u>	<u>3,344,823</u>
Total OPEB liability - ending	<u><u>3,336,671</u></u>	<u><u>3,271,061</u></u>
Plan fiduciary net position		
Contributions - employer	-	-
Net investment income	-	-
Benefit payments	-	-
Administrative expense	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending	<u><u>-</u></u>	<u><u>-</u></u>
Town's net OPEB liability - ending	<u><u>\$ 3,336,671</u></u>	<u><u>\$ 3,271,061</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered payroll	1,135,195	1,135,195
Town's net OPEB liability as a percentage of covered payroll	293.93%	288.15%

See the Accompanying Independent Auditors' Report.

Town of Burnsville, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 886,303	\$
Penalties and interest		5,113	
Total	917,723	891,416	(26,307)
Other taxes and licenses:			
Privilege licenses		450	
Total	-	450	450
Unrestricted intergovernmental:			
Local option sales tax		411,539	
Telecommunications sales tax		36,030	
Utility franchise tax		131,879	
Cable franchise tax		15,755	
Beer and wine tax		7,445	
Solid waste disposal tax		1,315	
Payment in lieu of taxes		1,514	
Medicaid Hold Harmless distribution		132,849	
Total	683,818	738,326	54,508
Restricted intergovernmental:			
Fire tax passed through Yancey County		201,689	
Powell Bill allocation		51,652	
Fire Department Grant		7,500	
Police Department Grant		16,798	
Total	275,786	277,639	1,853
Permits and fees:			
City citations		150	
Building permits		4,705	
Court fees		365	
Town Centre operations		73,392	
Total	94,700	78,612	(16,088)
Investment earnings	14,050	3,655	(10,395)
Miscellaneous:			
Donations		860	

See the accompanying Independent Auditor's Report.

Town of Burnsville, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Other		15,134	
Total	12,800	15,994	3,194
Total revenues	1,998,877	2,006,092	7,215
Expenditures:			
General government -			
Salaries and employee benefits		173,096	
Professional services		39,686	
Other operating expenditures		84,426	
Total general government	363,829	297,208	66,621
Public safety -			
Police Department:			
Salaries and employee benefits		569,900	
Other operating expenditures		56,861	
Capital outlay		67,140	
Total	724,671	693,901	30,770
Fire:			
Salaries and employee benefits		73,111	
Other operating expenditures		125,555	
Capital outlay		56,088	
Total	318,395	254,754	63,641
Total public safety	1,043,066	948,655	94,411
Public works:			
Streets and highways:			
Salaries and employee benefits		117,074	
Street lights		24,254	
Other operating expenditures		59,119	
Capital outlay		48,350	
Total public works	256,118	248,797	7,321
Environmental protection			
Sanitation		121,591	
Total environmental protection	123,750	121,591	2,159
Cultural and recreational			
Community Agency Contributions			
Parkway Playhouse		2,000	
Toe River Arts Council		2,500	

See the accompanying Independent Auditor's Report.

**Town of Burnsville, North Carolina
General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--
For the Fiscal Year Ended June 30, 2019**

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Yancey History Association		3,500	
Library		3,000	
Other		31,638	
Total cultural and recreational	46,115	42,638	3,477
Town Centre			
Salaries and employee benefits		75,994	
Professional fees		3,862	
Other operating expenditures		25,198	
Total Town Centre	113,084	105,054	8,030
Economic Development			
Yancey Economic Development Commission		20,000	
Total economic development	20,000	20,000	-
Principal retirement	213,700	191,919	
Interest and fees	7,500	5,987	
Total debt service	221,200	197,906	23,294
Total expenditures	2,187,162	1,981,849	205,313
Revenue over (under) expenditures	(188,285)	24,243	212,528
Appropriated fund balance	188,285	-	(188,285)
Excess of revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$ -	24,243	\$ 24,243
Fund balances - beginning of year		1,464,923	
Fund balances - end of year		\$ 1,489,166	

See the accompanying Independent Auditor's Report.

Town of Burnsville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures--Budget and Actual-- (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Water and sewer charges	\$	\$ 2,021,738	\$
Water and sewer connection fees		12,125	
Late and reconnect fees		47,692	
Capacity Depletion Impact and Conservation fees		125,050	
Fire protection line		9,156	
Interest income		1,922	
Other		8,290	
Total revenues		<u>2,230,895</u>	<u>(4,922)</u>
Expenditures:			
Water administration			
Salaries and employee benefits		1,203,775	
Contract services		134,840	
Repairs		118,704	
Utilities and phone		217,566	
Supplies		282,412	
Insurance		29,368	
Travel and training		9,489	
Other operating expenditures		24,275	
Capital outlay		1,216,662	
Total general government		<u>3,125,716</u>	<u>(111,375)</u>
Debt service -			
Principal retirement		39,260	
Interest and fees		10,992	
Total debt service		<u>50,253</u>	<u>1</u>
Total expenditures		<u>3,175,969</u>	<u>(111,374)</u>
Revenue over (under) expenditures		<u>(945,074)</u>	<u>(116,296)</u>
Other financing sources (uses):			
Capital grants	955,074	821,903	(133,171)
Fund balance appropriated	(10,000)	-	10,000
Total other financing sources (uses)	<u>945,074</u>	<u>821,903</u>	<u>(123,171)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>(239,467)</u>	<u>(239,467)</u>
Reconciliation from Budgetary Basis (Modified Accrual \$ to Full Accrual:	<u>-</u>	<u>-</u>	<u>\$ -</u>
Capital additions		1,216,663	
Principal retirement		39,260	
Depreciation and bond amortization		(348,059)	
Change in accrued vacation pay and pension benefits		833	
Change in other post employment healthcare benefits		114,780	
Total reconciling items:		<u>1,023,477</u>	
Change in net position		<u>\$ 784,010</u>	

See the accompanying Independent Auditor's Report.

Capital Projects Fund - Water and Sewer
Statement of Revenue, Expenditures and Changes in Fund Balances- Micaville Waterline Extension
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental revenues					
Golden Leaf Foundation	\$ 1,200,000	\$ 1,200,450	\$ -	\$ 1,200,450	\$ 450
Appalachian Regional Commission	300,000	236,505	-	236,505	(63,495)
Total revenues	<u>1,500,000</u>	<u>1,436,955</u>	<u>-</u>	<u>1,436,955</u>	<u>(63,045)</u>
Expenditures					
Construction	1,707,064	1,523,189	45,951	1,569,140	137,924
Engineering	116,500	500	-	500	116,000
Total expenditures	<u>1,823,564</u>	<u>1,523,689</u>	<u>45,951</u>	<u>1,569,640</u>	<u>253,924</u>
Revenues over (under) expenditures	(323,564)	(86,734)	(45,951)	(132,685)	190,879
Other financing sources and uses					
Loan proceeds	-	-	-	-	-
Transfers in (out)	323,564	86,734	45,951	132,685	(190,879)
Total other financing sources	<u>323,564</u>	<u>86,734</u>	<u>45,951</u>	<u>132,685</u>	<u>(190,879)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF BURNSVILLE, NORTH CAROLINA
Capital Projects Fund - OMC Pump Station Improvements
Statement of Revenue, Expenditures and Changes in Fund Balances--
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental revenues					
Clean Water Revolving Fund Loan	\$ 1,149,075	\$ -	\$ -	\$ -	\$ (1,149,075)
State Reserve Grant	114,225				(114,225)
Total revenues	<u>1,263,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,149,075)</u>
Expenditures					
Engineering	218,000	-	87,220	87,220	130,780
Construction	1,018,800	-	-	-	1,018,800
Administration	26,500	-	-	-	26,500
Total expenditures	<u>1,263,300</u>	<u>-</u>	<u>87,220</u>	<u>87,220</u>	<u>1,176,080</u>
Revenues over (under) expenditures	-	-	(87,220)	(87,220)	27,005
Other financing sources and uses					
Loan proceeds	-	-	-	-	-
Transfers in (out) - general fund	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(87,220)</u>	<u>\$ (87,220)</u>	<u>\$ 27,005</u>

TOWN OF BURNSVILLE, NORTH CAROLINA
Capital Projects Fund - Indian Trail/Meadow Road Sewer Line Rehabilitation
Statement of Revenue, Expenditures and Changes in Fund Balances--
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental revenues					
CDBG 17-I-2957	\$ 1,100,000	\$ -	\$ 56,780	\$ 56,780	\$ (1,043,220)
Total revenues	<u>1,100,000</u>	<u>-</u>	<u>56,780</u>	<u>56,780</u>	<u>(1,043,220)</u>
Expenditures					
Public Sewer Improvements	990,000	-	56,780	56,780	933,220
Administration and Planning	110,000	-	-	-	110,000
		-	-	-	-
Total expenditures	<u>1,100,000</u>	<u>-</u>	<u>56,780</u>	<u>56,780</u>	<u>1,043,220</u>
Revenues over (under) expenditures	-	-	-	-	-
Other financing sources and uses					
Loan proceeds	-	-	-	-	-
Transfers in (out) - general fund	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF BURNSVILLE, NORTH CAROLINA
Capital Projects Fund - Peterson Trailerpark Sewer Line Rehabilitation
Statement of Revenue, Expenditures and Changes in Fund Balances--
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental revenues					
CDBG #16-I-2715	\$ 900,000	\$ -	\$ 765,123	\$ 765,123	\$ (134,877)
Total revenues	<u>900,000</u>	<u>-</u>	<u>765,123</u>	<u>765,123</u>	<u>(134,877)</u>
Expenditures					
Public Sewer Improvements	810,000	-	765,123	765,123	44,877
Administration and Planning	90,000	-	-	-	90,000
Total expenditures	<u>900,000</u>	<u>-</u>	<u>765,123</u>	<u>765,123</u>	<u>134,877</u>
Revenues over (under) expenditures	-	-	-	-	-
Other financing sources and uses					
Loan proceeds	-	-	-	-	-
Transfers in (out) - general fund	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF BURNSVILLE, NORTH CAROLINA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FINES AND FORFEITURES AGENCY FUND
 JUNE 30, 2019**

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
Fines and Forfeitures				
Assets:				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 30,838	\$ (30,838)	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 30,838	\$ (30,838)	\$ -

Town of Burnsville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018 - 2019	\$	\$ 887,883	\$ 868,423	\$ 19,460
2017 - 2018	12,703	-	5,711	6,992
2016 - 2017	7,442	-	2,923	4,519
2015 - 2016	4,248	-	3,215	1,033
2014 - 2015	3,715	-	2,747	968
2013 - 2014	4,589	-	3,092	1,497
2012 - 2013	920	-	295	625
2011 - 2012	938	-	-	938
2010 - 2011	805	-	-	805
2009 - 2010	978	-	978	-
	<u>\$ 23,635</u>	<u>\$ 887,883</u>	<u>\$ 887,384</u>	<u>\$ 36,837</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(4,847)</u>
Ad valorem taxes receivable - net				
General Fund				<u>\$ 31,990</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				<u>\$ 891,416</u>
Reconciling items:				891,416
Interest collected				(5,113)
Discounts and write offs				1,081
Total reconciling items				<u>(4,032)</u>
Total collections and credits				<u>\$ 887,384</u>

Town of Burnsville, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2019

	Town-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 170,746,786	0.520	\$ 887,883	\$ 826,934	\$ 60,950
Total property valuations	<u>170,746,786</u>				
Net levy			887,883	826,934	60,950
Uncollected taxes at June 30, 2019			<u>19,460</u>	<u>19,460</u>	<u>-</u>
Current year's taxes collected			<u>\$ 868,423</u>	<u>\$ 807,474</u>	<u>\$ 60,950</u>
Current year's collection percentage			<u>97.81%</u>	<u>97.65%</u>	<u>100.00%</u>

See the accompanying Independent Auditor's Report.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Directors
Town of Burnsville
Burnsville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Burnsville (the Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Burnsville's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Burnsville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's

financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Burnsville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Young, Miller & Gillespie, P.A.

Young, Miller & Gillespie, P.A.
Spruce Pine, North Carolina
November 22, 2019

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

To the Directors
Town of Burnsville
Burnsville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Burnsville, North Carolina's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Burnsville's major federal programs for the year ended June 30, 2019. The Town of Burnsville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Burnsville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for*

Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Burnsville's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Burnsville's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Burnsville's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Town of Burnsville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a

type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Young, Miller & Gillespie, P.A.

Young, Miller & Gillespie, P.A.
Spruce Pine, North Carolina
November 22, 2019

**Town of Burnsville, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

I. Summary of Auditor's Results

- A. An unmodified opinion was issued on the financial statements of Town of Burnsville, North Carolina.
- B. Our audit of the financial statements disclosed no significant deficiency in the internal controls.
- C. Our audit of the financial statements disclosed no instance of noncompliance with laws, regulations, and the provisions of contracts and grant agreements that could have a direct and material effect on the financial statements.
- D. Our audit of compliance with types of compliance requirements applicable to the Town's major programs disclosed no significant deficiency or material weakness in internal controls over major programs.
- E. An unqualified opinion was issued on the Town of Burnsville's compliance with the types of compliance requirements applicable to its major federal and State programs.
- F. There were no audit findings relative to the major federal award programs required to be reported under Section 200.516 of the Uniform Guidance for the Town of Burnsville, North Carolina.
- G. Major Federal programs for the Town of Burnsville, North Carolina for the year ended June 30, 2019 are:

CFDA: 14.228	CDBG – I #16-I-2915
	Peterson Trailer Park Sewer Line Rehabilitation
- H. The threshold for determining Type A programs for the Town of Burnsville is \$750,000.
- I. The Town of Burnsville qualified as a low risk auditee under Section 200.520 of the Uniform Guidance.

II. Findings related to the Audit of the Financial Statements of the Town of Burnsville, North Carolina

None

III. Findings and Questioned Costs Related to the Audit of State Awards

None

IV. Status of Prior Year Findings

Not applicable.

Town of Burnsville, North Carolina
Schedule of Expenditures of Federal and State Financial Awards
For the Fiscal Year Ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass Through Grantor's Number</u>	<u>Expenditures</u>
Passed through the NC Department of Environmental Quality			
Community Development Block Grant			
Peterson Trailer Park Sewer Line Rehabilitation	14.228	CDBG I #16-I-2915	\$ 765,123
Indian Road/Meadow Lane Sewer Line Rehabilitation	14.228	CDBG I #17-I-2957	56,780
			<u>821,903</u>
Noncash Programs:			
U.S. Environmental Protection Agency			
Passed-through N.C. Department of Environmental Quality			
Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>87,220</u>
Total Federal			<u>909,123</u>
NC State Funds:			
NC Department of Transportation			
Powell Bill			51,652
Total State			<u>51,652</u>
Total Federal and State			<u>\$ 960,775</u>

Notes to Schedule of Expenditures of Federal and State Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Burnsville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Uniform Guidance and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the Town of Burnsville., it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Burnsville, North

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, Cost Principles for Educational Institutions or cost principles contained in Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

See the accompanying Independent Auditors' Report