

Town of Siler City, North Carolina

Financial Statements

Year Ended June 30, 2019

Town of Siler City, North Carolina

List of Principal Officials

Governing Board

John Grimes, Mayor
Larry Cheek, Mayor Pro Tem
Curtis Brown
Tony Siler
Bill Haiges
Cindy Bray
Thomas K. Price, III
Lewis Fadely

Town Officials

Roy Lynch, Town Manager
Tina Stroupe, Finance Officer

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Independent Auditors' Report

To the Honorable Mayor and
Town Commissioners
Siler City, 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 the Town of Siler City, North Carolina ("Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Siler City ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Siler City ABC Board, is based solely on the report of another auditor. 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 of material misstatement. The financial statements of the Town of Siler City ABC Board were not audited in accordance with *Government 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 auditors' 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 financial statement 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 and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in the Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 56, the Schedule of Changes in the Total OPEB Liability and Related Ratios on page 57, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on page 58 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors 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 the Town. 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements.



The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 the Town's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**High Point, North Carolina
May 28, 2020**

Management's Discussion and Analysis

As management of the Town of Siler City (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 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

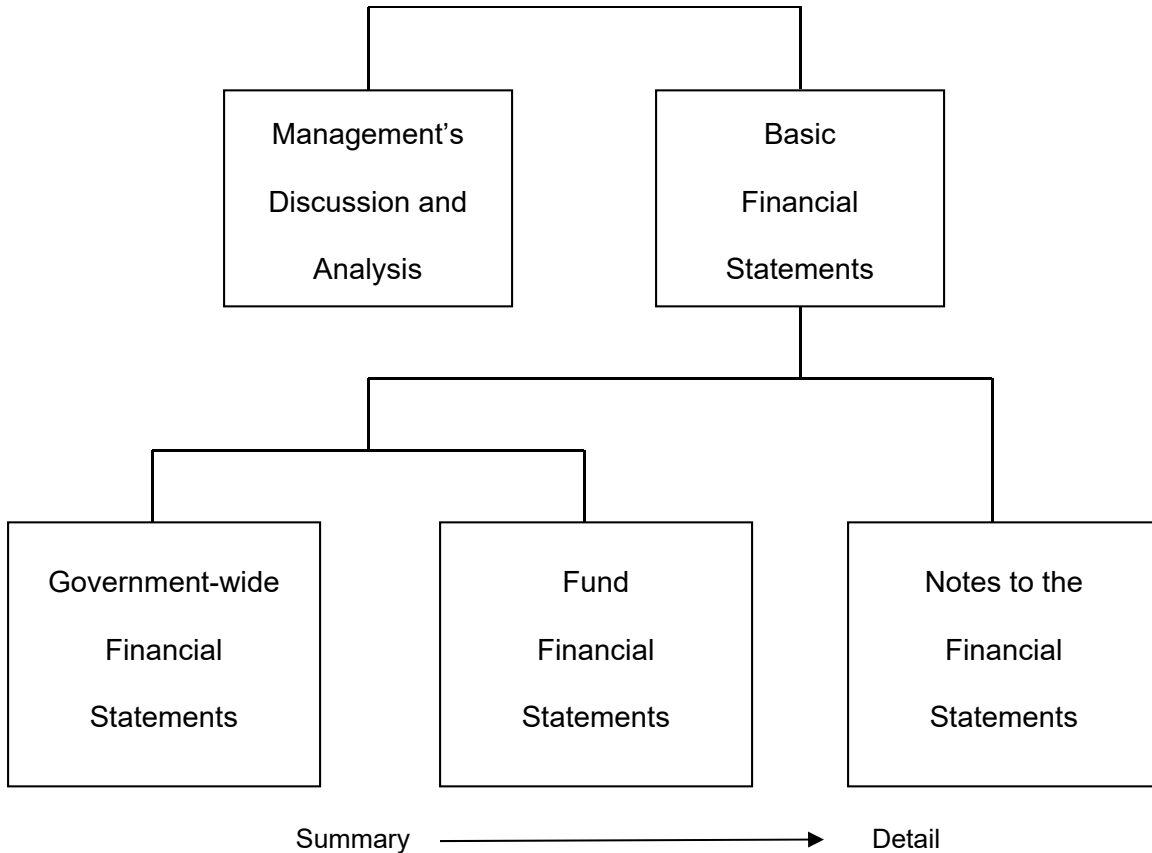
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$39,006,078 (*net position*).
- The government's total net position increased by \$6,835,052 which was the overall outcome as a result of the governmental activities' change in net position of \$1,885,436 plus the business-type activities' change in net position of \$4,949,616. Unrestricted intergovernmental revenues continue to grow with an increase of \$104,404 over the prior year. Property tax revenue reflected an increase of \$351,334. In the proprietary funds, charges for services exceeded total expenditures by \$1,256,898.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$6,028,385, an increase of \$1,153,530 in comparison with the prior year. Approximately 52.9 percent of the total fund balance, or \$3,186,056, is available for spending at the government's discretion (*unassigned fund balance*).
- The unassigned fund balance for the General Fund, \$3,186,056 represents 45.8 percent of total general fund expenditures for the fiscal year.
- The Town's total long-term liabilities increased by \$158,523 during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: (1) the governmental fund 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, **supplementary information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Town of Siler City, North Carolina Management's Discussion and Analysis

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: (1) governmental activities, (2) business-type activities and (3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal revenues finance most of these activities. The business-type activities are those that the Town charges customers a fee to provide. These include the water and sewer and license plate agency services offered by the Town. The final category is the component unit. Although legally separate from the Town, the Siler City ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

Fund Financial Statements

The fund financial statements (Exhibit 3 through Exhibit 8) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the 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/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.

**Town of Siler City, North Carolina
Management's Discussion and Analysis**

Proprietary Funds - The Town only has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer activities and license plate agency. 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 through 53 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 of this report.

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

Government-Wide Financial Analysis

**Town of Siler City's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 6,774,166	\$ 5,854,405	\$ 5,568,740	\$ 4,229,296	\$ 12,342,906	\$ 10,083,701
Capital assets	12,755,258	11,041,614	27,887,308	25,059,359	40,642,566	36,100,973
Deferred outflows of resources	694,277	434,222	323,198	198,817	1,017,475	663,039
Total assets and deferred outflows of resources	20,223,701	17,330,241	33,779,246	29,487,472	54,002,947	46,817,713
Long-term liabilities outstanding	3,695,381	2,776,003	9,770,168	10,531,023	13,465,549	13,307,026
Other liabilities	543,852	508,604	810,758	723,783	1,354,610	1,232,387
Deferred inflows of resources	133,466	80,068	43,244	27,206	176,710	107,274
Total liabilities and deferred inflows of resources	4,372,699	3,364,675	10,624,170	11,282,012	14,996,869	14,646,687
Net position:						
Net investment in capital assets	11,707,775	10,605,696	18,899,914	15,150,866	30,607,689	25,756,562
Restricted	2,259,528	1,525,718	-	-	2,259,528	1,525,718
Unrestricted	1,883,699	1,834,152	4,255,162	3,054,594	6,138,861	4,88,746
Total net position, ending	\$ 15,851,002	\$ 13,965,566	\$ 23,155,076	\$ 18,205,460	\$ 39,006,078	\$ 32,171,026

**Town of Siler City, North Carolina
Management's Discussion and Analysis**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$39,006,078 as of June 30, 2019. The Town's net position increased by \$6,835,052 for the fiscal year ended June 30, 2019. The largest portion (78.5%) 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 uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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. An additional portion of the Town's net position, \$2,259,528, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,138,861 is unrestricted.

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

Ongoing debt service obligations in both major funds of the Town negatively affect the total unrestricted government net position. However, several particular aspects of the Town's financial operations positively affected the total unrestricted governmental net position:

- Effective analysis of budget and expenditures to ensure a sound financial condition.
- Conservative spending practices while providing the same level of service.

**Town of Siler City's Changes in Net Position
Figure 3**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 884,815	\$ 808,021	\$ 6,706,801	\$ 5,387,720	\$ 7,591,616	\$ 6,195,741
Operating grants and contributions	800,175	638,622	-	-	800,175	638,622
Capital grants and contributions	984,776	578,337	3,674,284	346,656	4,659,060	924,993
General revenues:						
Property taxes	2,518,750	2,167,416	-	-	2,518,750	2,167,416
Other taxes	1,428	1,513	-	-	1,428	1,513
Unrestricted						
Intergovernmental	2,952,016	2,847,612	-	-	2,952,016	2,847,612
Other	240,541	133,812	18,434	12,014	258,975	145,826
Total revenues	<u>8,382,501</u>	<u>7,175,333</u>	<u>10,399,519</u>	<u>5,746,390</u>	<u>18,782,020</u>	<u>12,921,723</u>
Expenses:						
General government	1,406,437	1,349,279	-	-	1,406,437	1,349,279
Public safety	2,562,783	2,309,858	-	-	2,562,783	2,309,858
Transportation	1,146,512	902,759	-	-	1,146,512	902,759
Environmental protection	485,905	488,679	-	-	485,905	488,679
Economic development	178,468	236,101	-	-	178,468	236,101
Cultural and recreational	716,960	472,553	-	-	716,960	472,553
Interest on long-term debt	-	20,488	-	-	-	20,488
Water and sewer	-	-	5,320,743	4,715,808	5,320,743	4,715,808
License plate agency	-	-	129,160	128,603	129,160	128,603
Total expenses	<u>6,497,065</u>	<u>5,779,717</u>	<u>5,449,903</u>	<u>4,844,411</u>	<u>11,946,968</u>	<u>10,624,128</u>

**Town of Siler City, North Carolina
Management's Discussion and Analysis**

**Town of Siler City's Changes in Net Position
Figure 3 (Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Increase in net position before transfers	\$ 1,885,436	\$ 1,395,656	\$ 4,949,616	\$ 901,979	\$ 6,835,052	\$ 2,297,595
Transfers	-	-	-	-	-	-
Increase in net position	1,885,436	1,395,656	4,949,616	901,979	6,835,052	2,297,595
Net position, beginning, previously reported	13,965,566	13,291,974	18,205,460	17,510,776	32,171,026	30,802,750
Cumulative effect adjustment	-	(722,024)	-	(207,295)	-	(929,319)
Net position, beginning, adjusted	13,965,566	12,569,950	18,205,460	17,303,481	32,171,026	29,873,431
Net position, end of year	\$ 15,851,002	\$ 13,965,566	\$ 23,155,076	\$ 18,205,460	\$ 39,006,078	\$ 32,171,026

Governmental activities. Governmental activities increased the Town's net position by \$1,885,436. The business-type activities showed an increase of \$4,949,616. The increase in governmental activities net position compared to the prior year in both types of activities was due to managements' decision to effectively operate within the constraints of the current year's budget.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town'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'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. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,186,056 while total fund balance was \$6,150,003. 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. Unassigned fund balance represents 45.8% of total General Fund expenditures.

At June 30, 2019, the governmental funds of the Town reported a combined fund balance of \$6,028,385, a 23.7% increase over last year.

General Fund Budgetary Highlights. During the fiscal year, the Town made revisions 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.

The Town increased final budgeted revenues from the original budget by \$289,998 and expenditures from the original budget by \$1,057,092. However, fund balance appropriated was increased to \$416,720 to account for expected transfers by the General Fund for various capital projects.

**Town of Siler City, North Carolina
Management's Discussion and Analysis**

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the combined Water and Sewer and License Plate Agency Fund at the end of the fiscal year amounted to \$4,255,162. There was a total increase in net position for the combined funds of \$4,949,616. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$30,607,689 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included renovations to the library, water treatment plant, wastewater treatment plant, plus continued improvements to Siler City Municipal Airport and other facilities. In addition, there replacement of fleet vehicles and general equipment upgrades.

**Town of Siler City's Capital Assets
Figure 4
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 779,838	\$ 779,838	\$ 4,934,473	\$ 5,158,393	\$ 5,714,311	\$ 5,938,231
Construction in process	6,755,548	5,434,266	4,032,662	393,576	10,788,210	5,827,842
Buildings and systems	944,744	1,068,770	1,879,203	2,055,108	2,823,947	3,123,878
Improvements other than buildings	1,348,536	1,391,926	16,556,387	17,102,469	17,904,923	18,494,395
Machinery and equipment	1,637,411	971,719	484,583	349,813	2,121,994	1,321,532
Infrastructure	269,799	305,218	-	-	269,799	305,218
Vehicles and motorized equipment	1,019,382	1,089,877	-	-	1,019,382	1,089,877
Total	\$ 12,755,258	\$ 11,041,614	\$ 27,887,308	\$ 25,059,359	\$ 40,642,566	\$ 36,100,973

Additional information on the Town's capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2019, the Town had total outstanding debt, exclusive of compensated absences, pension liabilities and other post-employment benefit liabilities of \$10,344,411. Of this debt, \$9,783,655 is backed by the full faith and credit of the Town. The remainder of the Town's debt represents installment purchase obligations and capital leases secured by property.

**Town of Siler City's Outstanding Debt
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Notes	\$ -	\$ -	\$ 8,918,655	\$ 9,783,655	\$ 8,915,655	\$ 9,783,655
Capitalized leases	326,934	319,206	68,739	124,838	395,673	444,044
Installment purchases	720,549	116,712	-	-	720,549	116,712
Total	\$ 1,047,483	\$ 435,918	\$ 8,987,394	\$ 9,908,493	\$ 10,031,877	\$ 10,344,411

The Town's total debt decreased by \$312,534 (3.0%) during the past fiscal year primarily due to two loan payments for the reservoir expansion project totaling \$865,000. The Town's total debt payments for the year were \$1,168,973, exclusive of interest.

Town of Siler City, North Carolina Management's Discussion and Analysis

North Carolina's 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 is \$36,889,085. The Town has no bonds authorized and issued at June 30, 2019.

Additional information regarding the Town's long-term debt can be found in Note 3.B.4 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The budget for fiscal year 2019/2020 reflects modest growth in an environment of continued economic challenges within the local economy. The budget offers critical analysis to ensure expenditures are maintained as low as practical without compromising continuity and quality of the services provided by the Town and the level of safety by which these services are offered.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Government Activities: Property tax rates increased \$0.03 to \$0.54 per \$100 of valuation with the adoption of the fiscal year 2019/2020 Budget Ordinance to cover additional fire protective services personnel. Ad valorem tax revenues are anticipated to account for 34.8 percent of General Fund revenues. Other major revenue streams for the Town's General Fund include local option sales tax and other shared tax revenues. These revenues are projected to bring in \$3,657,820 or 48.7 percent of total General Fund revenues. Budgeting practices by the Mayor and the Town Board have afforded the Town an opportunity to fund its needs with a minimal tax increase.

Business-Type Activities: The operating revenues in the Enterprise Fund are generated primarily through the Town's sale of water and sewer utilities. Revenues are projected to be \$7,775,616 for the fiscal year 2019/2020 budget. This represents an increase of \$2,864,092 or 58.3 percent from the previous year due to the increased water and sewer sales to Mountaire, a major processing plant. Water and sewer fees represent 98.2 percent of the revenues in the Enterprise Fund. The rates for water and sewer were maintained in this budget year. Water and sewer usage projections are anticipated to generate the needed revenue within this Fund to reduce reliance on Fund Balance for debt service obligations, capital investments, and operation and maintenance expenses while providing the same level of service.

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 Roy Lynch, Town Manager, Town of Siler City, Post Office Box 769, Siler City, North Carolina 27344, 919-742-4731, Email: rylynch@silercity.org. The Town of Siler City ABC Board issues separate financial statements. Requests for additional information should be directed to Nancy Gooch, Store Manager, Town of Siler City ABC Board, 1404 East 11th Street, Siler City, North Carolina 27344.

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Basic Financial Statements

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Town of Siler City, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1
(2 pages)

	Primary Government			Town of Siler City ABC Board
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 4,201,295	\$ 3,055,419	\$ 7,256,714	\$ 321,529
Taxes receivable (net)	64,555	-	64,555	-
Accounts receivable	57,462	1,137,221	1,194,683	-
Due from other funds	197	2,463	2,660	-
Due from other governments	1,639,911	1,053,681	2,693,592	-
Due from component unit	15,875	-	15,875	-
Inventories	2,270	-	2,270	158,132
Prepaid expenses	-	-	-	2,027
Restricted cash and investments	792,601	319,956	1,112,557	-
Total current assets	6,774,166	5,568,740	12,342,906	481,688
Non-current assets:				
Capital assets:				
Land and other non-depreciable assets	7,535,386	8,967,135	16,502,521	201,385
Other capital assets, net of depreciation	5,219,872	18,920,173	24,140,045	128,829
Total capital assets	12,755,258	27,887,308	40,642,566	330,214
Total noncurrent assets	12,755,258	27,887,308	40,642,566	330,214
Total assets	19,529,424	33,456,048	52,985,472	811,902
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	664,078	297,529	961,607	22,251
OPEB deferrals	30,199	25,669	55,868	-
Total deferred outflows of resources	694,277	323,198	1,017,475	22,251
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	506,560	374,752	881,312	65,416
Accrued interest payable	30,297	115,853	146,150	-
Unearned revenue	4,532	-	4,532	-
Due to other funds	2,463	197	2,660	-
Due to primary government	-	-	-	15,875
Payable from restricted assets	-	319,956	319,956	-
Current portion of long-term liabilities	384,556	913,715	1,298,271	-
Total current liabilities	928,408	1,724,473	2,652,881	81,291

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

Town of Siler City, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1
(2 pages)

	Primary Government			Town of Siler City ABC Board
	Governmental Activities	Business-Type Activities	Total	
Noncurrent liabilities:				
Net pension liability - LGERS	\$ 774,475	\$ 376,823	\$ 1,151,298	\$ 24,672
Total pension liability - LEO	721,623	-	721,623	-
Total OPEB liability	972,042	318,702	1,290,744	-
Due in more than one year	842,685	8,160,928	9,003,613	-
Total liabilities	4,239,233	10,580,926	14,820,159	105,963
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	9,070	2,459	11,529	361
OPEB deferrals	124,396	40,785	165,181	-
Total deferred inflows of resources	133,466	43,244	176,710	361
NET POSITION				
Net investment in capital assets	11,707,775	18,899,914	30,607,689	330,214
Restricted for:				
Stabilization by State Statute	1,466,927	-	1,466,927	-
Streets - Powell Bill	792,601	-	792,601	-
Other purposes	-	-	-	46,394
Unrestricted	1,883,699	4,255,162	6,138,861	351,221
Total net position	\$ 15,851,002	\$ 23,155,076	\$ 39,006,078	\$ 727,829

Town of Siler City, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Exhibit 2

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Town of Siler City ABC Board	
					Governmental Activities	Business-Type Activities		Total
Primary government:								
Government activities:								
General government	\$ 1,406,437	\$ 50,616	\$ -	\$ -	\$ (1,355,821)	\$ -	\$ (1,355,821)	\$ -
Public safety	2,562,783	278,969	499,524	-	(1,784,290)	-	(1,784,290)	-
Transportation	1,146,512	31	219,228	919,277	(7,976)	-	(7,976)	-
Environmental protection	485,905	433,581	81,423	-	29,099	-	29,099	-
Economic and physical development	178,468	-	-	-	(178,468)	-	(178,468)	-
Cultural and recreational	716,960	121,618	-	65,499	(529,843)	-	(529,843)	-
Total governmental activities	<u>6,497,065</u>	<u>884,815</u>	<u>800,175</u>	<u>984,776</u>	<u>(3,827,299)</u>	<u>-</u>	<u>(3,827,299)</u>	<u>-</u>
Business-type activities:								
Water and Sewer	5,320,743	6,544,014	-	3,674,284	-	4,897,555	4,897,555	-
License plate agency	129,160	162,787	-	-	-	33,627	33,627	-
Total business-type activities	<u>5,449,903</u>	<u>6,706,801</u>	<u>-</u>	<u>3,674,284</u>	<u>-</u>	<u>4,931,182</u>	<u>4,931,182</u>	<u>-</u>
Total primary government	<u>\$ 11,946,968</u>	<u>\$ 7,591,616</u>	<u>\$ 800,175</u>	<u>\$ 4,659,060</u>	<u>(3,827,299)</u>	<u>4,931,182</u>	<u>1,103,883</u>	<u>-</u>
Component unit								
Town of Siler City ABC Board	<u>\$ 1,489,350</u>	<u>\$ 1,558,699</u>	<u>\$ -</u>	<u>\$ -</u>				<u>69,349</u>
General revenues:								
Taxes								
Property taxes, levied for general purpose					2,518,750	-	2,518,750	-
Other taxes					1,428	-	1,428	-
Unrestricted intergovernmental					2,952,016	-	2,952,016	-
Unrestricted investment earnings					126,278	18,434	144,712	204
Miscellaneous					114,263	-	114,263	-
Total general revenues					<u>5,712,735</u>	<u>18,434</u>	<u>5,731,169</u>	<u>204</u>
Change in net position					<u>1,885,436</u>	<u>4,949,616</u>	<u>6,835,052</u>	<u>69,553</u>
Net position, beginning of year					<u>13,965,566</u>	<u>18,205,460</u>	<u>32,171,026</u>	<u>658,276</u>
Net position, end of year					<u>\$ 15,851,002</u>	<u>\$ 23,155,076</u>	<u>\$ 39,006,078</u>	<u>\$ 727,829</u>

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

	Major Funds			Total Governmental Funds
	General Fund	Capital Project Fund - Airfield Lighting Rehabilitation & Beacon Light Replacement	Non-Major Governmental Funds	
Assets				
Cash and investments	\$ 3,833,645	\$ -	\$ 367,650	\$ 4,201,295
Restricted cash	792,601	-	-	792,601
Taxes receivable, net	64,555	-	-	64,555
Accounts receivable, net	57,462	-	-	57,462
Due from other governments	833,353	267,726	538,832	1,639,911
Due from component unit	15,875	-	-	15,875
Due from other funds	550,242	-	9,995	560,237
Inventories	2,270	-	-	2,270
Total assets	\$ 6,150,003	\$ 267,726	\$ 916,477	\$ 7,334,206
Liabilities				
Accounts payable and accrued liabilities	\$ 280,837	\$ 215,968	\$ 9,755	\$ 506,560
Unearned revenue	1,156	-	-	1,156
Due to other funds	11,625	40,978	509,900	562,503
Total liabilities	293,618	256,946	519,655	1,070,219
Deferred Inflows of Resources				
Taxes receivable	64,555	-	-	64,555
Unavailable revenue	-	33,474	134,197	167,671
Prepaid taxes	3,136	-	-	3,136
Prepaid other	240	-	-	240
Total deferred inflows of resources	67,931	33,474	134,197	235,602
Fund Balances (Deficits)				
Nonspendable				
Inventories	2,270	-	-	2,270
Restricted				
Stabilization by State Statute	1,456,932	-	9,995	1,466,927
Streets - Powell Bill	792,601	-	-	792,601
Committed				
Capital projects	-	-	156,223	156,223
Assigned				
Transportation	-	(22,694)	63,799	41,105
Environmental protection	-	-	(81,423)	(81,423)
Cultural and recreational	-	-	114,031	114,031
Subsequent year's expenditures	350,595	-	-	350,595
Unassigned	3,186,056	-	-	3,186,056
Total fund balances (deficits)	5,788,454	(22,694)	262,625	6,028,385
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 6,150,003	\$ 267,726	\$ 916,477	\$ 7,334,206

**Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Position**

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

Total Fund Balance, Governmental Funds		\$ 6,028,385
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Gross capital assets at historical cost	\$ 22,950,354	
Accumulated depreciation	<u>(10,195,096)</u>	12,755,258
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.		694,277
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		232,226
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds:		
Long-term debt		(1,227,241)
Net pension liability		(774,475)
Total pension liability		(721,623)
Total OPEB liability		(972,042)
Other long-term liabilities (accrued interest) are not due and payable in the current period and, therefore, not reported in the funds.		(30,297)
Deferred inflows of resources related to pensions and OPEB are not reported in the funds.		<u>(133,466)</u>
Net position of governmental activities		<u><u>\$ 15,851,002</u></u>

Town of Siler City, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Fiscal Year Ended June 30, 2019

Exhibit 4
(2 pages)

	Major Funds			Total Governmental Funds
	General Fund	Capital Project Fund - Airfield Lighting Rehabilitation & Beacon Light Replacement	Non-Major Governmental Funds	
Revenues				
Ad valorem taxes	\$ 2,548,935	\$ -	\$ -	\$ 2,548,935
Other taxes and licenses	1,428	-	-	1,428
Unrestricted intergovernmental revenues	2,952,016	-	-	2,952,016
Restricted intergovernmental revenues	718,752	827,208	452,854	1,998,814
Permits and fees	239,000	-	-	239,000
Sales and services	645,815	-	-	645,815
Investment earnings	125,954	-	324	126,278
Miscellaneous	90,633	-	-	90,633
Total revenues	7,322,533	827,208	453,178	8,602,919
Expenditures				
General government	1,292,061	-	-	1,292,061
Public safety	3,043,684	-	-	3,043,684
Transportation	998,393	956,313	119,641	2,074,347
Environmental protection	464,679	-	81,423	546,102
Economic and physical development	174,117	-	-	174,117
Cultural and recreational	737,963	-	213,116	951,079
Debt service:				
Principal retirement	247,874	-	-	247,874
Interest and fees	5,193	-	-	5,193
Total expenditures	6,963,964	956,313	414,180	8,334,457
Revenues over (under) expenditures	358,569	(129,105)	38,998	268,462
Other financing sources (uses)				
Net transfers from (to) other funds	(396,453)	106,411	290,042	-
Capital lease obligations issued	218,254	-	-	218,254
Installment purchase obligations issued	641,185	-	-	641,185
Insurance proceeds	25,629	-	-	25,629
Total financing sources (uses)	488,615	106,411	290,042	885,068
Net change in fund balance (deficit)	847,184	(22,694)	329,040	1,153,530
Fund balance (deficit), beginning of year	4,941,270	-	(66,415)	4,874,855
Fund balance (deficit), end of year	\$ 5,788,454	\$ (22,694)	\$ 262,625	\$ 6,028,385

Town of Siler City, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Fiscal Year Ended June 30, 2019

Exhibit 4
(2 pages)

**Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities**

Net changes in fund balances - total governmental funds		\$ 1,153,530
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal:		
Capital outlay	2,273,854	
Depreciation	<u>(560,210)</u>	1,713,644
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		162,820
Benefit payments paid and administrative expense for the Law Enforcement Officers Separation Allowance are not included on the Statement of Activities.		58,592
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.		30,199
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in unavailable revenue, property tax receivable	(30,185)	
Change in unavailable capital grant revenue	<u>(215,862)</u>	(246,047)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net affect of these differences in the treatment of long-term debt and related items:		
Capital lease obligations issued	(218,254)	
Payments on capital lease obligations	210,526	
Long-term debt obligations issues	(641,185)	
Principal payments on long-term debt	37,348	
Increase in accrued interest payable	<u>(22,970)</u>	(634,535)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences	(12,784)	
Pension expense	(269,176)	
OPEB expense	<u>(70,807)</u>	<u>(352,767)</u>
Total change in net position of governmental activities		<u>\$ 1,885,436</u>

Town of Siler City, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2019

Exhibit 5

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 2,435,670	\$ 2,467,670	\$ 2,548,935	\$ 81,265
Other taxes and licenses	1,450	1,450	1,428	(22)
Unrestricted intergovernmental revenues	2,693,800	2,803,800	2,952,016	148,216
Restricted intergovernmental revenues	656,500	681,510	718,752	37,242
Permits and fees	102,200	102,200	239,000	136,800
Sales and services	579,350	664,338	645,815	(18,523)
Investment earnings	51,000	89,000	125,954	36,954
Miscellaneous	5,600	5,600	90,633	85,033
Total revenues	6,525,570	6,815,568	7,322,533	506,965
Expenditures				
General government	1,411,899	1,466,468	1,292,061	174,407
Public safety	2,400,051	3,230,442	3,043,684	186,758
Transportation	1,020,483	1,047,515	998,393	49,122
Environmental protection	513,378	513,378	464,679	48,699
Economic and physical development	166,432	182,132	174,117	8,015
Cultural and recreational	622,400	751,800	737,963	13,837
Debt service	375,113	375,113	253,067	122,046
Total expenditures	6,509,756	7,566,848	6,963,964	602,884
Revenues over (under) expenditures	15,814	(751,280)	358,569	1,109,849
Other financing sources (uses)				
Transfers to other funds	(103,861)	(392,347)	(396,453)	(4,106)
Capital lease obligations issued	4,000	85,722	218,254	132,532
Installment purchase obligations issued	-	641,185	641,185	-
Insurance proceeds	-	-	25,629	25,629
Total other financing sources (uses)	(99,861)	334,560	488,615	154,055
Appropriation from fund balance	84,047	416,720	-	(416,720)
Net change in fund balance	\$ -	\$ -	847,184	\$ 847,184
Fund balance, beginning of year			4,941,270	
Fund balance, end of year			\$ 5,788,454	

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

Town of Siler City, North Carolina
Statement of Net Position - Proprietary Funds
June 30, 2019

Exhibit 6

	<u>Major Water and Sewer</u>	<u>Non-Major License Plate Agency</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 2,912,851	\$ 142,568	\$ 3,055,419
Accounts receivable (net) - billed	856,830	-	856,830
Accounts receivable (net) - unbilled	275,417	-	275,417
Accounts receivable - miscellaneous	4,974	-	4,974
Due from other governments	1,053,681	-	1,053,681
Due from other funds	2,463	-	2,463
Restricted cash and investments	319,956	-	319,956
Total current assets	<u>5,426,172</u>	<u>142,568</u>	<u>5,568,740</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	8,967,135	-	8,967,135
Other capital assets, net of depreciation	18,902,697	17,476	18,920,173
Total capital assets, net	<u>27,869,832</u>	<u>17,476</u>	<u>27,887,308</u>
Total noncurrent assets	<u>27,869,832</u>	<u>17,476</u>	<u>27,887,308</u>
Total assets	<u>33,296,004</u>	<u>160,044</u>	<u>33,456,048</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	275,809	21,720	297,529
OPEB deferrals	25,669	-	25,669
	<u>301,478</u>	<u>21,720</u>	<u>323,198</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	369,929	4,823	374,752
Accrued interest	115,853	-	115,853
Due to other funds	-	197	197
Customer deposits/overpayments	319,956	-	319,956
Current portion of compensated absences	21,282	2,227	23,509
Current portion of long-term debt	890,206	-	890,206
Total current liabilities	<u>1,717,226</u>	<u>7,247</u>	<u>1,724,473</u>
Noncurrent liabilities:			
Net pension liability	349,315	27,508	376,823
Noncurrent portion of compensated absences	63,740	-	63,740
Total OPEB liability	302,767	15,935	318,702
Noncurrent portion of long-term debt	8,097,188	-	8,097,188
Total noncurrent liabilities	<u>8,813,010</u>	<u>43,443</u>	<u>8,856,453</u>
Total liabilities	<u>10,530,236</u>	<u>50,690</u>	<u>10,580,926</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	2,280	179	2,459
OPEB deferrals	38,746	2,039	40,785
	<u>41,026</u>	<u>2,218</u>	<u>43,244</u>
NET POSITION			
Net investment in capital assets	18,882,438	17,476	18,899,914
Unrestricted	4,143,782	111,380	4,255,162
Total net position	<u>\$ 23,026,220</u>	<u>\$ 128,856</u>	<u>\$ 23,155,076</u>

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

Town of Siler City, North Carolina
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

Exhibit 7

	<u>Major Water and Sewer</u>	<u>Non-Major License Plate Agency</u>	<u>Total</u>
Operating revenues			
Water charges	\$ 3,671,124	\$ -	\$ 3,671,124
Sewer charges	2,747,092	-	2,747,092
Water and sewer taps	3,983	-	3,983
Reconnection fees	90,104	-	90,104
Water meter installation	2,061	-	2,061
License plate agency fees	-	116,576	116,576
Notary fees	-	42,343	42,343
Other operating revenue	29,650	3,868	33,518
	<u>6,544,014</u>	<u>162,787</u>	<u>6,706,801</u>
Operating expenses			
Administration	351,240	-	351,240
Water operations	1,314,612	-	1,314,612
Sewer operations	1,618,503	-	1,618,503
Water and sewer maintenance	502,697	-	502,697
License plate agency	-	127,961	127,961
Risk Management	277,055	-	277,055
Depreciation	999,170	1,199	1,000,369
	<u>5,063,277</u>	<u>129,160</u>	<u>5,192,437</u>
Operating income	<u>1,480,737</u>	<u>33,627</u>	<u>1,514,364</u>
Nonoperating revenues (expenses)			
Intergovernmental revenue	3,674,284	-	3,674,284
Interest earned on investments	18,434	-	18,434
Interest and fees	(257,466)	-	(257,466)
	<u>3,435,252</u>	<u>-</u>	<u>3,435,252</u>
Change in net position	4,915,989	33,627	4,949,616
Total net position, beginning	<u>18,110,231</u>	<u>95,229</u>	<u>18,205,460</u>
Total net position, ending	<u>\$ 23,026,220</u>	<u>\$ 128,856</u>	<u>\$ 23,155,076</u>

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

Town of Siler City, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

Exhibit 8

	<u>Major</u> <u>Water</u> <u>and Sewer</u>	<u>Non-Major</u> <u>License</u> <u>Plate Agency</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 6,261,524	\$ 162,787	\$ 6,424,311
Cash paid for goods and services	(2,846,246)	(6,141)	(2,852,387)
Cash paid to employees for services	(1,177,899)	(119,104)	(1,297,003)
Customer deposits received, net	2,494	-	2,494
	<u>2,239,873</u>	<u>37,542</u>	<u>2,277,415</u>
Net cash provided by operating activities			
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(3,734,855)	-	(3,734,855)
Proceeds from sale of capital assets	-	-	-
Capital contributions	2,913,330	-	2,913,330
Principal paid on long-term debt	(865,000)	-	(865,000)
Proceeds from issuance of capital leases	-	-	-
Principal paid on capital leases	(56,099)	-	(56,099)
Interest paid on long-term debt	(259,049)	-	(259,049)
	<u>(2,001,673)</u>	<u>-</u>	<u>(2,001,673)</u>
Net cash used by capital and related financing activities			
Cash flows from investing activities			
Interest on investments	18,434	-	18,434
	<u>18,434</u>	<u>-</u>	<u>18,434</u>
Net cash provided by investing activities			
Net increase in cash and investments	256,634	37,542	294,176
Cash and investments at beginning of year	2,976,173	105,026	3,081,199
Cash and investments at end of year	<u>\$ 3,232,807</u>	<u>\$ 142,568</u>	<u>\$ 3,375,375</u>
Cash and investments at end of year	\$ 2,912,851	\$ 142,568	\$ 3,055,419
Restricted cash and investments at end of year	319,956	-	319,956
Total cash and investments at end of year	<u>\$ 3,232,807</u>	<u>\$ 142,568</u>	<u>\$ 3,375,375</u>

Town of Siler City, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

Exhibit 8

	<u>Major</u> <u>Water</u> <u>and Sewer</u>	<u>Non-Major</u> <u>License</u> <u>Plate Agency</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,480,737	\$ 33,627	\$ 1,514,364
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	999,170	1,199	1,000,369
Change in assets and liabilities:			
Increase in receivables	(284,014)	-	(284,014)
Increase in net pension liability	139,200	10,191	149,391
Decrease in total OPEB liability	(6,153)	(324)	(6,477)
Increase in deferred outflows of resources for pensions	(108,944)	(7,968)	(116,912)
Increase in deferred outflows of resources for OPEB	(7,469)	-	(7,469)
Decrease in deferred inflows of resources for pensions	(5,180)	(436)	(5,616)
Increase in deferred inflows of resources for OPEB	20,572	1,082	21,654
Increase (decrease) in accounts payable and accrued liabilities	(9,026)	1,327	(7,699)
Increase (decrease) in compensated absences	18,486	(1,156)	17,330
Increase in customer deposits	2,494	-	2,494
	<u>\$ 2,239,873</u>	<u>\$ 37,542</u>	<u>\$ 2,277,415</u>
Net cash provided by operating activities	<u>\$ 2,239,873</u>	<u>\$ 37,542</u>	<u>\$ 2,277,415</u>

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Siler City (the "Town") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation which is governed by an elected mayor and a seven-member council. The Town provides services which include general government, public safety, streets, sanitation, zoning and recreation. The Town maintains a water and sewer system which supplies services to the Town and surrounding area on a user-charge basis and a NC License Plate Agency which charges for services based on a schedule of fees set by North Carolina Department of Motor Vehicles.

As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally-separate entity for which the Town is financially accountable. 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.

Town of Siler City Board of Alcoholic Beverage Control ("ABC Board")

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses, if any, to the General Fund of the Town. The ABC Board, which has a June 30 year end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at the Town of Siler City's ABC Board, 1404 East 11th Street, Siler City, North Carolina.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Town of Siler City, North Carolina
Notes to Financial Statements

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

The Town reports the following major governmental 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-shared revenues, and various other taxes and licenses. The primary expenditures are for public safety, transportation, sanitation, parks and recreation, and general government services.

Capital Projects Fund (Airfield Lighting Rehabilitation and Beacon Light Replacement) - The Airfield Lighting Rehabilitation and Beacon Light Replacement Fund is used to account for the financial resources to be used for the renovation and replacement of lighting of the Town's airfield.

The Town reports the following non-major governmental funds:

Capital Projects Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Town has seven Capital Projects Funds within the Governmental Fund Types which were established for cultural and recreational development, transportation, and economic and physical development. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance, the Capital Reserve Fund is consolidated in the Capital Projects Fund.

Proprietary Funds

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. For financial reporting purposes, the Water and Sewer Capital Reserve Fund, Wastewater Collection System Improvements Capital Project Fund, CAM Water System Extension Capital Project Fund, Wastewater Treatment Plant Improvements Capital Project Fund, Wastewater Asset Inventory and Assessment Capital Project Fund, and Water Asset Inventory and Assessment Capital Project Fund have been consolidated with the Water and Sewer Fund.

The Town reports the following non-major enterprise fund:

License Plate Agency Fund - This fund is used to account for the Town's license plate agency operations.

C. Measurement Focus and Basis of Accounting

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

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and 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

Town of Siler City, North Carolina Notes to Financial Statements

are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

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

Town of Siler City, North Carolina
Notes to Financial Statements

D. Budgetary Data

The Town’s budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General and Enterprise (Water and Sewer and License Plate Agency) Funds on a departmental basis. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Reserve Fund, Capital Projects Funds and the Water and Sewer Capital Reserve Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The annual budget is prepared on the modified accrual basis of accounting. Budgetary control is exercised in all funds. Appropriations are made at the departmental level and are amended as necessary by the governing board. The Town manager is authorized to transfer appropriations within a department. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. During the year, amendments 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 an interim budget that covers that time until the annual ordinance can be adopted.

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

(1) Deposits and Investments

All deposits of the Town and of the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board 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 and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town’s investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT’s share price. The NCCMT - Term Portfolio’s securities are valued at fair value. The ABC Board has no investments.

(2) Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

(3) Restricted Assets

The unexpended Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Restricted cash:

Governmental activities:	
General fund:	
Streets - Powell Bill	\$ 792,601
Business-type activities:	
Water and sewer fund:	
Customer deposits	<u>319,956</u>
Total restricted cash	<u>\$ 1,112,557</u>

Town of Siler City, North Carolina
Notes to Financial Statements

(4) Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

(5) Allowances for Doubtful Accounts

The Town provides an allowance for uncollectible taxes which it does not expect to collect based on historical collection rates of prior tax levies and an allowance for uncollectible water and sewer accounts. The Town does not experience any other material loss from other uncollectible accounts. Losses, if any, are charged to operations by the direct write-off method.

(6) Inventory and Prepaid Items

The ABC Board's liquor inventory is stated at replacement cost prices per the approved list of the North Carolina State Board of Alcoholic Beverage Control. Wine inventory is carried at cost. The cost of these inventories is expensed when consumed rather than when purchased.

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

(7) Capital Assets

Capital assets which include property, plant, equipment and infrastructure assets (roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. 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 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. 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:

Infrastructure	50 years
Buildings and improvements	30 years
Vehicles	6 years
Furniture and equipment	10 years

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Buildings	20 years
Furniture and equipment	10 years

Town of Siler City, North Carolina
Notes to Financial Statements

(8) 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 two items that meet this criterion: pension deferrals for the 2018 fiscal year, and OPEB deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category: property taxes receivable, grants receivable, pension deferrals and OPEB deferrals.

(9) Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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 discounts. Bond issuance costs, except for prepaid insurance costs, are expensed in the period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(10) Compensated Absences

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

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

(11) Net Position/Fund Balances

Net Position

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

Fund Balances

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

Town of Siler City, North Carolina
Notes to Financial Statements

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Capital Projects - portion of fund balance that is to be used for capital projects for various functions of the Town.

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

Environmental Protection - portion of fund balance that has been budgeted by the Board for sidewalks.

Transportation - portion of fund balance that has been budgeted by the Board for airport projects.

Cultural and Recreational - portion of fund balance that has been budgeted by the Board for parks.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

The Town does not have a formal revenue spending policy for programs with multiple revenue sources.

The Town has not adopted a minimum fund balance policy for the general fund.

(12) Pensions

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

2. Stewardship, Compliance, and Accountability

A. Deficit in Fund Balance of Individual Funds

At June 30, 2019, The Town had deficits in the Airfield Lighting Rehabilitation and Beacon Light Replacement, Land Acquisition (White Property), Aquatic Facility, and Brownfields Assessment Capital Projects Funds of \$22,694, \$30,235, \$42, and \$81,423, respectively. The deficits in the Airfield Lighting Rehabilitation and Beacon Light Replacement, Land Acquisition (White Property) and Brownsfield Assessment Capital Projects Funds are due to timing only, as the respective grant revenues were not considered to be available as of June 30, 2019, and therefore are presented as deferred inflows of resources. The deficit in the Aquatic Facility is a result of the expenditures exceeding budgeted amounts by \$42, and the Town not transferring over funds from the General Fund to cover the Town's obligation under this project.

B. Excess of Expenditures

For the fiscal year ended June 30, 2019, the expenditures in the Town's General Fund exceeded the authorized appropriations by the governing board in transfers to other funds by \$4,106. In the future, the Town is committed to more timely booking of journal entries and coordination with budget staff for known outstanding journal entries as of June 30th

3. Detail Notes on All Funds

A. Assets

(1) Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$304,215 and a bank balance of \$454,054. Of the bank balance, \$407,056 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$319,929 and the bank balance was \$387,510. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method.

At June 30, 2019, the Town and ABC Board's petty cash fund totaled \$623 and \$1,600, respectively.

Town of Siler City, North Carolina
Notes to Financial Statements

(2) Investments

At June 30, 2019, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2019</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Amortized cost	\$ 8,064,433	N/A	AAAm

The Town and the ABC Board have no policy regarding credit risk of its investments.

(3) Receivables - Allowance for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position (Exhibit 1) for are net of an allowance for uncollectible taxes of \$36,000.

The amount of water and sewer accounts receivable presented in the Balance Sheet and Statement of Net Position (Exhibit 1) are net of an allowance for uncollectible amounts of \$55,000.

(4) Capital Assets

Primary Government

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

<u>Governmental Activities</u>	<u>July 1, 2018</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 779,838	\$ -	\$ -	\$ 779,838
Construction in progress	5,434,266	1,321,282	-	6,755,548
	<u>6,214,104</u>	<u>1,321,282</u>	<u>-</u>	<u>7,535,386</u>
Capital assets being depreciated:				
Buildings	3,408,142	-	-	3,408,142
Other improvements	4,493,888	118,137	-	4,612,025
Equipment	1,838,726	778,455	-	2,617,181
Computer equipment	264,181	-	-	264,181
Vehicles and motorized equipment	3,770,114	55,980	-	3,826,094
Infrastructure	687,345	-	-	687,345
	<u>14,462,396</u>	<u>952,572</u>	<u>-</u>	<u>15,414,968</u>
Grand total	<u>20,676,500</u>	<u>2,273,854</u>	<u>-</u>	<u>22,950,354</u>
Less accumulated depreciation and amortization for:				
Buildings	2,339,372	124,026	-	2,463,398
Other improvements	3,101,962	161,527	-	3,263,489
Equipment	934,292	104,955	-	1,039,247
Computer equipment	196,896	7,808	-	204,704
Vehicles and motorized equipment	2,680,237	126,475	-	2,806,712
Infrastructure	382,127	35,419	-	417,546
	<u>9,634,886</u>	<u>560,210</u>	<u>-</u>	<u>10,195,096</u>
Total capital assets being depreciated, net	<u>4,827,510</u>			<u>5,219,872</u>
Governmental activity capital assets, net	<u>\$ 11,041,614</u>			<u>\$ 12,755,258</u>

Town of Siler City, North Carolina
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Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 51,537
Public safety	271,467
Cultural and recreation	87,371
Transportation	<u>149,835</u>
Total depreciation expense	<u>\$ 560,210</u>

<u>Business-Type Activities - Water and Sewer Fund</u>	<u>July 1, 2018</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 5,158,393	\$ -	\$ (223,920)	\$ 4,934,473
Construction in progress	<u>393,576</u>	<u>3,639,086</u>	<u>-</u>	<u>4,032,662</u>
	<u>5,551,969</u>	<u>3,639,086</u>	<u>(223,920)</u>	<u>8,967,135</u>
Capital assets being depreciated:				
Buildings	8,065,709	-	-	8,065,709
Other improvements	34,465,598	-	223,920	34,689,518
Equipment and vehicles	1,488,140	189,232	-	1,677,372
Computer equipment	<u>302,307</u>	<u>-</u>	<u>-</u>	<u>302,307</u>
	<u>44,321,754</u>	<u>189,232</u>	<u>223,920</u>	<u>44,734,906</u>
Grand total	<u>49,873,723</u>	<u>3,828,318</u>	<u>-</u>	<u>53,702,041</u>
Less accumulated depreciation and amortization for:				
Buildings	6,029,276	174,706	-	6,203,982
Other improvements	17,363,129	770,002	-	18,133,131
Equipment and vehicles	1,390,149	53,001	-	1,443,150
Computer equipment	<u>50,485</u>	<u>1,461</u>	<u>-</u>	<u>51,946</u>
	<u>24,833,039</u>	<u>999,170</u>	<u>-</u>	<u>25,832,209</u>
Total capital assets being depreciated, net	<u>19,488,715</u>			<u>18,902,697</u>
Business-type activities - Water and Sewer Fund, net	<u>\$ 25,040,684</u>			<u>\$ 27,869,832</u>
<u>Business-Type Activities - License Plate Agency</u>				
Capital assets being depreciated:				
Building renovations	\$ 23,982	\$ -	\$ -	\$ 23,982
Less accumulated depreciation and amortization for:				
Building renovations	<u>5,307</u>	<u>1,199</u>	<u>-</u>	<u>6,506</u>
Total capital assets being depreciated, net	<u>18,675</u>			<u>17,476</u>
Business-type activities - License Plate Agency, net	<u>\$ 18,675</u>			<u>\$ 17,476</u>

The Town has several active construction projects as of June 30, 2019. As of year-end, the Town has spent \$4,208,915 with respect to these projects and their remaining commitments are \$118,182.

Town of Siler City, North Carolina
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Discretely Presented Component Unit

Capital asset activity for the ABC Board for the year ended June 30, 2019 was as follows:

	<u>July 1, 2018</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 201,385	\$ -	\$ -	\$ 201,385
Capital assets being depreciated:				
Buildings	329,948	6,970	-	336,918
Office equipment	<u>117,874</u>	<u>-</u>	<u>-</u>	<u>117,874</u>
	<u>447,822</u>	<u>6,970</u>	<u>-</u>	<u>454,792</u>
Grand total	<u>649,207</u>	<u>6,970</u>	<u>-</u>	<u>656,177</u>
Less accumulated depreciation and amortization for:				
Buildings	203,467	14,341	-	217,808
Office equipment	<u>102,767</u>	<u>5,388</u>	<u>-</u>	<u>108,155</u>
	<u>306,234</u>	<u>19,729</u>	<u>-</u>	<u>325,963</u>
Capital assets being depreciated, net	<u>141,588</u>			<u>128,829</u>
ABC Board capital assets, net	<u>\$ 342,973</u>			<u>\$ 330,214</u>

B. Liabilities

(1) Payables

Payables at June 30, 2019 were as follows:

	<u>Salaries and Benefits</u>	<u>Vendors</u>	<u>Total</u>
Governmental activities:			
General	\$ 83,599	\$ 197,238	\$ 280,837
Other governmental	<u>-</u>	<u>225,723</u>	<u>225,723</u>
Total - governmental activities	<u>\$ 83,599</u>	<u>\$ 422,961</u>	<u>\$ 506,560</u>
Business-type activities:			
Water and Sewer	\$ 27,731	\$ 342,198	\$ 369,929
License Plate Agency	<u>4,290</u>	<u>533</u>	<u>4,823</u>
Total - business-type activities	<u>\$ 32,021</u>	<u>\$ 342,731</u>	<u>\$ 374,752</u>

Town of Siler City, North Carolina
Notes to Financial Statements

(2) Pension Plan and Postemployment Obligations

(a) Local Governmental Employees' Retirement System

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2019 was 8.50% of compensation for law enforcement officers and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$242,021 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 a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2019, the Town reported a liability of \$1,151,298 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 liability 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 liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.0485%, which was an increase of 0.0029% from its proportion measured as of June 30, 2017.

Town of Siler City, North Carolina
Notes to Financial Statements

For the year ended June 30, 2019, the Town recognized pension expense of \$323,771. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 177,618	\$ 5,959
Changes of assumptions	305,511	-
Net difference between project and actual earning on pension plan investments	158,038	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	25,824	1,556
Town contributions subsequent to the measurement date	<u>242,041</u>	<u>-</u>
	<u>\$ 909,032</u>	<u>\$ 7,515</u>

\$242,041 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ 313,441
2021	207,936
2022	42,243
2023	95,856
2024	-
Thereafter	<u>-</u>
Total	<u>\$ 659,476</u>

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 U.S. 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 the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical

Town of Siler City, North Carolina
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performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

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 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 2,765,517	\$ 1,151,298	\$ (197,569)

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

Town of Siler City, North Carolina
Notes to Financial Statements

(b) Law Enforcement Officers Special Separation Allowance

(i) Plan description:

The Town of Siler City 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.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At the December 31, 2017 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>20</u>
Total	<u><u>23</u></u>

A separate report was not issued for the plan.

(ii) 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 and refunds 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.

(iii) 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	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2014 series mortality tables with adjustments for mortality improvements based on Scale AA.

(iv) Change in actuarial assumptions:

On the prior measurement date (December 31, 2017), the Municipal Bond Index Rate, on which the discount rate is based, was 3.16%. Since the Prior Measurement Date, the Municipal Bond Index Rate has increased to 3.64%

Town of Siler City, North Carolina
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as of the Measurement Date (December 31, 2018). This resulted in a \$21,166 reduction in the Total Pension Liability.

(v) *Contributions:*

The Town is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$58,416 as benefits came due for the reporting period.

(vi) *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 \$721,623. 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 \$51,444.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 23,366	\$ -
Changes of assumptions	-	4,014
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>29,209</u>	<u>-</u>
Total	<u>\$ 52,575</u>	<u>\$ 4,014</u>

The \$29,209 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:

<u>Year Ending June 30,</u>	
2020	\$ 5,028
2021	5,028
2022	5,799
2023	3,292
2024	205
Thereafter	<u>-</u>
Total	<u>\$ 19,352</u>

Town of Siler City, North Carolina
Notes to Financial Statements

(vii) *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:

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Total pension liability	\$ 766,629	\$ 721,623	\$ 680,027
2019			
Beginning balance		\$ 712,462	
Service cost		24,316	
Interest on the total pension liability		21,730	
Changes of benefit terms		-	
Differences between expected and actual experience in the measurement of the total pension liability		33,891	
Changes of assumptions or other inputs		(21,166)	
Benefit payments		<u>(49,610)</u>	
Ending balance of the total pension liability		<u>\$ 721,623</u>	

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

(c) Total expense, liabilities and deferred outflows and inflows of resources related to pensions

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 323,771	\$ 51,444	\$ 375,215
Pension liability	1,151,298	721,623	1,872,921
Proportionate share of net pension liability	0.0485%	N/A	N/A
Deferred outflows of resources:			
Differences between expected and actual experience	\$ 177,618	\$ 23,366	\$ 200,984
Changes of assumptions and other inputs	305,511	-	305,511
Net difference between projected and actual earnings on plan investments	158,038	-	158,038
Changes in proportion and differences between contributions and proportionate share of contributions	25,824	-	25,824
Benefit payments and administrative costs paid subsequent to the measurement date	242,041	29,209	271,250

Town of Siler City, North Carolina
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Deferred inflows of resources:

Differences between expected and actual experience	\$ 5,959	\$ -	\$ 5,959
Changes of assumptions and other inputs	-	4,014	4,014
Changes in proportion and differences between contributions and proportionate share of contributions	1,556	-	1,556

(d) 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 Plan 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 Plan. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$42,425 for the reporting year. No amounts were forfeited.

(e) Section 401(k) Plan for General Employees

Plan Description - The Town contributed to a 401(k) Plan, a defined contribution plan administered by the Prudential Insurance Company of America. The Plan provides retirement benefits to the general employees, other than law enforcement, employed by the Town.

Funding Policy - The Town annually determines the amount of contributions. For the year ended June 30, 2019, the Town contributed two and one half percent (2.5%) on each general employee salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$52,505 for the reporting year. No amounts were forfeited.

(f) 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 his/her 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. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

Town of Siler City, North Carolina
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(3) Obligations

Healthcare Benefits

Plan Description - Under the terms of a Town resolution, the Town provided postretirement healthcare benefits to retirees of the Town. The plan provides postemployment healthcare benefits to retirees of the Town until the age of 65, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town. The Town pays the full cost of coverage for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

<u>Years of Service with the Town at Retirement</u>	<u>Town Contribution to Retiree Health Insurance Premium</u>
0 to 9 years	Not eligible
10 to 19 years	25%
20 to 29 years	50%
30 or more years	100%

Membership of the HC Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	13	1
Active plan members	<u>51</u>	<u>16</u>
Total	<u>64</u>	<u>17</u>

Total OPEB liability

The Town's total OPEB liability of \$1,290,744 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent, including real wage growth
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Discount rate	3.89 percent
Healthcare cost trend rates	7.50% decreasing to an ultimate rate of 5.00% by 2023

The discount rate is based on the Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by The Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

Town of Siler City, North Carolina
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Changes in the total OPEB liability

	<u>2019</u>
Beginning balance	\$ 1,316,974
Service cost	54,583
Interest on the total OPEB liability	46,752
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(82,117)
Changes of assumptions or other inputs	(37,928)
Net benefit payments	<u>(7,520)</u>
Ending balance of the total OPEB liability	<u>\$ 1,290,744</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Benefit payments presented are net of a \$35,191 implicit rate subsidy for retirees participating in the plan.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

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 rate:

	<u>1% Decrease (2.89%)</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase (4.89%)</u>
Total OPEB liability	<u>\$ 1,409,974</u>	<u>\$ 1,290,744</u>	<u>\$ 1,183,886</u>

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 a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 1,153,990</u>	<u>\$ 1,290,744</u>	<u>\$ 1,451,536</u>

Town of Siler City, North Carolina
Notes to Financial Statements

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 \$104,906. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 87,955
Changes of assumptions	-	77,226
Benefit payments and administrative costs made subsequent to the measurement date	<u>55,868</u>	<u>-</u>
Total	<u>\$ 55,868</u>	<u>\$ 165,181</u>

\$55,868 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (32,340)
2020	(32,340)
2021	(32,340)
2022	(32,340)
2023	(25,907)
Thereafter	<u>(9,914)</u>
Total	<u>\$ (165,181)</u>

(4) Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows</u>
Contributions to pension plan in current fiscal year	\$ 242,041
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	29,209
Benefit payments made for OPEB subsequent to measurement date	55,868
Differences between actual and expected experience	200,984
Changes in proportion and differences between contributions and proportionate share of contributions	25,824
Changes of assumptions	305,511
Net difference between projected and actual earnings on pension plan investments	<u>158,038</u>
Total	<u>\$ 1,017,475</u>

Town of Siler City, North Carolina
Notes to Financial Statements

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

	<u>Statement of Net Position</u>	<u>Governmental Funds Balance Sheet</u>
Taxes receivable, less penalties	\$ -	\$ 64,555
Capital grant funds receivable but unavailable	-	167,671
Prepaid taxes and other	-	3,376
Changes in assumptions	81,240	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,556	-
Differences between expected and actual experience	<u>93,914</u>	<u>-</u>
Total	<u>\$ 176,710</u>	<u>\$ 235,602</u>

(5) Long-Term Obligations

(a) **Capital Leases**

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreement for various vehicles was executed on November 20, 2015 and requires four annual payments of \$65,804 starting January 2016.

The agreement for the scanner (computer equipment) was executed on October 1, 2015 and requires four semi-annual payments of \$939 starting April 2016.

The agreement for one Ford F-250 was executed on July 30, 2015 and required three annual payments of \$8,826 starting July 2015.

The agreement for various vehicles was executed on September 19, 2016 and requires four annual payments of \$100,959 starting September 2016.

The agreement for various vehicles was executed on October 5, 2017 and requires four annual payments of \$78,291 starting October 2017.

The agreement for various vehicles was executed on November 5, 2018 and requires four annual payments of \$72,302 starting November 15, 2018.

The following is an analysis of the assets recorded under the capital leases at June 30, 2019:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 54,464	\$ 12,579	\$ 41,885
Vehicles and motorized equipment	<u>938,766</u>	<u>352,792</u>	<u>585,974</u>
Total	<u>\$ 993,230</u>	<u>\$ 365,371</u>	<u>\$ 627,859</u>

Town of Siler City, North Carolina
Notes to Financial Statements

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2020	\$ 258,064	\$ 56,664
2021	72,302	14,994
2022	18,557	-
2023	-	-
2024 and thereafter	<u>-</u>	<u>-</u>
Total minimum lease payments	348,923	71,658
Less: amount representing interest	<u>(21,989)</u>	<u>(2,919)</u>
Present value of minimum lease payments	<u>\$ 326,934</u>	<u>\$ 68,739</u>

(b) Installment Purchases

In April 2011, the Town entered into an installment purchase contract to finance the purchase of a fire tanker truck. The financing contract requires ten annual principal payments beginning in April 2012 with an interest rate of 3.17%. The outstanding balance at June 30, 2019 is \$79,364.

In August 2018, the Town entered into an installment purchase contract to finance the purchase of a fire tanker truck. The financing contract requires ten annual principal payments beginning in August 2019 with an interest rate of 3.75%. The outstanding balance at June 30, 2019 is \$641,185.

The future minimum payments of the installment purchases as of June 30, 2019, including \$145,755 of interest, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 92,559	\$ 26,526	\$ 119,085
2021	96,885	25,760	122,645
2022	58,155	19,917	78,072
2023	60,336	17,736	78,072
2024 and thereafter	<u>412,614</u>	<u>55,816</u>	<u>468,430</u>
Totals	<u>\$ 720,549</u>	<u>\$ 145,755</u>	<u>\$ 866,304</u>

(c) General Obligation Indebtedness

General obligation bonds, which were issued to finance the construction of facilities utilized in the operations of the water and sewer system and loans from the North Carolina Water Pollution Control Revolving Fund and North Carolina Clean Water Bond Program used to finance the construction of a sewer wastewater treatment facility and water lines, are reported as long-term debt in the Water and Sewer Fund since the resources of the fund are being used to retire the bonds and notes. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Serviced by the Water and Sewer Fund:

Long-term debt at June 30, 2019 is comprised of the following:

Note payable to Carolina Bank (issued June 19, 2007 in the amount of \$8,000,000 and refinanced December 1, 2015) with principal and interest due in semi-annual installments starting in

Town of Siler City, North Carolina
Notes to Financial Statements

July 2016 with a balloon payment due July 2027; interest at 2.67%; secured by a deed of trust (proceeds used for reservoir construction). \$ 4,580,877

Note payable to Carolina Bank (issued January 29, 2008 in the amount of \$8,000,000 and refinanced January 1, 2016) with principal and interest due in semi-annual installments starting in July 2016; interest at 2.67%; secured by a deed of trust (proceeds used for reservoir construction). 4,337,778

\$ 8,918,655

(d) Maturities of Long-Term Debt

Annual debt service requirements to maturity for general obligation indebtedness are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 888,000	\$ 232,104	\$ 1,120,104
2021	912,000	208,233	1,120,233
2022	937,000	183,709	1,120,709
2023	962,000	158,531	1,120,531
2024	988,000	132,672	1,120,672
Thereafter	<u>4,231,655</u>	<u>254,036</u>	<u>4,485,691</u>
Totals	<u>\$ 8,918,655</u>	<u>\$ 1,169,285</u>	<u>\$ 10,087,940</u>

(e) Changes in Long-Term Liabilities

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

At June 30, 2019, the Town had a legal debt margin of approximately \$36,889,085.

The following is a summary of changes in the Town's long-term debt for the year ended June 30, 2019:

	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>	<u>Due within One Year</u>
Governmental activities:					
Capitalized leases	\$ 319,206	\$ 218,254	\$ 210,526	\$ 326,934	\$ 244,797
Installment purchases	116,712	641,185	37,348	720,549	92,559
Compensated absences	166,974	56,627	43,843	179,758	47,200
Separation allowance	712,462	9,161	-	721,623	-
Other postemployment benefits	991,795	-	19,753	972,042	-
Net pension liability (LGERS)	<u>468,854</u>	<u>305,621</u>	<u>-</u>	<u>774,475</u>	<u>-</u>
	<u>\$ 2,776,003</u>	<u>\$ 1,230,848</u>	<u>\$ 311,470</u>	<u>\$ 3,695,381</u>	<u>\$ 384,556</u>

Town of Siler City, North Carolina
Notes to Financial Statements

Business-type activities:					
Notes	\$ 9,783,655	\$ -	\$ 865,000	\$ 8,918,655	\$ 888,000
Capitalized leases	124,838	-	56,099	68,739	2,206
Compensated absences	69,919	38,246	20,916	87,249	23,509
Other postemployment benefits	325,179	-	6,477	318,702	-
Net pension liability (LGERS)	<u>227,432</u>	<u>149,391</u>	<u>-</u>	<u>376,823</u>	<u>-</u>
	<u>\$ 10,531,023</u>	<u>\$ 187,637</u>	<u>\$ 948,492</u>	<u>\$ 9,770,168</u>	<u>\$ 913,715</u>

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

Due to the General Fund from the License Plate Agency Fund	\$ 197
Due to the Water and Sewer Fund from the Capital Reserve Fund	833
Due to the Water and Sewer Fund from the General Fund	1,630
Due to the Capital Reserve Fund from the General Fund	9,995
Due to the General Fund from the Capital Project Fund (Aquatic Facility)	404,677
Due to the General Fund from the Capital Project Fund (Land Acquisition - White Property)	22,967
Due to the General Fund from the Capital Project Fund (Airfield Lighting Rehabilitation and Beacon Light Replacement)	40,978
Due to the General Fund from the Capital Project Fund (Brownfield Assessments)	81,423

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

Transfers to/from other funds at June 30, 2019 consist of the following:

From the General Fund to the Capital Project Fund (Airfield Lighting Rehabilitation and Beacon Light Replacement) - capital project expenditures	\$ 106,411
From the General Fund to the Capital Project Fund (NCDOT Safe Routes to Schools) - capital project expenditures	33,298
From the General Fund to the Capital Project Fund (Greenway Construction) - capital project expenditures	6,098
From the General Fund to the Capital Project Fund (Airport Runway) - capital project expenditures	10,500
From the General Fund to the Capital Project Fund (East Raleigh Street Sidewalk) - capital project expenditures	12,000

Town of Siler City, North Carolina
Notes to Financial Statements

From the General Fund to the Capital Project Fund (Library Repairs) - capital project expenditures	<u>228,146</u>
Total transfers	<u>\$ 396,453</u>

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

D. Net Investment in Capital Assets

The following table represents the calculation of the Town’s net investment in capital assets at June 30, 2019:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 12,755,258	\$ 27,887,308
Less: Long-term debt	<u>(1,047,483)</u>	<u>(8,987,394)</u>
Net investment in capital assets	<u>\$ 11,707,775</u>	<u>\$ 18,899,914</u>

E. 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	\$ 5,788,454
Less:	
Nonspendable	(2,270)
Appropriated fund balance in subsequent fiscal year’s budget	(350,595)
Stabilization by State Statute	(1,456,932)
Streets - Powell Bill	<u>(792,601)</u>
Remaining fund balance	<u>\$ 3,186,056</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1,000,000 per occurrence, property coverage up to the total insured values of the property policy, workers’ compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years. The Town does not carry flood insurance because they are not located within a flood plain.

Town of Siler City, North Carolina
Notes to Financial Statements

In accordance with G.S.159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000 per employee.

5. Summary Disclosure of Significant Contingencies

The Town is contingently liable in respect to other claims in the normal course of its operations. Should the Town become liable in these matters, such liability would be satisfied by budgetary appropriation in excess of insurance coverage in a subsequent year.

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 moneys 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 moneys.

6. Commitments

The Town entered into a five (5) year contract with Waste Industries beginning July 1, 2017 to provide the collection and transportation of residential and business solid waste and recyclable materials located within the Town. The Town agreed to compensate the contractor a base fee for this service which will be adjusted on July 1 of each year based upon the change in the Consumer Price Index for the preceding year; however, the annual increase may not exceed 10% of the base fee.

The Town has agreed to pay a proportionate share of a Chatham County water and sewer project associated with the Chatham Business Park through the fiscal year ending 2036. The following represent the Town's future obligations related to this commitment:

Year Ending June 30:

2020	\$	9,347
2021		8,816
2022		8,300
2023		7,784
2024		7,267
Thereafter		<u>43,251</u>
	\$	<u>84,765</u>

7. Subsequent Events

Subsequent to June 30, 2019, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on the Town's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, and governmental, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

Required Supplementary Information

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Town of Siler City, North Carolina
Law Enforcement Officers' Special Separation Allowance -
Required Supplementary Information
Last Three Fiscal Years

Schedule of Changes in Total Pension Liability

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 712,462	\$ 678,839	\$ 683,310
Service cost	24,316	19,972	22,758
Interest on the total pension liability	21,730	25,484	23,729
Changes in benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	33,891	(6,294)	-
Changes of assumptions or other inputs	(21,166)	31,742	(13,677)
Benefit payments	(49,610)	(37,281)	(37,281)
Other changes	-	-	-
Ending balance of the total pension liability**	<u>\$ 721,623</u>	<u>\$ 712,462</u>	<u>\$ 678,839</u>

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability**	\$ 721,623	\$ 712,462	\$ 678,839
Covered payroll	954,440	931,791	942,395
Total pension liability as a percentage of covered payroll	75.61%	76.46%	72.03%

* This schedule is intended to provide information for ten fiscal years. Additional fiscal years' information will be displayed as it becomes available.

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

Town of Siler City, North Carolina
Other Postemployment Benefits
Schedule of Changes in the Total OPEB Liability and Related Ratios -
Required Supplementary Information
Last Two Fiscal Years

	<u>2019</u>	<u>2018</u>
Total OPEB liability:		
Service cost	\$ 54,583	\$ 58,913
Interest	46,752	40,257
Changes of benefit terms	-	-
Differences between expected and actual experience	(82,117)	(26,496)
Changes of assumptions or other inputs	(37,928)	(64,966)
Benefit payments	(7,520)	(55,952)
Net change in total OPEB liability	(26,230)	(48,244)
Total OPEB liability, beginning	<u>1,316,974</u>	<u>1,365,218</u>
Total OPEB liability, ending	<u>\$ 1,290,744</u>	<u>\$ 1,316,974</u>
Covered-employee payroll	\$ 2,785,826	\$ 2,785,826
Total OPEB liability as a percentage of covered-employee payroll	46.33%	47.27%

Notes to the Schedule:

**Changes of assumption and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.*

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

Town of Siler City, North Carolina
Local Government Employees' Retirement System -
Required Supplementary Information
Last Six Fiscal Years
For the Year Ended June 30, 2019

Proportionate Share of Net Pension Liability (Asset)*						
	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) %	0.0485%	0.0456%	0.0464%	0.0441%	0.0465%	0.0476%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,151,298	\$ 696,286	\$ 984,502	\$ 197,829	\$ (274,055)	\$ 573,763
Town's covered-employee payroll	\$ 2,994,511	\$ 2,447,632	\$ 2,755,217	\$ 2,673,100	\$ 2,645,637	\$ 2,681,174
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.45%	28.45%	35.73%	7.40%	-10.36%	21.40%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

Schedule of Contributions*						
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 242,041	\$ 230,861	\$ 226,777	\$ 190,252	\$ 192,614	\$ 189,207
Contributions in relation to the contractually required contribution	242,041	230,861	226,777	190,252	192,614	189,207
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 3,025,607	\$ 2,994,511	\$ 2,447,632	\$ 2,755,217	\$ 2,673,100	\$ 2,645,637
Contributions as a percentage of covered-employee payroll	8.00%	7.71%	9.27%	6.91%	7.21%	7.15%

* This schedule is intended to provide information for ten fiscal years. Additional fiscal years' information will be displayed as it becomes available.

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Supplementary and Other Information

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Town of Siler City, North Carolina
General Fund
Comparative Balance Sheets
June 30, 2019 and June 30, 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and investments	\$ 3,833,645	\$ 3,566,895
Restricted cash	792,601	577,293
Taxes receivable, net	64,555	94,740
Accounts receivable, net	57,462	55,941
Due from other governments	833,353	820,802
Due from component unit	15,875	12,565
Due from other funds	550,242	49,122
Inventories	2,270	-
	<u>6,150,003</u>	<u>5,177,358</u>
Total assets	<u>\$ 6,150,003</u>	<u>\$ 5,177,358</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 280,837	\$ 129,300
Unearned revenue	1,156	1,156
Due to other funds	11,625	10,101
	<u>293,618</u>	<u>140,557</u>
Total liabilities	<u>293,618</u>	<u>140,557</u>
DEFERRED INFLOWS OF RESOURCES		
Taxes receivable	64,555	94,740
Prepaid taxes	3,136	791
Prepaid other	240	-
	<u>67,931</u>	<u>95,531</u>
Total deferred inflows of resources	<u>67,931</u>	<u>95,531</u>
FUND BALANCES		
Nonspendable		
Inventories	2,270	-
Restricted		
Stabilization by State Statute	1,456,932	938,430
Streets - Powell Bill	792,601	577,293
Assigned		
Subsequent years' expenditures	350,595	-
Unassigned	3,186,056	3,425,547
	<u>5,788,454</u>	<u>4,941,270</u>
Total fund balances	<u>5,788,454</u>	<u>4,941,270</u>
	<u>\$ 6,150,003</u>	<u>\$ 5,177,358</u>

Town of Siler City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

(5 pages)

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Revenues				
Ad valorem taxes:				
Current year		\$ 2,458,091		\$ 2,062,969
Prior years		69,559		38,707
Penalties and interest		21,285		14,859
	<u>\$ 2,467,670</u>	<u>2,548,935</u>	<u>\$ 81,265</u>	<u>2,116,535</u>
Other taxes and licenses:				
Motor vehicle licenses		580		640
Rental vehicle tax		848		873
	<u>1,450</u>	<u>1,428</u>	<u>(22)</u>	<u>1,513</u>
Unrestricted intergovernmental revenues:				
Local option sales tax		2,415,124		2,319,763
Franchise tax		350,481		342,464
Beer and wine tax		36,481		37,401
Piped natural gas tax		18,488		19,399
Telecommunications sales tax		40,318		42,719
Solid waste disposal tax		7,500		5,737
Video franchise fee		30,909		32,427
Gas tax refund		3,829		3,591
ABC profit distribution		48,886		44,111
	<u>2,803,800</u>	<u>2,952,016</u>	<u>148,216</u>	<u>2,847,612</u>
Restricted intergovernmental revenues:				
State street aid - Powell Bill		219,228		226,228
State - fire protection		-		2,488
Fire district tax		324,389		339,905
Controlled substance tax		251		231
FEMA Assistance		44,489		-
US Treasury Federal Forfeitures		-		645
Governor's Crime Commission Domestic Violence grant		126,151		68,670
ABC revenue - law enforcement		4,244		3,510
Miscellaneous		-		455
	<u>681,510</u>	<u>718,752</u>	<u>37,242</u>	<u>642,132</u>

Town of Siler City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

(5 pages)

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Permits and fees:				
Building permits		\$ 152,337		\$ 183,424
Fire inspections		9,385		16,040
Other permits		275		315
Zoning fees		77,003		101,768
	<u>102,200</u>	<u>239,000</u>	<u>\$ 136,800</u>	<u>301,547</u>
Sales and services:				
Pavement cuts		-		300
Recreation:				
Concessions		55,872		8,844
Entry fees		25,245		17,095
Rent		12,400		11,391
Sponsorship		28,101		6,660
Facilities rent		50,341		48,782
Officers' fees		1,388		1,659
Court facilities fees		2,477		2,487
Other		36,379		(20,188)
Airport fees		31		151
Landfill tipping fees		433,581		429,093
	<u>664,338</u>	<u>645,815</u>	<u>(18,523)</u>	<u>506,274</u>
Investment earnings:				
Investment earnings	<u>89,000</u>	<u>125,954</u>	<u>36,954</u>	<u>70,079</u>
Miscellaneous:				
Donations		73,512		37,400
Miscellaneous		11,871		5,583
Sales of cemetery plots		5,250		6,000
	<u>5,600</u>	<u>90,633</u>	<u>85,033</u>	<u>48,983</u>
Total revenues	<u>6,815,568</u>	<u>7,322,533</u>	<u>506,965</u>	<u>6,534,675</u>

Town of Siler City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

(5 pages)

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Expenditures				
General government:				
Governing board:				
Salaries and employee benefits		\$ 62,745		\$ 43,663
Other operating expenditures		131,444		95,072
	\$ 212,414	194,189	\$ 18,225	138,735
Town manager:				
Salaries and employee benefits		177,219		117,136
Other operating expenditures		15,862		12,904
	202,664	193,081	9,583	130,040
Human resources:				
Salaries and employee benefits		74,986		58,456
Other operating expenditures		20,852		16,972
	102,137	95,838	6,299	75,428
Finance:				
Salaries and employee benefits		87,710		79,366
Other operating expenditures		86,377		72,997
Capital outlay		1,160		-
	195,213	175,247	19,966	152,363
Buildings and grounds:				
Other operating expenditures	84,592	75,561	9,031	49,914
Court facilities:				
Other operating expenditures	4,200	1,516	2,684	1,878
Non-departmental:				
Insurance		508,322		518,634
Other operating expenditures		48,307		183,425
	665,248	556,629	108,619	702,059
Total general government	1,466,468	1,292,061	174,407	1,250,417
Public safety:				
Police:				
Salaries and employee benefits		1,364,324		1,319,544
Other operating expenditures		328,668		319,955
Capital outlay		74,602		110,463
	1,863,451	1,767,594	95,857	1,749,962
Fire:				
Salaries and employee benefits		160,712		159,017
Other operating expenditures		195,109		143,741
Capital outlay		743,136		34,837
	1,144,287	1,098,957	45,330	337,595

Town of Siler City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

(5 pages)

	2019		Variance	2018
	Budget	Actual	favorable (unfavorable)	Actual
Inspections:				
Salaries and employee benefits		\$ 105,532		\$ 120,954
Other operating expenditures		71,601		28,103
	<u>\$ 222,704</u>	<u>177,133</u>	<u>\$ 45,571</u>	<u>149,057</u>
Total public safety	<u>3,230,442</u>	<u>3,043,684</u>	<u>186,758</u>	<u>2,236,614</u>
Transportation:				
Garage:				
Salaries and employee benefits		56,686		52,764
Other operating expenditures		31,824		30,892
Capital outlay		5,028		-
	<u>101,210</u>	<u>93,538</u>	<u>7,672</u>	<u>83,656</u>
Public works:				
Salaries and employee benefits		308,344		244,782
Other operating expenditures		370,526		306,940
Capital outlay		138,637		63,740
	<u>850,105</u>	<u>817,507</u>	<u>32,598</u>	<u>615,462</u>
Airport:				
Other operating expenditures		72,433		73,747
Capital outlay		14,915		12,041
	<u>96,200</u>	<u>87,348</u>	<u>8,852</u>	<u>85,788</u>
Total transportation	<u>1,047,515</u>	<u>998,393</u>	<u>49,122</u>	<u>784,906</u>
Environmental protection:				
Sanitation:				
Salaries and employee benefits		9,000		48,245
Other operating expenditures		455,679		440,392
	<u>513,378</u>	<u>464,679</u>	<u>48,699</u>	<u>488,637</u>
Total environmental protection	<u>513,378</u>	<u>464,679</u>	<u>48,699</u>	<u>488,637</u>
Economic and physical development:				
Community development:				
Salaries and employee benefits		134,863		119,073
Other operating expenditures		39,254		37,960
	<u>182,132</u>	<u>174,117</u>	<u>8,015</u>	<u>157,033</u>
Total economic and physical development	<u>182,132</u>	<u>174,117</u>	<u>8,015</u>	<u>157,033</u>

Town of Siler City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

(5 pages)

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits		\$ 255,893		\$ 222,774
Other operating expenditures		318,154		233,645
Capital outlay		147,307		68,694
	<u>\$ 733,000</u>	<u>721,354</u>	<u>\$ 11,646</u>	<u>525,113</u>
Library:				
Other operating expenditures	18,800	16,609	2,191	10,660
Total cultural and recreational	<u>751,800</u>	<u>737,963</u>	<u>13,837</u>	<u>535,773</u>
Debt service:				
Principal		247,874		218,502
Interest		5,193		17,904
Total debt service	<u>375,113</u>	<u>253,067</u>	<u>122,046</u>	<u>236,406</u>
Total expenditures	<u>7,566,848</u>	<u>6,963,964</u>	<u>602,884</u>	<u>5,689,786</u>
Revenues over (under) expenditures	<u>(751,280)</u>	<u>358,569</u>	<u>1,109,849</u>	<u>844,889</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	6,804
Transfers to other funds	(392,347)	(396,453)	(4,106)	(247,233)
Capital lease obligations issued	85,722	218,254	132,532	177,091
Installment purchase obligations issued	641,185	641,185	-	-
Insurance recovery	-	25,629	25,629	11,139
Total other financing sources (uses)	<u>334,560</u>	<u>488,615</u>	<u>154,055</u>	<u>(52,199)</u>
Fund balance appropriated	<u>416,720</u>	-	<u>(416,720)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>847,184</u>	<u>\$ 847,184</u>	792,690
Fund balance, beginning		<u>4,941,270</u>		<u>4,148,580</u>
Fund balance, ending		<u>\$ 5,788,454</u>		<u>\$ 4,941,270</u>

Town of Siler City, North Carolina
Capital Projects Fund (Airfield Lighting Rehabilitation and Beacon Light Replacement)
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
Federal grant proceeds	\$ 957,688	\$ -	\$ 827,208	\$ 827,208	\$ (130,480)
Expenditures					
Transportation:					
Administration	\$ 94,946	\$ -	\$ 34,162	\$ 34,162	\$ 60,784
Construction	883,180	-	865,017	865,017	18,163
Engineering and design	85,973	-	57,134	57,134	28,839
	<u>1,064,099</u>	<u>-</u>	<u>956,313</u>	<u>956,313</u>	<u>107,786</u>
Revenues under expenditures	(106,411)	-	(129,105)	(129,105)	(22,694)
Other financing sources					
Transfers from:					
General fund	106,411	-	106,411	106,411	-
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(22,694)</u>	<u>\$ (22,694)</u>	<u>\$ (22,694)</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund deficit, end of year, June 30			<u>\$ (22,694)</u>		

Town of Siler City, North Carolina
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2019

(2 pages)

	Capital Project Funds					Land Acquisition (White Property)
	Capital Reserve	NCDOT Safe Routes to School	Greenway Construction	Airport Runway	Airfield Lighting	
ASSETS						
Cash and investments	\$ 157,056	\$ -	\$ -	\$ 1,074	\$ 92,792	\$ -
Due from other governments	-	-	-	-	-	52,774
Due from other funds	9,995	-	-	-	-	-
Total assets	<u>\$ 167,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,074</u>	<u>\$ 92,792</u>	<u>\$ 52,774</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,268
Due to other funds	833	-	-	-	-	22,967
Total liabilities	<u>833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,235</u>
Deferred Inflows of Resources:						
Unavailable revenue	-	-	-	-	-	52,774
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,774</u>
Fund balances (deficits):						
Restricted:						
Stabilization by State Statute	9,995	-	-	-	-	-
Committed:						
Capital projects	156,223	-	-	-	-	-
Assigned:						
Transportation	-	-	-	1,074	92,792	(30,235)
Environmental protection	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-
Total fund balances (deficits)	<u>166,218</u>	<u>-</u>	<u>-</u>	<u>1,074</u>	<u>92,792</u>	<u>(30,235)</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 167,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,074</u>	<u>\$ 92,792</u>	<u>\$ 52,774</u>

Town of Siler City, North Carolina
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2019

(2 pages)

	Capital Project Funds				Total Non-Major Governmental Funds
	Aquatic Facility	East Raleigh Street Sidewalk	Brownfields Assessment	Library Repairs	
ASSETS					
Cash and investments	\$ -	\$ 2,655	\$ -	\$ 114,073	\$ 367,650
Due from other governments	404,635	-	81,423	-	538,832
Due from other funds	-	-	-	-	9,995
Total assets	\$ 404,635	\$ 2,655	\$ 81,423	\$ 114,073	\$ 916,477
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)					
Liabilities:					
Accounts payable	\$ -	\$ 2,487	\$ -	\$ -	\$ 9,755
Due to other funds	404,677	-	81,423	-	509,900
Total liabilities	404,677	2,487	81,423	-	519,655
Deferred Inflows of Resources:					
Unavailable revenue	-	-	81,423	-	134,197
Total deferred inflows of resources	-	-	81,423	-	134,197
Fund balances (deficits):					
Restricted:					
Stabilization by State Statute	-	-	-	-	9,995
Committed:					
Capital projects	-	-	-	-	156,223
Assigned:					
Transportation	-	168	-	-	63,799
Environmental protection	-	-	(81,423)	-	(81,423)
Cultural and recreational	(42)	-	-	114,073	114,031
Total fund balances (deficits)	(42)	168	(81,423)	114,073	262,625
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 404,635	\$ 2,655	\$ 81,423	\$ 114,073	\$ 916,477

Town of Siler City, North Carolina
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
For the Year Ended June 30, 2019

(2 pages)

	Capital Project Funds					
	Capital Reserve	NCDOT Safe Routes to School	Greenway Construction	Airport Runway	Airfield Lighting	Land Acquisition (White Property)
Revenues						
Restricted intergovernmental - grant proceeds	\$ -	\$ -	\$ -	\$ -	\$ 10,841	\$ -
Investment earnings	324	-	-	-	-	-
	<u>324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,841</u>	<u>-</u>
Expenditures						
Transportation	-	-	-	-	19,592	50,839
Environmental protection	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,592</u>	<u>50,839</u>
Revenues over (under) expenditures	324	-	-	-	(8,751)	(50,839)
Other financing sources						
Transfers from other funds	-	33,298	6,098	10,500	-	-
Revenues and other sources over (under) expenditures and other sources	324	33,298	6,098	10,500	(8,751)	(50,839)
Fund balances (deficits), beginning of year, July 1	165,894	(33,298)	(6,098)	(9,426)	101,543	20,604
Fund balances (deficits), end of year, June 30	<u>\$ 166,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,074</u>	<u>\$ 92,792</u>	<u>\$ (30,235)</u>

Town of Siler City, North Carolina
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
For the Year Ended June 30, 2019

(2 pages)

	Capital Project Funds				Total Non-Major Governmental Funds
	Aquatic Facility	East Raleigh Street Sidewalk	Brownfields Assessment	Library Repairs	
Revenues					
Restricted intergovernmental - grant proceeds	\$ 404,635	\$ 37,378	\$ -	\$ -	\$ 452,854
Investment earnings	-	-	-	-	324
	<u>404,635</u>	<u>37,378</u>	<u>-</u>	<u>-</u>	<u>453,178</u>
Expenditures					
Transportation	-	49,210	-	-	119,641
Environmental protection	-	-	81,423	-	81,423
Cultural and recreational	99,043	-	-	114,073	213,116
	<u>99,043</u>	<u>49,210</u>	<u>81,423</u>	<u>114,073</u>	<u>414,180</u>
Revenues over (under) expenditures	305,592	(11,832)	(81,423)	(114,073)	38,998
Other financing sources					
Transfers from other funds	-	12,000	-	228,146	290,042
Revenues and other sources over (under) expenditures and other sources	305,592	168	(81,423)	114,073	329,040
Fund balances (deficits), beginning of year, July 1	<u>(305,634)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,415)</u>
Fund balances (deficits), end of year, June 30	<u>\$ (42)</u>	<u>\$ 168</u>	<u>\$ (81,423)</u>	<u>\$ 114,073</u>	<u>\$ 262,625</u>

Town of Siler City, North Carolina
Capital Reserve Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Investment earnings	\$ 317,000	\$ 458,880	\$ 324	\$ 459,204	\$ 142,204
Other financing sources (uses)					
Transfers from:					
General fund	1,206,175	983,093	-	983,093	(223,082)
Water and sewer fund	59,000	-	-	-	(59,000)
Transfer to:					
General fund	(1,384,850)	(966,648)	-	(966,648)	418,202
Capital project funds	(197,325)	(309,431)	-	(309,431)	(112,106)
Total other financing sources (uses)	(317,000)	(292,986)	-	(292,986)	24,014
Revenues and other sources over expenditures and other uses	\$ -	\$ 165,894	324	\$ 166,218	\$ 166,218
Fund balance, beginning of year, July 1			165,894		
Fund balance, end of year, June 30			\$ 166,218		

Town of Siler City, North Carolina
Capital Projects Fund (NCDOT Safe Routes to School)
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
Local grant proceeds - Public Health	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -
Local grant proceeds - County Schools	10,000	10,000	-	10,000	-
Federal grant proceeds	<u>1,000,000</u>	<u>460,850</u>	<u>-</u>	<u>460,850</u>	<u>(539,150)</u>
Total revenues	<u>1,020,000</u>	<u>480,850</u>	<u>-</u>	<u>480,850</u>	<u>(539,150)</u>
Expenditures					
Economic and physical development:					
Engineering and design	49,600	159,231	-	159,231	(109,631)
Construction	<u>1,000,000</u>	<u>354,917</u>	<u>-</u>	<u>354,917</u>	<u>645,083</u>
	<u>1,049,600</u>	<u>514,148</u>	<u>-</u>	<u>514,148</u>	<u>535,452</u>
Revenues under expenditures	(29,600)	(33,298)	-	(33,298)	(3,698)
Other financing sources					
Transfers from:					
General fund	<u>29,600</u>	<u>-</u>	<u>33,298</u>	<u>33,298</u>	<u>3,698</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (33,298)</u>	<u>33,298</u>	<u>\$ -</u>	<u>\$ -</u>
Fund deficit, beginning of year, July 1			<u>(33,298)</u>		
Fund balance, end of year, June 30			<u>\$ -</u>		

Town of Siler City, North Carolina
Capital Projects Fund (Greenway Construction)
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted					
intergovernmental:					
Federal grant proceeds	\$ 950,000	\$ 922,454	\$ -	\$ 922,454	\$ (27,546)
Expenditures					
Cultural and recreational:					
Construction	\$ 950,000	928,552	\$ -	928,552	21,448
Revenues under expenditures	-	(6,098)	-	(6,098)	(48,994)
Other financing sources					
Transfers from:					
General fund	-	-	6,098	6,098	6,098
Revenues and other financing sources under expenditures	\$ -	\$ (6,098)	6,098	\$ -	\$ (42,896)
Fund deficit, beginning of year, July 1			(6,098)		
Fund balance, end of year, June 30			\$ -		

Town of Siler City, North Carolina
Capital Projects Fund (Airport Runway)
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted					
intergovernmental:					
State grant proceeds	\$ 2,547,691	\$ 2,453,064	\$ -	\$ 2,453,064	\$ (94,627)
Local grant proceeds	160,346	160,346	-	160,346	-
Total revenues	2,708,037	2,613,410	-	2,613,410	(94,627)
Expenditures					
Transportation:					
Construction	\$ 2,830,768	2,725,758	\$ -	2,725,758	105,010
Revenues under expenditures	(122,731)	(112,348)	-	(112,348)	10,383
Other financing sources					
Transfers from:					
General fund	\$ 122,731	102,922	\$ 10,500	113,422	(9,309)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (9,426)	10,500	\$ 1,074	\$ 1,074
Fund deficit beginning of year, July 1			(9,426)		
Fund balance, end of year, June 30			\$ 1,074		

Town of Siler City, North Carolina
Capital Projects Fund (Airfield Lighting)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
Federal grant proceeds	<u>\$ 1,005,176</u>	<u>\$ 90,396</u>	<u>\$ 10,841</u>	<u>\$ 101,237</u>	<u>\$ (903,939)</u>
Expenditures					
Transportation:					
Engineering and design	<u>1,116,863</u>	<u>100,540</u>	<u>19,592</u>	<u>120,132</u>	<u>996,731</u>
Revenues over (under) expenditures	(111,687)	(10,144)	(8,751)	(18,895)	92,792
Other financing sources					
Transfers from:					
General fund	<u>111,687</u>	<u>111,687</u>	-	<u>111,687</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 101,543</u>	(8,751)	<u>\$ 92,792</u>	<u>\$ 92,792</u>
Fund balance, beginning of year, July 1			<u>101,543</u>		
Fund balance, end of year, June 30			<u>\$ 92,792</u>		

Town of Siler City, North Carolina
Capital Projects Fund (Land Acquisition - White Property)
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
Federal grant proceeds	\$ 255,624	\$ -	\$ -	\$ -	\$ (255,624)
Expenditures					
Transportation:					
Administration	\$ 263,674	\$ 7,799	\$ 47,729	\$ 55,528	\$ 208,146
Engineering and design	20,353	-	3,110	3,110	17,243
	<u>284,027</u>	<u>7,799</u>	<u>50,839</u>	<u>58,638</u>	<u>225,389</u>
Revenues under expenditures	(28,403)	(7,799)	(50,839)	(58,638)	(30,235)
Other financing sources					
Transfers from:					
General fund	<u>28,403</u>	<u>28,403</u>	<u>-</u>	<u>28,403</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 20,604</u>	<u>(50,839)</u>	<u>\$ (30,235)</u>	<u>\$ (30,235)</u>
Fund balance, beginning of year, July 1			<u>20,604</u>		
Fund deficit, end of year, June 30			<u>\$ (30,235)</u>		

Town of Siler City, North Carolina
Capital Projects Fund (Aquatic Facility)
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
State grant proceeds	\$ 480,035	\$ 75,400	\$ 404,635	\$ 480,035	\$ -
Local grant proceeds	42,760	42,760	-	42,760	-
Total revenues	522,795	118,160	404,635	522,795	-
Expenditures					
Cultural and recreational Construction	\$ 1,002,830	\$ 903,829	\$ 99,043	\$ 1,002,872	\$ (42)
Revenues over expenditures	(480,035)	(785,669)	305,592	(480,077)	(42)
Other financing sources					
Transfers from:					
General fund	480,035	480,035	-	480,035	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ (305,634)	305,592	\$ (42)	\$ (42)
Fund deficit, beginning of year, July 1			(305,634)		
Fund deficit, end of year, June 30			\$ (42)		

Town of Siler City, North Carolina
Capital Projects Fund (East Raleigh Street Sidewalk)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
Federal grant proceeds	\$ 696,000	\$ -	\$ 37,378	\$ 37,378	\$ (658,622)
Expenditures					
Transportation					
Construction	\$ 744,000	\$ -	\$ -	\$ -	\$ 744,000
Engineering and design	126,000	-	49,210	49,210	76,790
Right of Way	45,000	-	-	-	45,000
	<u>915,000</u>	<u>-</u>	<u>49,210</u>	<u>49,210</u>	<u>865,790</u>
Revenues under expenditures	(219,000)	-	(11,832)	(11,832)	207,168
Other financing sources					
Transfers from:					
General fund	219,000	-	12,000	12,000	(207,000)
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	168	<u>\$ 168</u>	<u>\$ 168</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund balance, end of year, June 30			<u>\$ 168</u>		

Town of Siler City, North Carolina
Capital Projects Fund (Brownsfield Assessment)
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
Federal grant proceeds - hazardous	\$ 200,000	\$ -	\$ -	\$ -	\$ (200,000)
Federal grant proceeds - petroleum	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Expenditures					
Environmental protection					
Operating - hazardous	\$ 200,000	\$ -	\$ 31,886	\$ 31,886	\$ 168,114
Operating - petroleum	<u>100,000</u>	<u>-</u>	<u>49,537</u>	<u>49,537</u>	<u>50,463</u>
	<u>300,000</u>	<u>-</u>	<u>81,423</u>	<u>81,423</u>	<u>218,577</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	(81,423)	<u>\$ (81,423)</u>	<u>\$ (81,423)</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund deficit, end of year, June 30			<u>\$ (81,423)</u>		

Town of Siler City, North Carolina
Capital Projects Fund (Library Repairs)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Expenditures					
Cultural and recreational:					
Construction	\$ 228,146	\$ -	\$ 114,073	\$ 114,073	\$ 114,073
	<u>228,146</u>	<u>-</u>	<u>114,073</u>	<u>114,073</u>	<u>114,073</u>
Revenues under expenditures	(228,146)	-	(114,073)	(114,073)	114,073
Other financing sources					
Transfers from:					
General fund	<u>228,146</u>	<u>-</u>	<u>228,146</u>	<u>228,146</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	114,073	<u>\$ 114,073</u>	<u>\$ 114,073</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund balance, end of year, June 30			<u>\$ 114,073</u>		

Town of Siler City, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
With Comparative Amounts for the Fiscal Year Ended June 30, 2018

(3 pages)

	2019		Variance	2018
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues				
Operating revenues:				
Water sales	\$ 3,306,134	\$ 3,671,124	\$ 364,990	\$ 3,250,322
Sewer sales	2,404,389	2,747,092	342,703	1,795,485
Water and sewer taps	3,000	3,983	983	3,600
Reconnection fees	91,331	90,104	(1,227)	94,970
Water meter installation	4,000	2,061	(1,939)	753
Other operating revenue	18,700	29,650	10,950	83,649
Total operating revenues	5,827,554	6,544,014	716,460	5,228,779
Nonoperating revenues:				
Interest earned on investments	8,000	18,434	10,434	12,014
	8,000	18,434	10,434	12,014
Total revenues	5,835,554	6,562,448	726,894	5,240,793
Expenditures				
Administration:				
Salaries and employee benefits		219,624		235,674
Other operating expenditures		123,164		72,531
	380,207	342,788	37,419	308,205
Water operations:				
Salaries and employee benefits		316,194		269,789
Other operating expenditures		988,044		864,014
Capital outlay		120,323		13,796
	1,505,049	1,424,561	80,488	1,147,599
Sewer operations:				
Salaries and employee benefits		380,692		327,047
Other operating expenditures		1,220,107		905,513
Capital outlay		61,359		63,583
	1,715,274	1,662,158	53,116	1,296,143
Water and sewer maintenance:				
Salaries and employee benefits		316,885		294,779
Other operating expenditures		171,830		176,638
Capital outlay		7,550		113,562
	554,709	496,265	58,444	584,979
Risk management:				
Other operating expenditures	382,300	277,055	105,245	242,334

Town of Siler City, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
With Comparative Amounts for the Fiscal Year Ended June 30, 2018

(3 pages)

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Debt service:				
Interest and fees		\$ 259,049		\$ 280,477
Debt principal		865,000		842,000
Lease obligation payments		56,099		67,537
	<u>1,298,015</u>	<u>1,180,148</u>	<u>\$ 117,867</u>	<u>1,190,014</u>
Total expenditures	<u>5,835,554</u>	<u>5,382,975</u>	<u>452,579</u>	<u>4,769,274</u>
Revenues over expenditures	<u>-</u>	<u>1,179,473</u>	<u>1,179,473</u>	<u>471,519</u>
Other financing sources (uses)				
Transfers to capital project funds	(90,604)	(90,604)	-	(46,700)
Proceeds from issuance of capital lease obligations	-	-	-	82,897
	<u>(90,604)</u>	<u>(90,604)</u>	<u>-</u>	<u>36,197</u>
Revenues and other sources over expenditures and other uses	<u>(90,604)</u>	<u>1,088,869</u>	<u>1,179,473</u>	<u>507,716</u>
Fund balance appropriated	<u>90,604</u>	<u>-</u>	<u>(90,604)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>1,088,869</u>	<u>\$ 1,088,869</u>	<u>\$ 507,716</u>

Town of Siler City, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
With Comparative Amounts for the Fiscal Year Ended June 30, 2018

(3 pages)

Reconciliation of modified accrual basis to full accrual basis:

Net change in fund balance	\$ 1,088,869
Net payments of long-term debt principal	865,000
Payment of capital lease obligation	56,099
Grant revenue from Water and Sewer Capital Projects Funds	2,904,733
Capital outlay	189,232
Depreciation	(999,170)
Increase in accrued vacation pay	(18,486)
Increase in unavailable grant revenue	769,551
Increase in net pension liability - LGERS	(139,200)
Increase in deferred outflows of resources - pensions (LGERS)	108,944
Decrease in deferred inflows of resources - pensions (LGERS)	5,180
Decrease in total OPEB liability	6,153
Increase in deferred outflows of resources - OPEB	7,469
Increase in deferred inflows of resources - OPEB	(20,572)
Decrease in interest expense accrual	1,583
Transfer to Water and Sewer Capital Projects Funds	<u>90,604</u>
Change in net position	<u><u>\$ 4,915,989</u></u>

Town of Siler City, North Carolina
Water and Sewer Capital Reserve Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
Investment earnings	\$ 204,000	\$ 197,572	\$ -	\$ 197,572	\$ (6,428)
Other financing sources (uses)					
Transfers from:					
Water & Sewer Fund	1,560,000	1,443,799	-	1,443,799	(116,201)
Transfers to:					
Water & Sewer Capital Projects Fund	(1,164,000)	(1,163,427)	-	(1,163,427)	573
Water & Sewer Fund Debt Service	(600,000)	(477,111)	-	(477,111)	122,889
Total other financing sources (uses)	(204,000)	(196,739)	-	(196,739)	7,261
Revenues and other financing sources over other uses	<u>\$ -</u>	<u>\$ 833</u>	-	<u>\$ 833</u>	<u>\$ 833</u>
Fund balance, beginning of year, July 1			<u>833</u>		
Fund balance, end of year, June 30			<u>\$ 833</u>		

Town of Siler City, North Carolina
Capital Project Fund (Wastewater Collection System Improvements)
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
Federal grant proceeds	<u>\$ 2,000,000</u>	<u>\$ 109,276</u>	<u>\$ 169,909</u>	<u>\$ 279,185</u>	<u>\$ (1,720,815)</u>
Expenditures					
Water and sewer:					
Construction	1,656,884	-	-	-	1,656,884
Engineering and design	273,720	87,666	128,679	216,345	57,375
Administration	150,000	21,830	50,245	72,075	77,925
Legal	10,000	-	-	-	10,000
Total expenditures	<u>2,090,604</u>	<u>109,496</u>	<u>178,924</u>	<u>288,420</u>	<u>1,802,184</u>
Other financing sources					
Transfers from Water and Sewer Fund	<u>90,604</u>	<u>-</u>	<u>90,604</u>	<u>90,604</u>	<u>-</u>
Total other financing sources	<u>90,604</u>	<u>-</u>	<u>90,604</u>	<u>90,604</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (220)</u>	81,589	<u>\$ 81,369</u>	<u>\$ 81,369</u>
Fund deficit, beginning of year, July 1			<u>(220)</u>		
Fund balance, end of year, June 30			<u>\$ 81,369</u>		

Town of Siler City, North Carolina
Capital Project Fund (CAM Water System Extension)
Schedule of Revenues, Expenditures and Changes in Fund Deficit -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
State grant proceeds	\$ 4,000,000	\$ -	\$ 2,734,824	\$ 2,734,824	\$ (1,265,176)
Expenditures					
Water and sewer:					
Construction	3,454,000	162,435	3,181,462	3,343,897	110,103
Administration - observation	140,000	25,200	101,500	126,700	13,300
Bid award - permits	20,000	20,585	-	20,585	(585)
Testing	28,000	-	-	-	28,000
Legal & administrative	50,000	-	-	-	50,000
Contingency	308,000	-	-	-	308,000
Total expenditures	4,000,000	208,220	3,282,962	3,491,182	508,818
Revenues over (under) expenditures	\$ -	\$ (208,220)	(548,138)	\$ (756,358)	\$ (756,358)
Fund deficit, beginning of year, July 1			(208,220)		
Fund deficit, end of year, June 30			\$ (756,358)		

Town of Siler City, North Carolina
Capital Project Fund (Wastewater Treatment Plant Improvements)
Schedule of Revenues, Expenditures and Changes in Fund Deficit -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
State grant proceeds	\$ 2,352,513	\$ -	\$ -	\$ -	\$ (2,352,513)
Expenditures					
Water and sewer:					
Administration	20,000	-	3,000	3,000	17,000
Engineering and design	470,000	75,860	174,200	250,060	219,940
Construction	3,800,000	-	-	-	3,800,000
Loan and grant closing fee	81,725	-	-	-	81,725
Contingency	380,000	-	-	-	380,000
Total expenditures	<u>4,751,725</u>	<u>75,860</u>	<u>177,200</u>	<u>253,060</u>	<u>4,498,665</u>
Revenues under expenditures	<u>(2,399,212)</u>	<u>(75,860)</u>	<u>(177,200)</u>	<u>(253,060)</u>	<u>2,146,152</u>
Other financing sources					
Transfers from Water and Sewer Fund	46,700	46,700	-	46,700	-
Proceeds from installment purchases	<u>2,352,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,352,512)</u>
Total other financing sources	<u>2,399,212</u>	<u>46,700</u>	<u>-</u>	<u>46,700</u>	<u>(2,352,512)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (29,160)</u>	<u>(177,200)</u>	<u>\$ (206,360)</u>	<u>\$ (206,360)</u>
Fund deficit, beginning of year, July 1			<u>(29,160)</u>		
Fund deficit, end of year, June 30			<u>\$ (206,360)</u>		

Town of Siler City, North Carolina
Capital Projects Fund (Wastewater Asset Inventory and Assessment)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
State grant proceeds	\$ 150,000	\$ -	\$ -	\$ -	\$ (150,000)
Expenditures					
Water and sewer:					
Engineering and design	\$ 140,000	\$ -	\$ -	\$ -	\$ 140,000
Software	10,000	-	-	-	10,000
	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Revenues over expenditures	-	-	-	-	-
Other financing sources					
Transfers from:					
General fund	-	-	-	-	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund balance, end of year, June 30			<u>\$ -</u>		

Town of Siler City, North Carolina
Capital Projects Fund (Water Asset Inventory and Assessment)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
State grant proceeds	\$ 95,000	\$ -	\$ -	\$ -	\$ (95,000)
Expenditures					
Water and sewer:					
Engineering and design	\$ 95,000	\$ -	\$ -	\$ -	\$ 95,000
Revenues over expenditures	-	-	-	-	-
Other financing sources					
Transfers from:					
General fund	-	-	-	-	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year, July 1			-		
Fund balance, end of year, June 30			<u>\$ -</u>		

Town of Siler City, North Carolina
License Plate Agency
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
With Comparative Amounts for the Fiscal Year Ended June 30, 2018

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Revenues				
Operating revenues:				
License plate agency fees	\$ 98,450	\$ 116,576	\$ 18,126	\$ 113,781
Notary fees	34,000	42,343	8,343	41,481
Other operating revenues	3,700	3,868	168	3,679
Total revenues	<u>136,150</u>	<u>162,787</u>	<u>26,637</u>	<u>158,941</u>
Expenditures				
Operating expenditures:				
Salaries and employee benefits		119,102		119,904
Other operating expenditures		7,468		5,761
Total expenditures	<u>136,150</u>	<u>126,570</u>	<u>9,580</u>	<u>125,665</u>
Revenues over expenditures	<u>\$ -</u>	<u>36,217</u>	<u>\$ 36,217</u>	<u>\$ 33,276</u>
Reconciliation of modified accrual basis to full accrual basis:				
Decrease in accrued vacation pay		1,156		
Depreciation		(1,199)		
Increase in net pension liability		(10,191)		
Increase in deferred outflows of resources - pensions		7,967		
Decrease in deferred inflows of resources - pensions		435		
Decrease in total OPEB liability		324		
Increase in deferred inflows of resources - OPEB		(1,082)		
Change in net position		<u>\$ 33,627</u>		

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Supplementary Financial Data

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Town of Siler City, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2019

	<u>Uncollected Balance July 1, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 2,426,596	\$ 2,383,833	\$ 42,763
2017-2018	70,200		56,644	13,556
2016-2017	12,253		5,572	6,681
2015-2016	5,993		2,034	3,959
2014-2015	5,171		2,149	3,022
2013-2014	7,790		1,625	6,165
2012-2013	7,241		1,096	6,145
2011-2012	8,949		641	8,308
2010-2011	6,171		706	5,465
2009-2010	4,621		130	4,491
2008-2009	7,351		7,351	-
	<u>\$ 135,740</u>	<u>\$ 2,426,596</u>	<u>\$ 2,461,781</u>	100,555
Less allowance for uncollected taxes receivable General fund				<u>(36,000)</u>
Ad valorem taxes receivable, net				<u>\$ 64,555</u>
Reconciliation with revenue:				
Taxes				\$ 2,527,650
Penalties and interest				21,285
Refunds				-
Taxes written off				7,351
Other adjustments				<u>(94,505)</u>
Total collections and credits				<u>\$ 2,461,781</u>

Town of Siler City, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2019

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 476,108,039	\$ 0.51	\$ 2,428,151	\$ 2,193,211	\$ 234,940
Motor vehicles taxed at prior year's rate	-	0.51	-	-	-
Late list penalties	-		3,758	3,758	-
	<u>476,108,039</u>		<u>2,431,909</u>	<u>2,196,969</u>	<u>234,940</u>
Discoveries:					
Adjustments at current year's rate	<u>671,435</u>	0.51	<u>3,424</u>	<u>3,424</u>	<u>-</u>
	<u>476,779,474</u>		<u>2,435,333</u>	<u>2,200,393</u>	<u>234,940</u>
Abatements:					
Current year's rate	(1,710,196)	0.51	(8,722)	(4,676)	(4,046)
Prior year's rate	<u>(2,941)</u>	0.51	<u>(15)</u>	<u>-</u>	<u>(15)</u>
	<u>(1,713,137)</u>		<u>(8,737)</u>	<u>(4,676)</u>	<u>(4,061)</u>
Total property valuation	<u>\$ 475,066,337</u>				
Net levy			2,426,596	2,195,717	230,879
Uncollected taxes at June 30, 2019			<u>(42,763)</u>	<u>(42,763)</u>	<u>(0)</u>
Current year's taxes collected			<u>\$ 2,383,833</u>	<u>\$ 2,152,954</u>	<u>\$ 230,879</u>
Percent of current year taxes collected			<u>98.24%</u>	<u>98.05%</u>	<u>100.00%</u>

Compliance Section

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

Honorable Mayor and
Town Commissioners
Siler City, 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 basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Siler City, North Carolina ("Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated May 28, 2020. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Town of Siler City ABC Board, as described in our report on the Town's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Siler City ABC Board were not audited in accordance with *Government Auditing Standards*.

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'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be material weaknesses. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Town's Response to Findings

The Town's response to the noncompliance findings identified in our audit is described in our audit report described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**High Point, North Carolina
May 28, 2020**

Independent Auditors' Report on Compliance for the Major Federal Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

Honorable Mayor and
Town Commissioners
Siler City, North Carolina

Report on Compliance for the Major Federal Program

We have audited the Town of Siler City, North Carolina's ("Town") 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 the Town's major federal program for the year ended June 30, 2019. The Town's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program 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 Audit Implementation Act. Those standards, and 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 a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town'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 the major federal program. However, our audit does not provide a legal determination on the Town's compliance.

Opinion on Major Federal Program

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

Report on Internal Control over Compliance

Management of the Town 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 internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and 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 material weaknesses or significant deficiencies. 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 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

High Point, North Carolina
May 28, 2020

Independent Auditors' Report on Compliance for the Major State Program and on Internal Control over Compliance; In Accordance with Applicable Sections of OMB Uniform Guidance and the State Single Audit Implementation Act

Honorable Mayor and
Town Commissioners
Siler City, North Carolina

Report on Compliance for the Major State Program

We have audited the Town of Siler City, North Carolina's ("Town") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on the Town's major state program for the year ended June 30, 2019. The Town's major state program is identified in the summary of auditors' 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 state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major state program 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 applicable sections 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 Audit Implementation Act. Those standards and 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 a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town'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 the major state program. However, our audit does not provide a legal determination on the Town's compliance.

Opinion on Major State Program

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

Report on Internal Control over Compliance

Management of the Town 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 internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, 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 material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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.

Dixon Hughes Goodman LLP

High Point, North Carolina
May 28, 2020

Schedule of Findings and Questioned Costs

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiency(s) Yes X None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes X No
- Significant deficiency(s) Yes X None reported
- Noncompliance material to federal awards? Yes X No

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Section 200.516(a)?

 Yes X No

Identification of major federal program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

 Yes X No

**Town of Siler City, North Carolina
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

State Awards

Internal control over major state programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified that are not
 considered to be material weaknesses Yes X None reported
- Noncompliance material to state award Yes X No

Type of auditors' report issued on compliance for
major state program: Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the State Single
Audit Implementation Act? Yes X No

Name of State Program

Gold Leaf Foundation

II. Financial Statement Findings

Finding 2019-001: Internal Control over Financial Reporting

Material Weakness

Criteria: Certain accounts were not properly reconciled and adjusted as of June 30.

Condition: Reconciliations of certain accounts receivable, accounts payable, grant revenue and capital outlay accounts were not being performed and reviewed in a timely manner in the capital projects funds.

Cause: The Town did not follow proper review and reconciliation processes for capital project fund expenditures that had been incurred, along with the related grant proceeds.

Effect: The initial failure to record various capital project expenditures resulted in material adjusting journal entries during the audit process.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2018-001.

Recommendation: We recommend the Town establish more effective review procedures surrounding the account reconciliation policies and procedures, including the review of reconciliations of all accounts on a routine basis, whether monthly, quarterly or annually, based on the specific accounts and the nature of activity during the year. Certain areas where we noted the need for more effective review and reconciliation policies and procedures include the following balance sheet accounts:

- Capital outlays
- Accounts receivable
- Accounts payable
- Deferred revenues
- Grant revenues

View of responsible official and planned corrective action: The Town agrees with this finding. Please refer to the corrective action plan.

Finding 2019-002: Segregation of Duties

Material Weakness

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: Certain accounting processes are performed without a proper level of review.

Cause: There is a limited number of personnel for certain functions.

Effect: Transactions could be mishandled.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2018-002.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Town of Siler City, North Carolina
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

View of responsible official and planned corrective action: The Town agrees with this finding. Please refer to the corrective action plan.

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

No findings noted.

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

No findings noted.



Town of Siler City

CORRECTIVE ACTION PLAN

Financial Statement Findings

Finding: 2019-001

Name of contact person: Tina Stroupe, Finance Director

Corrective action: The Town will implement processes during the fiscal year to ensure a timelier, progressive approach is taken for reconciliation and review of capital project liabilities, revenues and long-term debt.

Proposed completion date: 06/30/2020.

Finding: 2019-002

Name of contact person: Tina Stroupe, Finance Director

Corrective action: The Town has reviewed the State Treasurer's Memo 2015-15 "Internal Controls for a Small Unit of Government," and is in the process of transitioning responsibilities within the finance department to ensure segregation of duties is improved.

Proposed completion date: 06/30/2020.



Town of Siler City

**Town of Siler City, North Carolina
Summary Schedule of Prior Year's Audit Findings
Year Ended June 30, 2019**

Summary Schedule of Prior Year's Audit Findings

Finding: 2018-001

Status: The Town has a similar finding for the year ending 2019. See finding 2019-001.

Finding: 2018-002

Status: The Town has a similar finding for the year ending 2019. See finding 2019-002.

Finding: 2018-003

Status: The Town had no similar finding for the year ending 2019. This finding is considered to be cleared.

Town of Siler City, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2019

<u>Grantor/Program Title</u>	<u>Federal CFDA/ State Number</u>	<u>Grant Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
Federal grants:				
<u>U.S. Department of Transportation</u>				
Highway Planning and Construction Cluster: Passed through the NC Department of Transportation:				
Highway Planning and Construction (Federal Aid Highway Program):				
East Raleigh Street Sidewalk	20.205	51057.3.1	\$ 39,368	\$ -
Total Highway Planning and Construction Cluster			<u>39,368</u>	<u>-</u>
Airport Improvement Program:				
Airport Work Authorization #1	20.106	36237.5.13.1	17,633	-
Airfield Lighting Rehabilitation and Beacon Replacement	20.106	36237.5.14.1	<u>906,437</u>	<u>-</u>
Total Airport Improvement Program			<u>924,070</u>	<u>-</u>
Total Passed through NC Department of Transportation			<u>963,438</u>	<u>-</u>
Total U.S. Department of Transportation			<u>963,438</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through the NC Department of Environmental Quality				
Community Development Block Grants				
Wastewater Collection System Improvements	14.228	16-I-2927	<u>178,924</u>	<u>-</u>
Total Community Development Block Grants			<u>178,924</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>178,924</u>	<u>-</u>
<u>U.S. Environmental Protection Agency</u>				
Brownfields Assessment and Cleanup Cooperative Agreements				
	66.818	00D72718	<u>81,423</u>	<u>-</u>
Passed through the NC Department of Environmental Quality				
Capitalization Grants for Drinking Water State Revolving Funds:				
Water Treatment Plant Improvements	66.468	17.04006	<u>77,894</u>	<u>-</u>
Total Passed through NC Department of Environmental Quality			<u>159,317</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>159,317</u>	<u>-</u>
Total assistance - federal programs			<u>1,301,679</u>	<u>-</u>

Town of Siler City, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2019

(Continued)

<u>Grantor/Program Title</u>	<u>Federal CFDA/ State Number</u>	<u>Grant Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
State grants:				
<u>NC Department of Transportation</u>				
Direct Programs				
Powell Bill	DOT-4	2000026581	\$ -	\$ 115,385
Total NC Department of Transportation			-	115,385
<u>NC Department of Natural and Cultural Resources</u>				
Direct Programs				
Parks and Recreation Trust Fund				
Siler City Aquatic Facility	DNCR-7	2017-846	-	49,521
Total NC Department of Natural and Cultural Resources			-	49,521
<u>NC Department of Environmental Quality</u>				
Direct Programs				
NC Drinking Water Revolving Loan and Grant Program				
Water Treatment Plant Improvements	DEQ-17	H-SRP-D-17-0076	-	77,894
Total NC Department of Environmental Quality			-	77,894
<u>Golden Leaf Foundation</u>				
Direct Programs				
Economic Catalyst Grant Program				
Wastewater Collection System Improvements	N/A	FY2016-182	-	3,282,962
Water Treatment Plant Improvements	N/A	FY2018-077	-	19,867
Total Golden Leaf Foundation			-	3,302,829
Total assistance - state programs			-	3,545,629
Total assistance			\$ 1,301,679	\$ 3,545,629

Notes to Schedule of Expenditures of Federal and State Awards

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 Siler City 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Siler City has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.